ECONOMIC AND POLITICAL WEEKLY

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RAM JANMABHOOMI, CONSUMER IDENTITY AND IMAGE-BASED POLITICS

ELECTORAL REFORMS: A FARCE AND AN OPPORTUNITY

MAJOR'S LITTLE ENGLAND: CORPORATE MELTDOWN

REGIONAL POLITICS IN RUSSIA

QUALITY OF PRIVATE HEALTH CARE

BHOPAL COMPENSATION: A BLANKET TOO THIN

SOME ISSUES IN THE DEBATE ON POLICY

FUTURE OF DALIT-INTERMEDIATE CASTE ALLIANCE

Result of Planned Efforts

THE UNITED WESTERN BANK LTD., SATARA

HEAD OFFICE: 172/4, RAVIWAR PETH, POWAI NAKA, SATARA-415001.
AUDITED FINANCIAL STATEMENTS

HIGHLIGHTS OF PERFORMANCE

- **34% rise in deposits.**
- **32% rise in Foreign Exchange turnover.**
- **121% rise in Net Profit.**
- **Prudential accounting norms of RBI followed in toto.**
- **Bank's Shares listed at Pune & Bombay Stock Exchanges.**
- **Export Credit target exceeded.**

[Rs. in lacs]

BALANCE SHEET AS ON 31ST MARCH, 1994

	As on 31-03-94	As on 31-03-93
CAPITAL AND LIABILITIES		
Capital	12,00	9,00
Reserve & Surplus	25,74	21 72
Deposits	1103,76	825,59
Borrowings	20,64	51 01
Other Liabilities & Provisions	51,90	39,18
TOTAL	**1214,04**	**946,50**
ASSETS		
Cash & Balance with R B I	269,44	125,89
Balance with Banks & Money at Call & Short Notice	25,48	34,28
Investments	338,07	275,92
Advances	531,67	441,01
Fixed Assets	17 60	17,30
Other Assets	31 78	52,10
TOTAL	**1214,04**	**946,50**
Contingent Liabilities	272,92	191 17
Bills for Collection	83,30	56,41

[Rs in lacs]

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1994

	Year Ended 31 03 94	Year Ended 31 03 93		Year Ended 31 03.94	Year Ended 31.03 93
I. INCOME			**III. PROFIT/LOSS**		
Interest earned	110.72	96,96	Net Profit for the year	3,86	1,75
Other Income	19,16	11.65	Profit brought forward	—	—
TOTAL	**129,88**	**108,61**	**TOTAL**	**3,86**	**1,75**
II. EXPENDITURE			**IV. APPROPRIATIONS**		
Interest expended	73.77	66,90	Proposed Dividend	1,84	84
Operating Expenses	30,80	26,83	Transfer to Statutory Reserves	2,02	91
Provisions and Contingencies	21.45	13.13	Balance carried over to the B/S	—	—
TOTAL	**126,02**	**106,86**	**TOTAL**	**3,86**	**1,75**

FOR THE UNITED WESTERN BANK LTD.,

Place: Satara
Date: 17th June, 1994

(P. N. JOSHI)
CHAIRMAN & CHIEF EXECUTIVE OFFICER

Just a Beginning of Aggressive Banking !

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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Communal Discourse and Consumer Identity

Two streams of discourse, on economic liberalisation and Hinduisation, came to prominence in close proximity in the mid-80s, reinforcing each other but also interrupting and clashing periodically. Underlying the adaptation and encroachment of communal discourse within commodity culture is the rise to prominence of mass-mediated images as a centralised locus of social and political discourse. With this development emerges a new era of symbolic politics. 1659

Creating Common Ground

Academic responses on the government's new economic programmes have been predictable: most, though not all, left intellectuals have vehemently argued against the current initiatives, while those closer to the government have argued that the superstructure of economic governance and policy had long become dysfunctional and had to be reoriented or changed altogether. And yet there is a need to create common ground so that the hypotheses and fears on both sides are posed against facts. 1669

Unregulated, Unhealthy

The quality of care in the private health care sector is not only deteriorating badly, there is hardly any regulatory or monitoring mechanism in place in most states in the country. 1680

Overdue Reforms

While the proposed legislation on electoral reforms leaves much to be desired, the occasion provides an opportunity for wide ranging debate on these long overdue changes in the electoral process. 1635

Unresolved Issues

If the dalit-intermediate class alliance forged by the SP-BSP combine is to have a future, three issues have to be defined: dalit relations with the intermediate caste, the impact of the alliance on the Muslims, and the nature of dalits' relations with those outside this electoral alliance. 1640

Regional Demands

Regional elites in Russia constitute important players in the struggle for power and control of the great redivision of state property since economic and political reform efforts have to be implemented in the regions. 1647

Misdiagnosis?

Private sector investment in agriculture has certainly declined in the last few years. But does the solution lie in a further opening up of the sector, as the World Bank's country paper recommends? 1620

To Share Evenly

The current scheme for disbursing the Bhopal settlement is individual-based and fails to respond to the severe medical and social consequences of the disaster. What is needed is a community-based scheme. 1643

Doomed

The German take-over of Rover, once the pride of British automobile industry, is an undeniable sign of the rapid erosion of the manufacturing base in John Major's England. 1645

Devitalisation

The emerging attempt to incorporate women's studies within family studies is to immediately circumscribe the wider and more critical agenda of the former. 1686

LETTERS TO EDITOR

Action against Bretton Woods

JULY 1994 marks the 50th anniversary of the founding of the Bretton Woods Institutions: the World Bank (WB), the International Monetary Fund (IMF) and the General Agreement on Tarrifs and Trade (GATT). During this month, organisations from around the world will be expressing their concern over the destructive economic, social and environmental impact of these institutions. In the name of development (i e, the extension of capitalist markets to all corners of the world and all areas of production), the WB and IMF in the 1970s lent money to third world countries; in the 1980s, the manipulation of interest rates led to growing indebtedness and increased control of third world domestic economies and policies. As an additional consequence, nature has been destroyed at an unprecedented rate. The displacement of rural populations and forced urban migration worldwide have contributed to the lack of secure housing and access to land.

Women for a Just and Healthy Planet (Toronto) has been active in drawing attention to this issue and will be focusing our efforts in July 1994 on the cancellation of the external debt of the third world. Therefore, considering that the third world debt has been paid many times over, and that the transfer of wealth from the south to the north is $ 50 billion annually, causing: the disintegration of third world economies and societies; the destruction of third world peoples, the degradation of local and global environments; dictatorship, militarism, and violence against women; forced migration producing millions of refugees, production of coca (cocaine) and opium (heroin) as cash crops for international trade; and a real risk that Canadians will continue to have to bail out Canadian commercial banks due to tax write-offs for uncollected debt. We request your assistance in mobilising support for actions demonstrating against the international financial institutions and commercial banks. July, 1994 is 'Freedom from the Debt Month', on that month in each country worldwide, people will mobilise to carry out activities according to their particular situations and contexts to inform the public about the debt and demand its cancellation. Activities could also include street demonstrations, strikes, conferences, a letter or postcard writing campaign, media work, lobbying politicians or publishing an edition of your newsletter devoted to this subject.

We are encouraging other groups who share our concerns to take action as part of this international movement. In support of third world countries, some very clear messages should be sent to the commercial banks. For instance, on July 14, in Canada we are organising to have people withdraw funds from the Royal Bank, Toronto Dominion Bank, Scotia Bank, Canadian Imperial Bank of Commerce and Bank of Montreal, which are involved in environmentally and socially destructive activities in regions where commercial banks are very active, such as Latin America, the Caribbean and the Philippines. People could be encouraged to cut up their bank cards and to turn to alternatives such as co-operatives and credit unions.

In carrying out these activities, we propose integration of the following: (1) Sensitising people to the effects of the external debt, stabilisation, structural adjustment programmes and free trade (as exemplified, for instance, by NAFTA) on the daily lives of people in the third world; (2) Incorporating the debt issue into all further work, workshops, conferences, forums, in order to put the reality of the debt back into public discussion and to avoid talking vaguely of an unnamed crisis, (3) Relying on international information media networks, who will use their position to point out the effects of the external debt, structural adjustment, free trade and the stabilisation policies implemented in various regions; and (4) In July 1994, the Bretton Woods Institutions will be 50 years old. We propose that the feminis movement, and the Habitat Internationa Coalition Women and Shelter Network, together with the International Debt Trea Movement, which was organised in Brazi in 1992 during the Earth Summit, present information about the consequences of the external debt and debt financing policies on women, children and the environment. Women for a Just and Healthy Planet (Toronto) is working on documenting information and publishing a pamphlet to provide to the general public.

Each action will be part of an organisation's or network's own campaign, with its own demands. What unites us is our common concern. NGOs in India, the US, Canada, Latin America, the Caribbean, parts of Europe and Africa have already begun organising for July. For information on the July 14 Action, please check E-m il PLANETWO@WEB.APC ORG. You may also wish to contact International Month of Action, c/o Eurodad, P O Box 100, London SE1 7RT, UK. When you take-action in July, make sure that everyone knows that you are one of hundreds of groups around the world who are concerned about the negative impact of the Worl Bank and the IMF.

WOMEN FOR A JUST AND HEALTHY PLANET

Toronto,
Canada

ECONOMIC
AND
POLITICAL

A Place for Women

TO suggest that Maharashtra's recently announced policy for women is a synthetic product of the government's effort to co-opt progressive agendas may appear to devalue the entire democratic process established in the course of evolving this document. Yet, the document not only makes a mockery of the concept of women's empowerment but seeks to channelise the aspirations of the mass of women and the demonstrated mobilising strength of the women's movement towards the long-term economic and political goals of the Indian state. It is a perceptive and well-designed effort to mend the widening rend in the social fabric by putting in place weak and temporary structures and systems in the absence of people-oriented economic transformation.

Ostensibly, the policy is in the tradition set in the 1970s when the new approach towards women as something other than recipients of welfare began to evolve. The goal is therefore to ensure the "improvement in the physical, mental and emotional quality of life of women" so that, through them "the society and the country can truly benefit from accelerated growth and development". The government also recognises the need to evaluate "the existing traditions and ideas on societal roles and relationships". In other words, the new woman of Maharashtra is to be accorded a role in the emerging 'growth and development' programme of the state.

The policy proposes to achieve these objectives by empowering women. Adequate and meaningful representation is to be given to women at all levels of decision-making: political, financial and administrative. This translates into making statutory provisions for reserving 10 per cent of all land and income at the gram panchayat level under the control of women's committees to be used for enhancing women's incomes. Similarly government allotments, primary membership of societies, etc. will be in the joint names of husband and wife. These are perhaps the most constructive aspects of the policy. If implemented, these measures will go a long way towards ensuring economic status to women, which will in turn provide a base for enhancing their social status. The problem is, however, to implement them in the face of the expected opposition, especially at the local level: a firmly entrenched male-dominated bureaucracy and the village leadership.

Not surprisingly, it is in the area of employment that the policy comes into its own. In the organised sector, it hopes to achieve its objective of empowering women by promoting women friendly practices such as introducing flexitime, short-term contracts, etc. setting up day care centres in government offices; and employing special squads to monitor the implementation of labour laws, etc. Great emphasis is given to promoting self-employment by providing training facilities, creating special agencies for access to markets and meeting credit requirements. But nowhere in all this is there even a passing concern for the rapid loss of jobs occurring because of the government's new economic and labour policies, a development which has demonstrably affected women most. In fact, there is a tacit understanding that this is an inevitable process which cannot be stalled, hence the development of 'alternative' employment fields. The creation of such employment is certainly to be valued, but not in the context of growing large-scale unemployment in the mainstream. If the state is sincerely concerned with women's empowerment then it is these areas which need to be tackled.

A further blind spot is the policy's note on health. There seems to be an utter lack of comprehension of the enormous morbidity burden women bear and of the tremendous and increasing difficulties they face in accessing efficient, effective and free health services. The public health sector especially in Maharashtra has already been subject to severe distortions because of the withdrawal of state investment and in a resource constrained environment, women's health needs suffer most.

The policy delineates a scheme proposing monetary compensation for women who delay child-bearing. This is indeed ironic. There are any number of studies to show that a family's decision to have a child is not taken lightly or that it may be reversed in return for monetary compensation. Moreover, the women's movement and health groups have repeatedly stressed the non-availability of safe and effective contraceptives as a factor contributing to large families. Clearly the small family norm is very much on the agenda of the state regardless of women's priorities.

Another aspect of empowerment is spelt out in the policy's intentions on improving the social status of women. "So that every woman can live without fear of physical or emotional violence" the state will take steps to reorient and retrain its police force, to induct more women in the police force and identify areas in metropolitan cities where atrocities are high and set up women-headed police stations there, and so on. Undoubtedly there is a need for efficient and responsive law enforcement mechanisms. However, violence in civil society, of man on woman, woman on woman, woman on child, is as much rooted in a patriarchal, hierarchical society as it is a consequence of increasing social stress generated by economic insecurity, whether it be fuelled by consumerist notions of success or because of the lack of the wherewithal for food, clothing and shelter. Moreover, the state's strong arm, no matter how well 'gender-sensitised', is unlikely to be pro-people, and therefore pro-women.

There is much to be said about the political acumen of the state's chief minister that the process set in motion for evolving the policy ensured the involvement of women's groups and organisations. And this was not merely a pre-election gimmick. There is much more at stake here. Maharashtra's acknowledgedly vocal women's and other pro-people's movements have to be brought into the mainstream of state policies, as partners, however reluctant, and not opponents. Towards this end the new woman has to be contoured, and recognised and accorded a role.

INVESTMENT IN AGRICULTURE

Creating Illusions

THE deceleration in growth of private investment in agriculture has been singled out by the World Bank for detailed analysis in its latest country paper. And not unexpectedly it tries to fit its diagnosis to preconceived prescriptions.

From an average annual growth of about 2.8 per cent per annum during the 1970s, the gross capital formation in agriculture in real terms by private households grew at the rate of 1.9 per cent during the 1980s. A further decline in private investment in the sector was evident in the early years of the 1990s. The total gross capital formation in agriculture at 1980-81 prices, which had experienced an absolute fall from Rs 4,636 crore in 1980-81 to Rs 4,014 crore in 1985-86, showed a slight recovery in the second half of the 1980s but the figure at Rs 4,642 crore in 1990-91 was the same as a decade ago. In the subsequent two years the decline continued to Rs 4,581 crore in 1991-92 and Rs 4,567 crore in 1992-93 Considering the fact that overall domestic investment was sluggish during 1993-94, the investment in agriculture was unlikely to have been larger than in the previous year. Besides, during 1992-93 and 1993-94 a relatively larger proportion of the gross capital formation has been in the form of build-up of additional stocks of foodgrains. Therefore, the size of gross fixed capital formation in real terms would have dipped to a much lower level than what it was in the early 1980s.

The erosion in the investment base of agriculture is brought out more pointedly when we relate agricultural capital formation to the total domestic capital formation or to the sector's own gross domestic product (GDP). As percentage of the economy's total capital formation, agricultural investment fell from 15.0 per cent in 1980-81 to 12.2 per cent in 1985-86, to 8.3 per cent in 1990-91 and finally to 7.9 per cent in 1992-93. Alternatively, as a proportion of GDP originating in agriculture, such investment steadily declined during the same years from 10.9 per cent to 8.7 per cent, 7.5 per cent, and 7.3 per cent, respectively.

Separate information on public and private investment in agriculture is not available for the recent period. Available information for the decade 1980-81 to 1990-91 suggests that public sector investment experienced the more conspicuous decline in real terms, that is, from Rs 1,796 crore in 1980-81 to Rs 1,221 crore in 1990-91. Private investment grew from Rs 2,840 crore to Rs 3,421 crore during the decade, thus showing, as the World Bank has revealed, an annual growth of 1.9 per cent. Certainly, this represents a deceleration in growth as compared with the growth in the previous decade, or in a proportion of aggregate private investments and sectoral GDP, there occurred a decline.

The greatest hindrance to stimulating private investment in agriculture, it has been recognised, lies in the persistent decline in public investment. Even while recognising this fact, the World Bank's document misplacedly emphasises tangential issues as hindering private investment. According to the World Bank the three other constraints hindering private investment are: implicit taxation of agriculture through a number of 'crude' policy instruments such as external trade restrictions and domestic price interventions; the current policy regimes with sweeping powers to control and regulate the production, supply, distributions and prices of essential commodities under the Essential Commodities Act; and the continued dependence of private investment in agro-processing industries on government licences and small-scale reservation policies "which restrict the setting up of large plants for rice and pulse milling, processing of wheat products like bread, biscuits, pastry, confectionery, ice cream, pickles, poultry feed and some oilseeds". In other words the Bank contends that corporate and multinational investment be permitted in the agricultural sector as well as in agro-processing industries.

Interestingly, the World Bank's own study shows that public investment in agriculture accounted for 90 per cent of the observed short-term aggregate output growth during the 1970s. Research conducted on the basis of data over the 1960s and 1970s has suggested that public investment in rural physical infrastructure (roads, electrification, canal irrigation, telecommunications), rural services (markets, agricultural research, and extension) and human resource development have stimulated private investment in agriculture and financial intermediation in rural areas and thus, on total capital accumulation in the sector. Ignoring such strong evidence the World Bank study dilates a great deal on marginal issues and suggests, by implication, corporalisation of agriculture and of economic activities around it.

Further, a significant rise in private investment in agriculture occurred during the 1960s and 1970s—precisely when the restrictive policy regime, castigated by the World Bank now, was much more rigorous than now. Secondly, the 1980s have seen significant relaxation of the various regulatory provisions. In fact, the Essential Commodities Act, 1955 is known to have been observed more in breach since the beginning of the 1980s. Thirdly, various implicit and explicit subsidies for food distributions, fertilisers, power consumption by farmers and irrigation which are said to have crowded out more productive forms of spending on agriculture, are a logical consequence essentially of the fact that the effective purchasing power of the mass of Indian population is truly weak. Within agriculture in general and in foodgrains production in particular also there would have been further deterioration in the structure of output against foodgrains, and within foodgrains, against pulses and such other protein-rich items. Finally, an important factor that the World Bank study seems to have consciously left out, because it does not fit into its market-dependent philosophy, relates to institutional factors like land reforms, the inadequacy of which has contributed a great deal to the lack of impetus to private household investment in agriculture.

Without the bulky and comprehensive infrastructural public investment in the rural sector the complementary private investment cannot take place in sufficient amount. And the World Bank's hope that the gap in investment in the sector because of the alarming decline in public inputs can be filled by the private sector if regulatory constraints are removed is illusory.

JANATA DAL

Splintered

IN September 1993 when some splinter groups of the Janata Dal had decided to merge, it was speculated, given the history of the Dal and of its predecessor the Janata Party, that the Dal may split again. That split came when Ajit Singh, leader of one of the factions, defected to join the Congress (I). However, the defection of Ajit Singh only nominally marked a split, for the splinter groups had never formally merged. Therefore the recent split in which George Fernandes and 13 other party MPs have formed a separate group, only continues the process begun by Chandrashekhar in 1990 who separated to form the Samajwadi Janata Party.

These splits in the JD parliamentary party have had their repercussions in the states too, particularly those where the party had a substantial presence. Currently, the most damaging effect has manifested itself in UP where out of the 27 MLAs of the party after the 1993 assembly elections, 10 dissociated themselves in March 1994 to form the Samta Dal only to merge later with the Samajwadi Party. Of the remaining 17, seven joined the SP a couple of weeks ago. Four more MLAs have now become part of the Congress. Of the six JD MLAs now left in the party, at last four have already negotiated with the SP and may cross over to it any day. Although none of the party legislators in Bihar has defected to the new group so far, the position of the chief minister Laloo Prasad Yadav, who stays with the original group, is already shaky. Here, the attack is led by the kurmi MP Nitish Kumar who seems to have set his eyes on the post of the chief minister. It is also from Bihar that 10 of the 14 breakaway

MPs, including George Fernandes, represented the party. In Orissa, chief minister Biju Patnaik, who has always defied the central leadership of the party, is holding consulations with the SJP leader Chandrashekhar and intends to revive the old Janata Party.

The immediate factor that has led to the latest round of splits was the extremely poor performance of the party in the last assembly elections, to be found in its most concrete form in UP. It was the hope of winning in these elections that had revived the merger talks in the different Janata Dal groups on the eve of the elections. Once that hope was belied, the merger was not formalised and the groups retained their independent identities, blaming one another for the poor showing in the elections. It was only expected then that some of the party members would walk over to other parties, especially the Samajwadi Party of Mulayam Singh Yadav which, in alliance with the BSP, had formed the new government in UP.

Except in states like Bihar however, where the crisis in the Dal is rooted mainly in the ambitions of some local party leaders—such as Nitish Kumar who has been mobilising the kurmis to carve a niche for himself in state politics, and Laloo Prasad Yadav who has oriented his politics to preserve his standing among yadavs—the major reason for the intermittent splits in the party is the expropriation of its ideological plank by other political groups. This phenomenon has once again been most evident in UP where the SP and BSP, among themselves, split the votes of the dalits and OBCs in the 1993 assembly elections. With this base gone, socialistically-oriented leaders like Fernandes, who have no mass base of their own, were left with no *raison d'etre* to stay with the likes of Ram Vilas Paswan and Sharad Yadav, the self-professed leaders, respectively, of dalits and OBCs.

In his pronouncements so far, however, Fernandes has not made clear how his group's walking out of the already truncated Janata Dal would help realise the cause, if any, that the group champions, or how it would enable the leaders of the group to acquire a mass base they have always lacked. Perhaps the best strategy for the group would be to merge with a party better placed than itself to achieve its objectives. That would at least save it the embarrassment of a split within its own ranks at a later date!

INDIA DEVELOPMENT FORUM

Setting the Trap

THE meeting of the Aid-India consortium (rechristened the India Development Forum (IDF) this year) currently underway represents the culmination of the steady efforts of the past three decades by the west-dominated multilateral agencies to dismantle the Indian planning system. Earlier attempts to do so, around the 1966 devaluation and the external fund facility (EFF) of the International Monetary Fund in 1982; and in the mid-1980s during the early part of the Rajiv Gandhi era got aborted due to the domestic compulsions of the ruling politicians which in turn arose from the leverage that the forces representing labour and other vulnerable sections possessed then. The situation is quite different now.

The three factors that stand out in the pre-meeting statements and the deliberations during the meeting are: first, India's inability to absorb larger foreign aid due to centralised economic governance and insufficiency of domestic savings required for counterpart or supplementary funds; second, the increasing tendency of the industrialised nations to cut-back on aid; and finally, multilateral agencies' insistence on deeper structural adjustment programmes and their emphasis on promoting the flow of foreign direct investment and other private capital.

During the 1993 meeting, the aid-India consortium members had sought appropriate action on the estimated $ 19 billion of unutilised multilateral and bilateral aid in the pipeline between the central and state governments; in fact this total had risen to $ 32 billion. In response, the government had surrendered $ 2 billion of the unspent amount, and introduced a package of measures such as, permitting public sector undertakings and autonomous bodies to borrow, without the intermediation of the central government, on terms mutually agreed upon with the lending agencies, and disbursing to the state governments the aid money on the same terms as those obtained by the government of India. These no doubt positive measures could not resolve the basic problem of aid non-utilisation because public sector undertakings as well as the state governments had been squeezed of resources at the margin because of the structural adjustment programme.

The government of India has had to opt for a lower amount of aid commitment this year at $ 6 billion, as against $ 7.4 billion committed in 1993 and $ 7.2 billion in 1992. Most of the reduction is attributable to lower borrowings from the World Bank (from $ 3 billion to $ 2.2 billion) and the Asian Development Bank (from $ 1.17 billion to $ 708 million), with bilateral donors like Great Britain cutting aid by about $ 200 million. Japan, which remains the largest donor, is the only country which has hiked its aid from $ 1.11 billion to $ 1.2 billion. Of the $ 6 billion aid commitment this year, $ 2.3 billion has been by way of grants or interest-free loans against a little over $ 2.0 billion last year. There is no fast disbursing loan this year as it is no longer needed. The Indian officials have conceded that they would not like to contract for more commercial loans than can be absorbed and that they were looking for quality disbursements in the aid pipeline, i e, higher amounts of concessional aid and faster utilisation. Many important donor country representatives at the meeting were however, peeved at this characterisation of 'quality' disbursements which implied that they had not been giving quality aid in the past. A major change this year is that the IDA loan to the tune of over $ 3.5 billion is to be disbursed over three years for social sector development, that is, primary education, family planning, nutrition, endemic disease control and rural works programme.

The World Bank's argument that the large foreign exchange reserves (of over $ 15 billion) have brought about a paradigm shift insofar as the size of aid is concerned is obviously an attempt to force India to change track. While fast-disbursing loans may not be required, development finance is acutely needed, especially because the Indian domestic saving ratios are stagnating. Better aid utilisation requires growing rates of domestic saving. But the ratio of saving to GDP, which stagnated for over a decade, has received a further setback due to conspicuous consumption including gold and silver purchases encouraged under the new economic policy.

The new nomenclature of India Development Forum implies that India would now be obliged to opt for private capital flows essentially in the form of portfolio and foreign direct investments. Towards this end, apart from the aid negotiation meeting, the World Bank has organised direct interaction between a group of top Indian industrialists and over 100 western investors including multinational manufacturers and financiers consisting of bankers, merchant bankers and financial institutions. This interaction is sure to impose tremendous pressure on the Indian government to hasten the process of reforms. Already India has been made to commit itself to increasing power tariffs and coal prices. Secondly, the World Bank official associated with the meeting said that there had been a change in their approach to non-concessional aid, that they would "stand ready to support when institutional and policy conditions are met"; hence, he said, there would be a good deal of volatility in the World Bank lending to India. World Bank and IMF representatives and western donors have also emphasised that the liberalisation of the investment regime would not be translated into a rapid increase in private investment unless it was followed by reform of the policy framework at the macro and sectoral levels, restructuring and privatisation (whenever possible) of public enterprises, conversion of the BIFR into an effective mechanism to close ailing enterprises, devising an effective labour policy, liberalisation of consumer goods imports and the completion of the tax reform.

A vociferous demand by the high-powered team of foreign investors at the meeting was that the share ownership restrictions be done away with on the ground that "many companies would like to see more than 51 per cent ownership; they would like 70 to 80 per cent". Suggesting that it was "time India stopped asking who shall we admit"; they sought removal of restrictions such as two GDR issues per industrial group. Thus, it is clear that the new nomenclature is a trap: unless the Indian government gives in on these sensitive issues, multilateral aid flow will slow down and more significantly, even foreign direct investment will remain niggardly.

CUSTODIAL RAPE

Cover-Up

NEW DELHI's bumptious confidence in conning everyone into believing its blatant lies surpasses that of the most successful tricksters, as evident from its response to the UN Human Rights Commission special rapporteur's queries about the rape of women in police custody in India. Expressing serious concern over reports of such incidents, the special rapporteur, Nigel S Rodley, sent a letter to our government last August seeking clarification about allegations of police rape of "generally poor women and those from vulnerable low-caste and minority groups who are taken into custody as suspects, or as hostages for relatives wanted in criminal or political cases or in order to extort payment to secure their release".

As any common citizen in any part of India can testify, the above allegation certainly fits the Indian police like a glove! But, since the union home ministry, as well as its counterparts in the states, have apparently come to a tacit agreement that allows the police to enjoy, among other perks, the absolute right to rape women in their custody (or even outside), the government of India in its official reply to the UN special rapporteur has come out with the amazing statement that "the reference (by the special rapporteur) to the vulnerability of women to rape under detention was unfounded and did not conform to the facts". It has then added the pompous claim, "Specific and clear-cut provisions had been made in the Indian Penal Code defining the offence of rape in custody and introducing a presumption against the accused. Custodial rape, if proved, could carry a life sentence."

Whoever in the New Delhi bureaucracy drafted this reply (dated December 9, 1993), was either ignorant of or deliberately trying to gloss over, cases of rapes in police custody in Delhi during 1993—leave alone the previous years and other parts of the country. According to an exhaustive report of custodial rape in the capital compiled by the PUDR (People's Union for Democratic Rights), from January 1 till July 16, 1993, at least four cases of rapes by policemen were not only reported, but had to be taken notice of by the police authorities who either suspended or dismissed the guilty cops. As for the previous years, the record is even worse. To give a few examples, the country's apex court, the Supreme Court, sentenced at least six policemen to various terms of imprisonment (including one constable to 10 years of rigorous imprisonment) for committing rape in police stations in different parts of the country between 1978 and 1985. The victims were mainly women from homes of daily labourers, rickshaw pullers, and domestic helps. Faced with this unsavoury reality, how can any government official have the cheek to claim that the allegation of "rape under detention was unfounded and did not conform to the facts'?"

But New Delhi was more irked, quite understandably, by the special rapporteur's queries regarding allegations of torture by security forces in Punjab and Jammu and Kashmir, and by charges of 'enforced disappearances' of citizens in Punjab. The allegations related to "brutal torture and rape (in Jammu and Kashmir)... as a means of extracting information from detainees, coercing confessions or punishing persons believed sympathetic to the guerrilla forces..." In its usual knee-jerk reaction, the Indian government has responded to this by bleating out the excuse—"India faces a situation of terrorism of unparalleled ferocity. In this environment, the normal criminal laws of the land and the systems by which they are operated have been rendered ineffective and inadequate", thus justifying the use of TADA, the Armed Forces Act, and other draconian measures.

In a gentle tone of reproach, the special rapporteur, while responding to this excuse of New Delhi's, has expressed the hope that the "Government of India is not seeking to invoke this serious problem (of terrorism) to condone torture." As for Punjab, the UN Human Rights Commission's Working Group on Enforced or Involuntary Disappearances has raised at least 213 cases of such 'disappearances' with the Indian government till now. The government has responded in 66 of them, but the Working Group could accept only 19 out of them as proper 'clarifications'. Of these 19, three are located in prison, and three have been traced outside. The remaining 13—the government admits—were killed, whose bodies have been identified. This leaves 193 cases of 'disappearances' which the Indian government is yet to account for.

While our ministers and their officials can get away by fooling an obliging parliament and a gullible national media at home, such tricks do not appear to cut much ice with international experts in law and constitutional values.

SIKKIM

Old Tactics

WITH the merger of the Sikkim Sangram Parishad(S) and the Congress(I), the minority Sanchaman Limboo government in Sikkim is likely to continue in office till the fresh assembly elections are held in November. According to Congress(I) spokesperson V N Gadgil there is neither a constitutional crisis nor a breakdown of the law and order machinery warranting the dismissal of the Limboo ministry. The Congress(I) has thus openly supported the perpetuation of what is undoubtedly an unprecedented political situation: in a house of 32 legislators, 17 have resigned their seats, reducing the assembly to less than half its strength.

The events leading to this situation were initiated by Limboo on May 5, when he, with 15 of his supporters, revolted against the then chief minister Nar Bahadur Bhandari and became, subsequently, the chief minister. However, on June 17 Bhandari, with the backing of Pawan Chamling, the Sikkim Democratic Front (SDF) chief, persuaded 17 MLAs to resign from the assembly. These included two from the ruling Limboo group, S D Lepcha, a minister, and H T Bhutia. Ever since then Bhandari has been demanding the imposition of the president's rule in the state.

Limboo's rebellion was sparked by the decision of the union finance minister Manmohan Singh, on May 4, to withdraw the proposed income tax exemption to the tribal Bhutia and Lepcha communities in the state. That the decision was deliberately timed is shown by the fact that Nar Bahadur Bhandari, who hails from the Nepalese community, had been demanding extension of the proposed exemption also to the Nepalese. This provided Limboo and his followers, belonging mainly to the Bhutia and Lepcha communities, with an opportunity to blame Bhandari for the withdrawal of the proposed legislation. The merger of Limboo's party with the Congress(I) confirms that the latter used the issue of income tax exemption to engineer the fall of the Bhandari ministry and install its own.

Apart from the fact that through these manoeuvres the Congress(I) has succeeded, up to a point, in denting the popularity of Bhandari among the Bhutia and Lepcha communities, the installation of its own government would enable it to use the state machinery for the purpose of managing a victory in the November elections. It has also put chief minister Limboo in a position to lure back into his camp the two MLAs, out of the 17 who resigned, whose resignation the speaker has not yet accepted. If these MLAs do come back, Limboo will be heading, once again, a majority government. Till that happens, there is substance in the state CPI(M)'s demand that the assembly be dissolved and the elections to be held in November be pushed forward.

Vijay Growth

VIJAY GROWTH FINANCIAL SERVICES which has been promoted by D B Reddy, M N Bhatt and Andhra Pradesh Industrial Development Corporation (APIDC), is a category I merchant banker and is active in issue management, loan syndication, leasing, investment advisory services and other financial services. The company which has underwritten over 100 issues in the past several months and has lead managed eight public issues to date is now planning to expand its activity base by entering the field of portfolio management and also enlarging its operations in major metros and mini metros in addition to penetrating deeper in the Andhra Pradesh markets. To part finance its plans the company is entering the capital market with a public issue of 35,00,000 equity shares of Rs 10 each at par on July 11.

Pondicherry Spinners

Pondicherry Spinners plans to enter the capital market with one of the smallest public issues in recent times aggregating Rs 90 lakh to part finance the setting up of a 4,000 spindle plant as also to meet its working capital requirements. The plant will manufacture cotton yarn of count 42s (hank yarn) and is well located near the major cotton growing areas like Salem, South Arcot, North Arcot. The company plans to sell its yarn to Pondicherry's government-owned weaving and processing co-operative, Pontex which presently procures its requirements from the Karur and Erode at relatively higher rates due to transportation costs. The public issue will open for subscription on July 6.

Rattan Vanaspati

A joint venture between Pradeshiya Industrial and Investment Corporation of UP (PICUP) and Rattan Bhushan Jain and his associates, Rattan Vanaspati is setting up a plant to manufacture vanaspati with an installed capacity of 62.5 tpd. Rattan Bhushan Jain and his associates who will have a 24.8 per cent stake (excluding PICUP's 11.93 per cent stake) in the post equity capital of the company have established such names as 'Melmoware' (for melamine crockery) and 'Geeflo' (for ball-point pens) in the domestic market. The project which is to be set up at a total cost of Rs 10.9 crore has not suffered any cost overrun despite a delay in implementation of one and a half years. The vanaspati manufactured will be sold in the northern region through a distribution network of wholesalers and distributors under the company's own brand name. The company plans to part finance the project through a public issue of equity shares of Rs 10 each at par aggregating Rs 4.7 crore which will open for subscription on July 5.

Gagan Gases

Promoted by K B Maheshwary and K R Maheshwary, Gagan Gases is currently engaged in manufacturing industrial gases such as oxygen, nitrogen and by-product liquid nitrogen at its plant in Pithampur. The company now plans to manufacture various other industrial gases like dissolved acetylene (1,80,000 cubic metres), hydrogen (2,16,000 cubic metres), carbon dioxide (7,20,000 kg), high purity nitrogen (2,16,000 cubic metres) and LPG bottling (4,80,000 kg). The project which is to cost Rs 5.2 crore is to be part financed through a public issue of equity shares at par. The issue aggregating Rs 3.11 crore will open for subscription on July 6 and the promoters will have a 31.11 per cent stake in the post issue equity of the company. Commercial production is slated to commence by August 1994.

Livewell Home Finance

A Secunderabad-based company, Livewell Home Finance was promoted in 1991 by EVPS Krishna and M Konaraiah for providing long-term housing finance for purchase or construction of houses/flats by individuals. The company plans to substantially increase its operations and proposes to enter the capital market on July 4 with a public issue of equity shares at par aggregating Rs 2 crore. The balance of the project cost which is being undertaken at a total outlay of Rs 17.9 crore will be financed through reserves of Rs 51 lakh, public deposits of Rs 2.5 crore and secured loans of Rs 12.9 crore. The promoters' stake after the public issue will come down to 50 per cent

Moser Baer India

Moser Baer India which is engaged in the manufacture of time recorders, 5.25" floppy diskettes, 3.5" micro floppy diskettes (MFD) is now setting up a 100 per cent export-oriented unit (EOU) for the manufacture of 3.5" MFD with 1 MB and 2 MB storage capacity with an installed capacity of 12 million nos per annum. It also plans to manufacture 5.25"/3.5" head cleaning kits, fax cleaning kits, anti glare screens, computer printer and monitor stands and floppy storage boxes at its computer peripheral division. Originally expected to commence production in October 1993, the company has suffered a time overrun of eight months and is now expected to commence production in June 1994. The project which is being implemented at a total cost of Rs 21.26 crore will be part financed through a public issue of equity shares of Rs 10 each at par. The promoter, Deepak Puri who has an experience of around 28 years in the manufacture of aluminium wires, electrodes and floppy disks, will have a 36.75 per cent stake in the post issue equity of the company. The issue aggregating Rs 5 crore will open for public subscription on July 7.

Super Polyfabriks

Super Polyfabriks which is engaged in the manufacture of HDPE/PP woven sacks commenced commercial production of tyre cord, its diversification project, in September 1993. The company's new project which was set up at a total cost of Rs 4.3 crore is situated at village Khagat in Ludhiana. The present daily requirement of tyre cord in the district of Ludhiana is about 35 tonnes as against the availability of only 20 tonnes and the cycle, rickshaw and moped tyres produced in the district as also in Jalandhar presently constitute about 80 per cent of the country's total production. Despite this the company has entered into a marketing arrangement for up to 87.5 per cent of its production capacity with Govind Rubber, Ralson India and Speedways Rubber Company. Further it also plans to supply its output to Hindustan Tyres. To part finance the project the company plans to enter the capital market with a public issue of equity shares of Rs 10 each at par aggregating Rs 1.8 crore. The promoters will have a 40 per cent stake after the public issue which opens for subscription on July 4.

Sita Enterprises

Sita Enterprises which is engaged in the business of organising exhibitions, trade fairs and finance and investments has applied for Category-I Merchant Banker status and National Stock Exchange membership. The company plans to diversify into the exports of textiles, garments, jewellery, colour stones and shellac and other agro products in addition to expanding its activity base in financial services. The company is entering the capital market on July 4 with a public issue of equity shares at par aggregating Rs 75 lakh in order to get its shares listed on the stock exchange. Ashok Tulsian and associates, the promoters, will have a 75 per cent stake in the post issue equity capital of the company

Though the rise in equity price indices has receded somewhat during the past week, the underlying situation in the share market has been one of increased tempo of activity with the monthly turnover in non-specified shares (Rs 2,298 crore) crossing that in specified shares (Rs 1,033 crore) in April 1994 because the former now include PSU shares. The price-earning ratios remain high at over 47. FIIs have increased their purchases and begun to book profits, with their net monthly investment touching Rs 800 crore in May and the cumulative net investment crossing about Rs 6,350 crore or $ 2.0 billion. Employment Exchange Statistics for 1993-94 showed an increase in registrations and reductions in vacancies notified as well as placements affected.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	June 11, 1994	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
All Commodities	100.0	264.0	0.4	10.3	6.9	2.2	2.7	10.8	7.0	13.6	12.1
Primary Articles	32.3	268.7	0.3	11.4	3.7	3.7	3.9	11.5	3.0	15.3	17.1
Food Articles	17.4	297.0	1.4	8.0	1.7	5.9	2.4	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	282.8	–1.5	21.0	4.1	0.9	4.1	24.9	–1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	278.0	0.0	10.1	17.9	0.0	2.7	13.1	15.2	13.2	14.4
Manufactured Products	57.0	258.8	0.5	9.7	6.9	1.8	2.0	9.9	7.9	12.6	8.9
Food Products	10.1	269.0	1.2	10.9	10.4	6.7	8.1	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	286.7	1.3	9.0	4.5	6.2	4.2	7.0	5.8	17.2	16.8
All commodities (Average basis) (April-June 11, 1994)	100.0	262.0	–	7.3	8.7	10.9	7.1	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Industrial Workers (1982=100)	269[4]	0.7	9.8	6.1	0.7	0.8	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	221[12]	0.5	7.8	9.6	–	7.8		6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1165[4]	–0.9	12.1	–0.7	–0.9	–1.3	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	May 27, 1994	Variation: Over Month	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92
Money Supply (M3)	453648	6449 (1.4)	20082 (4.6)	17896 (4.9)	65827 (17.9)	49344 (15.5)	51653 (19.4)
Currency with the Public	91239	4047 (4.6)	9041 (11.0)	6660 (9.8)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	360441	2407 (0.7)	11601 (3.3)	8077 (2.7)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	215336	4807 (2.3)	11550 (5.7)	12076 (6.9)	22623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	239637	–913 (–0.4)	2434 (1.0)	2940 (1.3)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Net foreign exchange assets of the banking sector	58644	1523 (2.7)	4917 (9.2)	792 (3.2)	25912 (103.8)	3747 (17.7)	21205 (100.4)
Reserve Money (June 3, 1994)	149025	4338 (3.0)	10403 (7.5)	7635 (6.7)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre (June 3, 1994)	100663	3181 (3.3)	3880 (4.0)	13661(14.2)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks (June 10, 1994)							
Deposits	328855	2442 (0.7)	15041 (4.8)	7501 (2.8)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	165891	–1810 (–1.1)	2269 (1.4)	3594 (2.4)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food advances	153815	–2376 (–1.5)	1100 (0.7)	914 (0.6)	7476 (5.1)	24317 (20.1)	120922 (8.4)
Investments	144769	2265 (1.6)	12376 (9.3)	3144 (3.0)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Feb 1994	Average for Fiscal Year So Far: 1993-94	Average for Fiscal Year So Far: 1992-93	Variation (Per Cent): Fiscal Year Averages: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	240.0	221.9 (3.4)	214.5 (3.3)	1.6	–0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	258.0	222.7 (2.8)	216.6 (–0.2)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	230.3	212.3 (2.9)	206.3 (3.5)	0.9	–1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	287.1	266.5 (7.0)	267.7 (5.0)	4.9	8.5	7.8	10.8	9.5	7.7	10.3

Food Stocks with Government Agencies (mn tn)	April 1994	April 1993	End of Fiscal Year: 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
Rice	14.8	11.3	14.7	11.0	9.8	11.2	7.9	4.7	5.9	10.0
Wheat	11.0	7.5	7.3	3.0	2.4	5.8	3.6	2.7	3.3	9.4
Total (incl others)	26.0	19.6	22.2	14.7	12.2	17.3	11.6	7.4	9.4	19.5

Foreign Trade	Apr 1994	Cumulative for Fiscal Year So Far: 1994-95	Cumulative for Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91	1989-90
Exports: Rs crore	6237	6237 (12.8)	5528 (39.6)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)	27681 (36.8)
US $ mn	1988	1988 (12.6)	1766 (28.9)	22173 (20.4)	18421 (3.1)	17866 (–1.5)	18143 (9.1)	16626 (19.0)
Imports: Rs crore	6144	6144 (13.8)	5401 (4.4)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)	35416 (25.4)
US $ mn	1959	1959 (13.5)	1725 (-3.6)	23212 (6.8)	21726 (11.9)	19411 (–19.4)	24073 (13.2)	21272 (9.1)
Balance of Trade: Rs crore	91	91	127	–3259	–9,572	–3,809	–10,640	7,735
US $ mn	29	29	40	–1039	–3,305	–1,545	–5,930	4,646

Foreign Exchange Reserves	June 17, 1994	Mar 31, 1994	Mar 31, 1993	Variation Over: Month	Year	ear So Far: 1994-95	ear So Far: 1993-94	1993-94	1992-93	1991-92	1990-91	1989-90
Rs crore	50391	47626	20196	1683	30409	2765	–214	27430	5385	10223	-1383	795
US $ mn	16162	15176	6452	685	9857	986	–147	8724	731	3383	-1137	-854

Capital Market

Share Price Indices	July 1, 1994	Month Ago	Year Ago	1994-95 So Far Trough	1994-95 So Far Peak	1993-94 Trough	1993-94 Peak	End of Fiscal Year 1993-94	1992-93	1991-92	1990-91
BSE Sensitive Index (1978-79=100)	4119 (84.4)	3833	2234 (–27.5)*	3600	4333	2037	4286	3779 (65.7)	2281 (–46.8)	4285 (266.9)	1168 (49.6)
National Index (1983-84=100)	1958 (87.5)	1841	1044 (–21.9)*	1765	2041	934	2055	1830 (79.2)	1021 (–48.1)	1968 (234.1)	589 (39.9)
* over June 26, 1992											

BSE Turnover (Rs crore)	April 1994	Month Ago	Cumulative for 1994-95	Cumulative for 1993-94	Full Fiscal Year 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Specified Shares	1033	2737	1033	1597	43971	33207	54610	28863	25212	17357
Non-Specified Shares	2298	2420	2298	451	17753	12489	17168	7149	4173	3206

Market Capitalisation	April 1994	Month Ago	Year Ago	Mar 31, 1994	Quarter Ending Dec 93	Sept 93	June 93	Mar 93	Dec 92	Sept 92
Market Capitalisation of BSE Listed Companies (Rs crore) (Last Working day)	341464 (95.0)	344462	175093	344462 (99.2)	305000 (36.4)	223549 (32.3)	168933 (–2.3)	172951 (–12.8)	198346 (–15.7)	235251 (6.9)
P/E Ratio: Sensitive Index (Month Average)	47.4	46.8	27.4	46.8	39.7	36.9	29.3	29.3	31.4	38.8
National Index	47.5	46.9	25.2	46.9	39.8	33.7	27.3	27.1	29.4	35.6

Capital Issues	April 1994	Month Ago	Cumulative for Fiscal Year So Far 1994-95	1993-94	Quarter Ending Dec 93	Sept 93	June 93	Mar 93	Dec 92	Sept 92
Amount (Rs crore)	811	1531	811	2468	4375	4568	540	3590	7408	1024
Number of Issues	113	138	113	86	86	96	40	260	268	109

Investment by Foreign Institutional Investors (FIIs) in Secondary and Primary Markets

Month (1994)	No of Regd FIIs (Cumulative)	Gross Purchases (Rs Crore)	Gross Sales (Rs Crore)	Net Investment (Rs Crore)	Net Investment (US $ Million)	Cumulative Net Investment (US $ Million)
January	136	1288.6	54.0	1234.6	398.3	1176.1
February	145	904.6	144.0	760.7	245.4	1421.5
March	158	762.4	203.5	558.9	180.3	1601.8
April	161	705.4	198.8	506.6	163.4	1765.2
May	161	962.5	160.4	802.1	258.7	2023.9
Total	161	4623.5	760.7	3862.9	1246.1	2023.9

Industrial Production

Core Industries	April 1994	Variation Over Month	Variation Over Year	Cumulative for Fiscal Year So Far 1994-95	1993-94	1993-94	1992-93	1991-92
Coal (mn tons)	16.56	–13.5 (–44.8)	–0.3 (–1.5)	16.56 (–1.5)	16.82	246 (3.2)	238 (3.9)	229 (8.3)
Electricity (mn kwh)	27564	–2456 (–8.2)	1397 (5.3)	27564 (5.3)	26167	323323 (7.4)	301066 (5.0)	286700 (8.5)
Hydel (mn kwh)	4547	–835 (–15.5)	–949 (–17.3)	4547 (–17.3)	5496	70311 (0.7)	69833 (–3.8)	72550 (1.4)
Thermal (incl nuclear)	23017	–1621 (–6.6)	2346 (11.3)	23017 (11.3)	20671	253012 (9.4)	231233 (8.0)	214150 (11.1)
Crude Petroleum (000 tons)	2635	–	389 (17.3)	2635 (17.3)	2246	27015 (0.2)	26950 (–11.2)	30340 (–8.2)
Petroleum products (000 tons)	4851	–	362 (8.1)	4851 (8.1)	4489	54344 (1.6)	53482 (4.0)	48350 (–0.4)
Saleable steel (000 tons)	902	–352 (–28.1)	–23 (–2.5)	902 (–2.5)	925	11981 (5.7)	11333 (12.6)	10570 (–1.1)
Cement (000 tons)	5049	–861 (–14.6)	259 (5.4)	5049 (5.4)	4790	57833 (6.8)	54133 (0.2)	57100 (4.0)
Fertilisers (N) (000 tons)	603	–113 (–15.8)	84 (16.2)	603 (16.2)	519	7274 (–2.1)	7430 (1.8)	7300 (4.4)
Fertilisers (P) (000 tons)	182	–38 (–17.1)	97 (111.6)	182 (111.6)	86	1810 (–21.5)	2306 (–10.0)	2560 (24.9)

Employment

Employment Exchange Statistics (000)	March 1994	Month Ago	Year Ago	Cumulative for Fiscal Year So Far 1993-94	1992-93	1993-94	1992-93	1991-92	1990-91	1989-90
Number on live registers (end-period)	36039	36168	36306	36039	36306	36039	36306	36551	34890	33249
Number of registrations	345	412	305	5704	5098	5704	5098	5583	6404	6823
Number of vacancies notified	32	29	29	383	403	383	403	415	497	581
Number of placements	18	16	18	223	229	223	229	258	253	294
Vacancies as % of registrations	9.2	6.9	9.5	7.2	9.1	7.2	9.1	7.4	7.8	8.5

Notes: (i) Superscript numeral denotes month to which figure relates, e g. superscript 7 stands for July (ii) Figures in brackets are percentage variations over the comparable previous period. (iii) — means not available.

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

BALANCE SHEET AS ON 31ST MARCH 1994

(Rs. 000's)

	Schedule	As on 31.03.94	As on 31.03.93
CAPITAL AND LIABILITIES			
Capital	1	2,000	2,000
Reserves and Surplus	2	87,880	50,763
Deposits	3	1,980,105	1,945,949
Borrowings	4	86,701	36,806
Other Liabilities and Provisions	5	169,945	180,274
TOTAL		2,326,631	2,215,792
ASSETS			
Cash and balances with Reserve Bank of India	6	486,124	636,558
Balances with Banks and Money at Call and Short Notice	7	24,351	13,901
Investments	8	932,139	832,032
Advances	9	811,833	663,366
Fixed Assets	10	6,311	6,773
Other Assets	11	65,873	63,162
TOTAL		2,326,631	2,215,792
Contingent Liabilities	12	367,374	179,215
Bills for Collection		212,548	88,515

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1994

(Rs. 000's)

	Schedule	Year Ended 31.03.94	Year Ended 31.03.93
I. INCOME			
Interest earned	13	240,624	249,925
Other income	14	18,619	(8,549)
TOTAL		259,243	241,376
II. EXPENDITURE			
Interest expended	15	118,836	135,779
Operating expenses	16	30,757	31,399
Provisions and contingencies		72,533	40,291
TOTAL		222,126	207,469
III. PROFIT			
Net profit for the year		37,117	33,907
Profit brought forward		34,485	28,900
TOTAL		71,602	62,807
IV. APPROPRIATIONS			
Transfer to statutory reserve		7,423	6,781
Remitted to Head Office		-	21,541
Balance carried over to Balance Sheet		64,179	34,485
TOTAL		71,602	62,807

As per our report of even date attached

For HARIBHAKTI & CO
Chartered Accountants

Sd/-
Chetan Desai
Partner

Bombay: June 29, 1994

For BANK OF BAHRAIN AND KUWAIT B.S.C.
Bombay Branch

Sd/-
M. G. Ramakrishna
General Manager &
Chief Executive Officer-India

Sd/-
Firoze Hansotia
Assistant General Manager

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1994

(Rs. 000's)

	As on 31.03.94	As on 31.03.93
Schedule 1—Capital		
Capital		
The amount brought in by Bank by way of start-up capital as prescribed by RBI (The amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949 (including capital) is Rs. 19,400,000)	2,000	2,000
TOTAL	2,000	2,000
Schedule 2—Reserves and Surplus		
1. Statutory Reserve		
Opening Balance	16,278	9,497
Additions during the year	7,423	6,781
Deductions during the year	-	-
	23,701	16,278
2. Balance in Profit and Loss Account	64,179	34,485
TOTAL	87,880	50,763
Schedule 3—Deposits		
A. 1 Demand Deposits		
i) From Banks	3,786	5,801
ii) From Others	83,465	45,340
	87,251	51,141
2 Savings Bank Deposits	59,196	22,163
3 Term Deposits		
i) From Banks	-	-
ii) From Others	1,833,658	1,872,645
TOTAL	*1,980,105	1,945,949
* In India		
Schedule 4—Borrowings		
Borrowings in India from		
i) Reserve Bank of India	53,800	19,505
ii) Other Banks	12,101	12,101
iii) Other institutions and agencies	20,800	5,200
TOTAL	86,701	36,806
Secured borrowings in above—Rs. 20,800 (Previous year Rs. 5,200)		

(Rs. 000's)

	As on 31.03.94	As on 31.03.93
Schedule 5—Other Liabilities and Provisions		
1. Bills Payable	5,871	8,185
2. Inter-office adjustments (net)	17,756	50,069
3. Interest accrued	59,526	51,620
4. Others (including provisions)	86,792	70,400
TOTAL	169,945	180,274
Schedule 6—Cash and Balances with Reserve Bank of India		
1. Cash in hand (including foreign currency notes)	1,286	267
2. Balances with Reserve Bank of India		
i) In Current Account	484,838	636,291
ii) In Other Accounts	-	-
TOTAL	486,124	636,558
Schedule 7—Balances with Banks and Money at Call and Short Notice		
1. In India		
i) Balances with banks		
a) In Current Accounts	3,241	65
b) In Other Deposits Accounts	19,145	-
ii) Money at Call and Short Notice		
a) With Banks	-	-
b) With Other Institutions	-	-
TOTAL	22,386	65
2. Outside India		
i) In Current Accounts	1,965	7,589
ii) In Other Deposit Accounts	-	-
iii) Money at Call and Short Notice	-	6,247
TOTAL	1,965	13,836
GRAND TOTAL	24,351	13,901

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1994

(Rs. 000's)

	As on 31.03.94	As on 31.03.93
Schedule 8—Investments		
I Investments in India in		
i) Government securities	646,942	590,950
ii) Other approved securities	13,900	13,900
iii) Units, Unit Scheme 1964 of Unit Trust of India	25,600	82,750
Commercial papers	245,697	144,432
TOTAL	932,139	832,032
Schedule 9—Advances		
A i) Bills purchased and discounted	282,126	332,421
ii) Cash credit, overdraft and loans repayable on demand	307,792	179,287
iii) Term loans	221,915	151,658
TOTAL	811,833	663,366
B i) Secured by tangible assets	587,149	323,763
ii) Covered by Bank/ Government Guarantees	195,253	180,253
iii) Unsecured	29,431	159,350
TOTAL	811,833	663,366
C I Advances in India		
i) Priority sectors	242,913	32,393
ii) Public sector	-	-
iii) Banks	140,454	132,500
iv) Others	428,466	498,473
TOTAI	811,833	663,366

(Rs. 000's)

	As on 31.03.94	As on 31.03.93
Schedule 10—Fixed Assets		
1 Premises	-	-
2 Other fixed assets (including furniture and fixture)		
At cost as on 31st March of the preceding year	12,006	11,313
Additions during the year	1,686	912
Deductions during the year	(56)	(218)
Depreciation to date	(7,325)	(5,234)
TOTAL	6,311	6,773
Schedule 11—Other Assets		
1 Interest accrued	34,549	30,271
2 Tax paid in advance/ tax deducted at source (net)	10,173	14,257
3 Stationery and stamps	24	2
4 Others	21,127	18,632
TOTAL	65,873	63,162
Schedule 12—Contingent Liabilities		
1 Liability on account of outstanding forward exchange contracts	221,435	75,891
2 Guarantees given on behalf of constituents in India	61,398	43,167
3 Acceptances, endorsements and other obligations	27,059	59,157
4 Other items for which the bank is contingently liable	57,482	1,000
TOTAL	367,374	179,215

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS ON 31ST MARCH 1994

(Rs. 000's)

	Year Ended 31.03.94	Year Ended 31.03.93
Schedule 13—Interest Earned		
1 Interest/discount on advances/ bills	112,173	94,970
2 Income on investments	103,749	106,629
3 Interest on balances with Reserve Bank of India and other inter-bank funds	21,238	46,717
4 Others	3,464	1,609
TOTAL	240,624	249,925
Schedule 14—Other Income		
1 Commission, exchange and brokerage	6,225	5,370
2 Loss on sale of investments (net)	(2,174)	(22,544)
3 Profit on sale of assets (net)	100	–
4 Profit on exchange transactions (net)	3,762	6,146
5 Miscellaneous income	10,706	2,479
TOTAL	18,619	(8,549)
Schedule 15—Interest Expended		
1 Interest on deposits	116,004	130,030
2 Interest on Reserve Bank of India/Inter-bank borrowings	2,678	5,718
3 Others	154	31
TOTAL	118,836	135,779

(Rs. 000's)

	Year Ended 31.03.94	Year Ended 31.03.93
Schedule 16—Operating Expenses		
1 Payments to and provisions for employees	6,112	5,246
2 Rent, taxes and lighting	12,163	11,558
3 Printing and stationery	656	620
4 Advertisement and publicity	86	45
5 Depreciation on bank's property	2,092	1,560
6 Auditor's fees and expenses	70	85
7 Law charges	110	554
8 Postages, Telegrams, Telephones, etc.	578	732
9 Repairs and maintenance	1,551	1,239
10 Insurance	1,144	862
11 Other expenditure	6,196	8,898
TOTAL	30,757	31,399

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

Notes forming part of the accounts for the year ended 31st March 1994

I. Principal Accounting Policies

1. General

The financial statements have been prepared on the historical cost basis.

2. Foreign Currencies

(i) Assets and Liabilities in foreign currencies are translated at the rates prevailing at the end of the year.

(ii) Outstanding forward exchange contracts are revalued at the rates prevailing at the end of the year and the resultant gains or losses are accounted for. However, the contingent liability in respect of outstanding foreign exchange contracts is included at the contracted rates.

3. Investments

In accordance with the Accounting Standards for Investments laid down by the Reserve Bank of India, investment portfolio is classified into "Permanent" and "Current" categories.

Permanent investments are stated at cost adjusted for any premium or discount amortised from the date of purchase to date of maturity on a straight-line basis.

Current investments are stated at the lower of cost and market value.

4. Advances

Provisions for bad and doubtful advances have been made to the satisfaction of the Auditors:

(i) In respect of identified advances, on the basis of norms laid down by the Reserve Bank of India for identification of and provisioning for non-performing assets.

(ii) In respect of other advances, as a percentage of the total pre-tax profit for the year, after taking into account general factors that relate to latent doubtful debts which are not separately identified. Loans and advances are stated net of provision made under (i) above.

5. Revenue Recognition

(a) Interest income on all advances other than non-performing assets is recognised on accrual basis.

(b) Income from investments is accounted on accrual basis.

(c) Commission, exchange and brokerage is accounted on accrual basis.

6. Depreciation

Depreciation is provided for on fixed assets on the written down value basis at the following rates which are equal to/higher than those prescribed under Schedule XIV of the Companies Act, 1956.

Office Equipment	25%
Office Furniture	18.10%
Computers	40%
Vehicles	25.89%

7. Gratuity

The liability for gratuity is accounted for on the basis of actuarial valuation carried out once in two years. Gratuity liability for 1992-1993 has been provided for on the basis of actuarial valuation carried out upto 31st March 1993 and for the period 1993-94 has been provided subsequently.

8. Net Profit

The net profit disclosed in the profit and loss account is after:

1. Provisions for taxes on income in accordance with statutory requirements.
2. Provisions for doubtful advances.
3. Transfers to contingency funds.
4. Other usual or necessary provisions.

II. The difference as at 31st March 1994 between the book value and the market value of permanent investments has not been provided for, since these investments are intended to be held upto maturity and, in the opinion of the management of the Branch, the fall in the market value does not affect their realisable value at maturity.

III. Previous year's figures have been regrouped wherever necessary to make them comparable with the current year.

As per our Report of even date attached

For HARIBHAKTI & CO.
Chartered Accountants
Sd/-
Chetan Desai
Partner

For BANK OF BAHRAIN AND KUWAIT B.S.C.
Bombay Branch

Sd/-
M.G. Ramakrishna
General Manager & Chief Executive Officer – India

Sd/-
Firoze Hansotia
Assistant General Manager

Bombay: June 29, 1994

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

Report of the Auditors

We have audited the attached Balance Sheet of the Bombay Branch of Bank of Bahrain and Kuwait B.S.C. as at 31st March 1994 signed by us under reference to this report and the relative Profit and Loss Account of the Bombay Branch of the Bank for the year ended on that date

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with provisions of Sub-section (1), (2) and (5) of Section 211 and Sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The Accounts are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949.

We report that subject to and read with the foregoing remark:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory;

b) The transactions of the Branch which have come to our notice have been in our opinion, within the power of the Bombay Branch of the Bank;

c) In our opinion, proper books of account, as required by law have been kept by the Branch so far as appears from our examination of those books;

d) The Balance Sheet and Profit and Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account;

e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Branch of the Bank as at 31st March 1994 and the Profit and Loss Account gives a true and fair view of the Profit of the Bombay Branch for the year ended on that date.

For HARIBHAKTI & CO.
Chartered Accountants
Sd/-
Chetan Desai
Partner

Bombay: June 29, 1994

PAPER PRODUCTS

Package Deals

PAPER PRODUCTS (PP), a 50-year old company engaged in the manufacture of flexible packaging, declared a bonus issue in the ratio of one equity share for every two held in 1992-93. The company's liberal bonus policy is reflected in the fact that more than 60 per cent of its equity (pre-bonus) was made up of bonus shares issued in the past. However, the company's better results were aided by a Rs 1.7 crore non-operating income resulting from sale of property and insurance claims. Consequently, despite a 39 per cent rise in net sales in 1992-93, the company more than trebled its net profit to Rs 3 crore giving an earnings per share of 22.7 on its Rs 1.35 crore equity capital. Moreover, though operating expenses increased more than proportionately, a lower rise in interest and depreciation charges further contributed to the higher rise in net profit. Despite the lower operating profit margin, the company raised the dividend rate from 20 per cent last year to 22 per cent.

Production of laminated and coated paper (which contributed up to 92 per cent of net sales) in 1992-93 rose by 36.7 per cent over that in 1991-92 to 3,947 mt while sale rose by 35.8 per cent to 3,992 mt over the same period and sale realisation was up 43.2 per cent. Production and sale of paper bags, wrappings and waxed paper was also higher. Meanwhile the company's modernisation and technology upgradation project was financed through a rights issue of 14,17,500 equity shares which was oversubscribed. The modernisation and upgradation programme envisages increasing the company's capacity from the present 3,808 mt per annum to 6,000 mt per annum and is to be implemented in two phases over a period of three years. The company's present clientele includes stalwarts such as Nestle, Hindustan Lever, Godrej, Colgate, Glaxo and Proctor & Gamble and with several multinationals demanding international standard packaging material PP has roped in Avery Dennison Manufacturing of the US to provide technical know-how for the manufacture of special reverse printed labels which are heat-transferred on to containers. Further, for manufacture of printed shrink sleeves, the company entered into a technical collaboration agreement with Fuji Seal Co of Japan, a world leader in this field. It has already set up facilities for manufacturing shrink sleeves and the facilities for manufacturing certified barrier metallised films were to contribute to the company's increased turnover in 1993-94.

The company also has plans to invest in its subsidiary, namely, PPL Feedback Packaging, to delink the bags division from the company's main operations and it has already applied to the government for the same. Meanwhile, the company made its first major foray into the export segment notching exports worth Rs 2.2 crore to the Middle East, Sri Lanka, Bangladesh and Mauritius.

The flexible packaging industry which is growing at an annual rate of 20 per cent can be divided into two segments, firstly, the 'premium' segment which includes packaging of products such as toiletries and food and the other being packaging of tobacco-based products such as paan masala. Meanwhile, for the year 1993-94, the company earned a net profit of Rs 2.4 crore on a net sale of Rs 82.5 crore as per the latest unaudited results.

KHODAY INDIA

Improved Performance

Khoday India (formerly Khoday Distilleries) which is engaged in the manufacture of Indian-made foreign liquor (IMFL) and sugar in addition to carrying out engineering contracts, improved its performance during 1992-93. While net sales increased by 21 per cent over the previous year, operating profit rose by 43 per cent due to a smaller rise in operating expenses. Though the rise in interest charges and tax provision was somewhat sharp at 37.7 per cent and 200 per cent, respectively, a lower rise in depreciation enabled the company to improve its profitability.

The distillery division (which contributes nearly 90 per cent of the company's net sales) saw a 39 per cent rise in revenue which went up to Rs 56.5 crore (Rs 40.6 crore) with a 29 per cent increase in production from 70.4 lakh bulk litres of IMFL last year to 90.8 lakh bulk litres and a rise of 27.4 per cent in sale from 75.9 lakh bulk litres to 96.7 lakh bulk litres in 1992-93. Despite a 22.5 per cent fall in production of sugar from 1.6 lakh bags to 1.3 lakh bags and a 12 per cent fall in the sugar division's sale, realisation improved by 11.3 per cent due to the higher prices obtained by the company. With the expansion programme at the division nearing completion, the division's performance is expected to receive a boost in 1993-94. However, the sluggishness in developmental activity in the state led to a drastic fall in the contract division's turnover which fell from Rs 5.3 crore last year to Rs 1.8 crore. Meanwhile, for the year 1993-94, the company's net sales increased by 8 per cent over the previous year to Rs 66.6 crore while net profit rose to Rs 3.8 crore.

MONTARI INDUSTRIES

Increasing Sales

The flagship company of the Bhai Manjit Singh group, Montari Industries is engaged in the manufacture of pesticides. The company achieved a 41.7 per cent rise in operating profit on a 11.6 per cent higher net sales in 1992-93. However, a sharp rise of 55.4 per cent in interest charges and a 23 per cent increase in depreciation provision led to a lower rise in the company's net profit. Despite the rise in profits the company's margins continued to be under pressure. Production of technical pesticides was lower by 20.6 per cent over the previous year at 905 mt while that of liquid formulations was lower by 4.5 per cent at 1,947 kl. Sale of technical pesticides was also lower by 14.2 per cent at 891 mt while that of liquid formulation was lower by 0.2 per cent at 1,182 kl. However, sale realisation of liquids saw an increase of 10.3 per cent due to the higher price obtained. Production and sale of powder formulations was also higher by 47.9 per cent and 55.7 per cent, respectively, at 655 mt and 693 mt. The substantial investment made in setting up facilities for the manufacture of a new insecticide called chlorpyriphos (technical) failed to materialise following difficulties in upscaling the product and bringing it to the rated capacity. Consequently, though commercial production started in January 1993, the production is yet to stabilise. Despite this the formulation of the product sold under the brand name 'Lethal' was well accepted in the market. 'Milron' emerged as number one brand in the country's wheat herbicide market.

Following conversion of part A of Rs 25 of the partly convertible debentures (PCDs) of Rs 100 each into one equity share of Rs 10 at a premium of Rs 15 in September 1992 the company's equity capital increased by 67 per cent to Rs 7 crore. Of the balance Rs 75 of each PCD, Rs 25 was converted on the same terms in September 1993 leading to an addition of another Rs 2.9 crore to the company's equity capital.

For the year ended March 1994 the company has notched a net profit of Rs 3.2 crore (a rise of 40.7 per cent) on a net sale of Rs 69.5 crore (a rise of 4.5 per cent). However, with the company divesting its stake in Bausch and Lomb India in favour of its three wholly-owned investment subsidiaries, the 1993-94 net profit is wholly made up of profit on sale of this investment. In fact, the group which set up two new

(Rs lakh)

Financial Indicators	Paper Products		Khoday India		Montari Industries		Modern Threads		Simplex Mills	
	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992
ncome/appropriations										
1 Net sales	5627	4044	6167	5086	6651	5960	5328	3676	6534	6948
2 Value of production	5606	4043	6518	5438	6940	6059	5462	3740	7019	7288
3 *Total income*	5625	4057	6622	5553	7054	6213	5468	3743	7088	7357
4 Raw materials/stores and spares consumed	3957	2741	3165	2825	3204	3045	2722	2228	3698	3800
5 Other manufacturing expenses	124	78	708	608	1089	951	1517	670	1076	1351
6 Remuneration to employees	328	299	511	459	327	289	320	243	981	946
7 Other expenses	454	347	1040	825	1373	1179	238	171	348	394
8 *Operating profit*	762	592	1198	836	1061	749	671	431	985	866
9 Interest	306	266	646	469	690	444	325	185	578	412
0 *Gross profit*	629	316	620	330	376	316	336	249	429	549
1 Depreciation	230	196	241	216	150	122	169	53	319	226
2 *Profit before tax*	399	120	379	114	226	194	167	196	110	323
3 Tax provision	93	45	300	100	0	0	0	0	0	27
4 *Profit after tax*	306	75	79	14	226	194	167	196	110	296
5 Dividends	30	27	144	90	97	71	79	38	52	48
6 Retained profit	276	48	-65	-76	129	123	88	158	58	248
.iabilities/assets										
7 Paid-up capital	135	135	900	900	704	422	535	251	249	200
8 Reserves and surplus	1530	1304	1588	1653	839	287	2149	862	1361	959
9 Long term loans	927	1209	2782	2786	3260	2606	1813	1568	2398	1983
20 Short term loans	688	654	964	568	2138	2545	1049	809	285	302
21 Of which bank borrowings	630	654	676	541	2138	2545	925	644	0	0
22 Gross fixed assets	3665	3460	4147	3857	3264	1808	4347	2723	4927	4159
23 Accumulated depreciation	1509	1321	1599	1396	597	445	617	498	2129	1832
24 Inventories	804	714	2770	2410	2188	1453	1198	903	2337	1937
25 Total assets/liabilities	4217	4054	10087	8825	8492	10300	6266	4080	5894	4943
Miscellaneous items										
26 Excise duty	1793	1178	1195	771	0	0	390	217	514	365
27 Gross value added	1456	880	1877	1252	1488	1136	978	685	1983	1983
28 Total foreign exchange income	225	28	25	4	1164	1354	593	257	375	341
29 Total foreign exchange outgo	119	242	3	16	673	721	664	281	469	322
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	133.44	99.75	61.14	57.63	78.32	57.86	85.03	90.10	110.86	140.62
31 Sales to total net assets (%)	171.55	122.47	98.93	88.10	95.82	101.71	96.07	105.33	152.20	201.74
32 Gross value added to gross fixed assets (%)	39.73	25.43	45.26	32.46	45.59	62.83	22.50	25.16	40.25	47.68
33 Return on investment (gross profit to total assets) (%)	14.92	7.79	6.15	3.74	4.43	3.07	5.36	6.10	7.28	11.11
34 Gross profit to sales (gross margin) (%)	11.18	7.81	10.05	6.49	5.65	5.30	6.31	6.77	6.57	7.90
35 Operating profit to sales (%)	13.54	14.64	19.43	16.44	15.95	12.57	12.59	11.72	15.07	12.46
36 Profit before tax to sales (%)	7.09	2.97	6.15	2.24	3.40	3.26	3.13	5.33	1.68	4.65
37 Tax provision to profit before tax (%)	23.31	37.50	79.16	87.72	0.00	0.00	0.00	0.00	0.00	8.36
38 Profit after tax to net worth (return on equity) (%)	18.38	5.21	3.18	0.55	14.65	27.36	6.22	17.61	6.83	25.54
39 Dividend (%)	22.00	20.00	16.00	10.00	18.00	18.00	15.00	15.00	24.00	24.00
40 Earning per share (Rs)	22.67	5.56	0.88	0.16	3.51	5.59	3.12	7.81	4.42	14.80
41 Book value per share (Rs)	90.59	70.44	27.64	28.37	23.84	18.86	22.97	27.61	64.66	57.95
42 P/E ratio (based on latest and corresponding last year's price)	7.06	9.23	26.20	147.86	18.85	6.44	15.22	2.08	16.41	4.73
43 Debt-equity ratio (adjusted for revaluation) (%)	75.80	127.13	111.82	109.13	211.28	367.56	147.52	226.26	148.94	171.10
44 Short term bank borrowings to inventories (%)	78.36	91.60	24.40	22.45	97.71	175.15	77.21	71.32	0.00	0.00
45 Sundry creditors to sundry debtors (%)	100.00	100.00	100.57	116.50	43.17	20.81	43.76	57.38	125.66	101.83
46 Total remuneration to employees to gross value added (%)	22.53	33.98	27.22	36.66	21.98	25.44	32.72	35.47	49.47	47.71
47 Total remuneration to employees to value of production (%)	5.85	7.40	7.84	8.44	4.71	4.77	5.86	6.50	13.98	12.98
48 Gross fixed assets formation (%)	5.92	—	7.52	8.40	80.53	—	24.94	101.39	18.47	22.65
49 Growth in inventories (%)	12.61	—	14.94	19.48	50.58	—	32.67	25.07	20.65	23.06

companies recently, namely, Montari Leathers and Bausch and Lomb in addition to an independent R and D centre, has reported an overall dip in profits.

MODERN THREADS

Expanding for Export

Jointly promoted by the Rajasthan State Industrial and Investment Corporation and H S Ranka, Modern Threads is engaged in the manufacture of industrial yarn and sewing thread. A sharp rise in interest charges and depreciation provision in 1992-93 led to a 14.8 per cent fall in the company's net profit. The steep rise in depreciation and interest charges can be attributed to the company's expansion scheme for setting up a 100 per cent export oriented unit (EOU) for the manufacture of synthetic blended yarn. However, the company's net sales increased by 44.9 per cent as compared to the previous year and operating profit rose by 55.7 per cent over the same period. The company's drive towards high value added fancy yarn varieties which yielded good results is reflected in the high value addition enjoyed by the company. Production of yarn and fabrics was higher at 4,731 mt and 6,851 mtrs, respectively as against 3,414 mt and 508 mtrs produced last year. Sale was also higher at 4,608 mt of yarn and 7,869 mtrs of fabrics as against 3,365 mt of yarn and 708 mtrs of fabrics sold in the previous year. Further, with the commissioning of its 100 per cent EOU during the year, exports jumped by 130 per cent to Rs 5.9 crore accounting for up to 11 per cent of net sales as against 7 per cent last year. Its order book position is reportedly comfortable with the company establishing its products in the international market and repeated orders are being received from overseas buyers.

Following the conversion of fully convertible debentures (FCDs) of Rs 150 each issued on rights basis and on private placement in 1991-92 into 10 equity shares of Rs 10 each at a premium of Rs 5 per share in April 1993, the company's equity capital more than doubled to Rs 5.35 crore leading to a fall in its debt-equity ratio to 1.5:1. Despite the fall in net profit the company has maintained the dividend rate at 15 per cent on the enhanced capital.

For the first six months of 1993-94 the company earned a net profit of Rs 1.1 crore on net sales of Rs 29.8 crore notching a gross profit margin (GPM) of 7.4 per cent which is higher than last year's GPM 5.9 per cent.

SIMPLEX MILLS

Further Modernisation

Simplex Mills (Simplex) which is engaged in the manufacture of cloth, yarn and paper and paper board was taken over from Forbes, Forbes and Campbell (now Forbes Gokak) in the early 60s by the Damanias. For 1992-93, Simplex's profitability suffered with net profit falling drastically by more than 60 per cent over the previous year. The operating profit was higher by 13.7 per cent on a 6 per cent lower net sale, a sharp rise in interest and depreciation charges took their toll on the company's margins with net profit margin falling from 4.3 per cent last year to a mere 1.7 per cent in 1992-93. Production of cloth (which contributed up to 70 per cent of the company's turnover) fell by 17 per cent from 202 lakh mtrs last year to 167 mtrs while that of paper (which contributed up to 20 per cent of net sales) fell by 13 per cent over the previous year to 8,401 mt. Sale of cloth and paper was lower by 15 per cent and 12.7 per cent, respectively, to 169 lakh mtrs and 8,227 mt.

The company has been modernising its operations since 1990 when it replaced its ordinary looms with 60 new airjet looms. Further it also modernised its spinning section. For covering upgradation costs which form a substantial part of investment costs in the textile industry, the company entered the capital market with a rights issue of 10,47,916 equity shares of Rs 10 each at a premium of Rs 70 per share aggregating Rs 8.4 crore. However, due to the increase in costs over the years the installation was phased over the period with the company completing the installation of Ruti-C looms during 1992-93. The company also commissioned a high efficiency fluidised bed combustion boiler in December 1992, the benefit of which is already being derived. With a view to improving the quality of its paper the company upgraded the paper machine. For the first six months of 1993-94 the company earned a net profit of Rs 44 lakh on net sales of Rs 41.7 crore as against a net profit of Rs 38 lakh on a net sale of Rs 39.2 crore achieved in the corresponding period last year.

Electoral Reforms: A Farce and an Opportunity

T S Sankaran

The government has promised to reintroduce the two bills on electoral reforms in the forthcoming monsoon session. While this may well be an occasion for parliamentary pugilistics, the issues that these bills raise are too serious to be left to political parties alone.

THE tragi-comedy that parliament and the country witnessed on June 13 and 14 is much too serious to be dismissed lightly. A special session of the parliament was summoned to get two bills—one to amend the Constitution of India and the other, to amend the Representation of People Act 1950 and Representation of People Act 1951—passed by parliament. Having failed to get these bills through parliament in the earlier session, where attempts were made to introduce them and get them passed at the closing stage of a long budget session, a considerable amount of head counting must have been done by the ruling party to assure itself of the required two-third majority in both houses to get the Constitution Amendment Bill passed, when the special session was held. A certain amount of accommodation to the demand of some opposition parties had also been promised by the ruling party. These included appointing the election commissioners in consultation with the chief justice and withdrawing the proposed amendment providing for the candidate for a Rajya Sabha seat to be merely a person eligible to vote in any Lok Sabha constituency and not specifically in the state from which the candidate seeks election to the Rajya Sabha. But, in the event, the entire exercise as also the special session convened with such fanfare and at considerable public cost, turned out to be a total fiasco.

One might have philosophically smiled at these antics and dismissed them from one's mind had it not been for the fact that electoral reforms are long overdue and are too important to be left to the political parties alone and that the ruling party has promised to redo the exercise in the forthcoming monsoon session of parliament. So, we are, hopefully (?), in for a bout of parliamentary pugilistics. The ruling party hopes this time to get its head count and alignment right to get the Constitution Amendment Bill through.

This breathing space of a few weeks serves a very important purpose. We are concerned not merely with the proposals contained in the two bills, but, far more importantly, in the total electoral process itself, in a process that will truly enable the people to participate in a working democracy, that will give them a crucial voice in the governance of the country. Any electoral reform that does not keep in view the above basic requirement will merely result in horse-trading between a limited number of political parties, of the kind that we have been witness to. This will be of a kind which will help enable 'recognised political parties' to perpetuate themselves at the cost of others and which will confirm the ritualistic role of the ordinary voter being called upon once in five years to cast his vote in favour of candidates who may have nothing to do with the voters and their problems and whom the voters see only at the time of the election and not after that till the next election. (This is not to deny that new political parties do get formed and some of them even graduate to the status of recognised political parties, but, then, these are few and far between.)

It is the intention of this paper to look critically but briefly at some provisions of these two bills, with the amendments proposed to them by the ruling party, and find out what exactly are the implications of these for the common man and woman of this country.

The Farce

The Constitution (Eighty Second Amendment) Bill, 1994 (Bill No 51 of 1994) contained two sets of provisions, one not controversial and relating to delimitation of constituencies in each state to be on the basis of the 1991 Census, and the other wholly controversial and relating to the functioning of a multimember Election Commission. It is a matter of great concern that the first proposal regarding delimitation should have been a casualty to the controversy on the second proposal. After all, Article 82 of the Constitution envisages such readjustment of constituencies after each census, but by an amendment carried out in 1976, the situation was frozen on the basis of the 1971 Census. The present proposal seeks to provide for such readjustment on the basis of the 1991 Census data, even though the allocation of seats in the Lok Sabha to the states will continue to be on the basis of 1971 Census. This is a proposal which met with no opposition but it became a case of emptying the baby with the bath water.

As regards the bath water, viz, the proposal to amend Article 324 and to introduce a new Article, 324 A into the Constitution, it is difficult to escape the criticism that the basic law is sought to be amended merely to curb the power of the current incumbent in the post of chief election commissioner, namely, T N Seshan. Apart from the manner of appointment of the CEC and other election commissioners, regarding which some compromise has been made providing for the appointment to be made in consultation with the chief justice of India, the introduction of new Article 324 A seeks directly to whittle down the primacy of the CEC and equates him with the other election commissioners. While a multimember commission is desirable, what is objectionable is the manner in which the whole exercise has been undertaken by the government, making no secret of the fact that the intention is to curb the independence and the initiative of the present CEC. Thus we have a bill which like the curate's egg is good in part but the motivation for which is, to say the least, dubious.

In passing, it should also be pointed out that the commencement clause of the bill leaves it to the central government to decide a date on which the provisions of the bill, after it has been passed by both houses of parliament with two-thirds majority and assented to by the president will come into force. If the matter is all that urgent, as evidenced by a special session of parliament, then the bill itself should have contained the provision that the act will come into force at once. Why leave it to the central government to decide when an amendment to the Constitution should come into force?

The other bill, namely, the Representation of People (Amendment) Bill, 1994 (and its Companion Bill containing further changes to the amendment bill slated to have been introduced in the abortive special session) do contain provisions which call for some discussion.

The first of the amendments provides for the Election Commission to direct the issue of identity cards to electors in a constituency or part thereof, as may be notified. The purpose, ostensibly, is to prevent impersonation of electors and to facilitate identification of electors. If so, one may query why it should not be a general provision instead of it being restricted to constituencies or parts thereof, as may be notified. Even this, according to the proposal, will require

the previous approval by the central government (and not the state government where the notified constituency is situated— it is after all the state governments who in the case of elections to state assemblies have to share the cost). Perhaps a working arrangement will be established under which the central government will consult the concerned state governments.

The second important amendment, which, incidentally, is being dropped by the central government relates to qualification for being elected as a member of the Rajya Sabha. The proximate reasons for this amendment appear to stem from the action initiated by the CEC against several members of the Rajya Sabha who got elected from states in which they are not ordinary resident. That better sense prevailed and the government decided to drop this proposal for amendment obviates the need for any further elaboration or comment on this original proposal.

An important amendment provides that no association or body shall be registered as a political party by the EC if it bears a religious name. An accompanying amendment provides for a complaint to be made (by anyone?) to the concerned high courts for cancelling the registration of a party when, *inter alia*, it bears a religious name. All these proposals may appear to be quite in order in a 'secular republic', but this attempt to separate religion from politics calls for a more detailed and in-depth analysis which it is not possible to embark upon in a small article like this. Suffice it to ask, whether in the same vein, the next step would be to debar all those persons from contesting elections who bear religious names? What is a 'religious' name? Apart from obvious names carrying appellations like swami or guru or reverend, most Hindu names do carry the names of gods and goddesses of the vast Hindu pantheon.

Apart from other amendments, such as reduction of the period of canvassing from 20 to 14 days and imposing a restriction on a candidate from standing for election from more than one constituency, a striking feature of the amendment bill relates to the distinction that is being made between 'recognised political parties' and the rest; the rest will include political parties not recognised by the Election Commission and the independents. (The government seems to have agreed to delete the provisions relating to state funding of election expenses of candidates of 'recognised political parties'. Even here, the intention seems a little sinister insofar as another important provision relating to deletion of Explanation 1 and Explanation 3 to Section 77 has also been dropped. These explanations, it may be recalled, were introduced in 1974 to get over the difficulty created by the judgment of the Allahabad High Court setting aside the election of Indira Gandhi, the then prime minister. Again a case of the baby and the bath water.)

As the amendment bill originally stood, candidates of recognised political parties seem to be a favoured lot: the security deposit they will have to pay is one-fifth of what a candidate set up by any other political party or one who contests the election as an independent will have to pay; the death of a candidate set up by a recognised political party after a valid nomination will result in an adjournment (and not a countermand, as the original provision stood) of the election, while, impliedly, the death of other candidates would not make any difference to the electoral process; state funding of elections, available only to candidates of recognised political parties, will extend to (a) supply free of cost copies of the electoral rolls as finally published, (b) supply free of cost quantities of diesel or petrol and such other material as may be prescribed, (c) payment of prescribed amounts on account of hire charges of microphones (including loudspeakers) and (d) supply of identity slips of electors in the constituency. These proposals, relating to 'recognised political parties' raise an important issue. Why are these 'recognised political parties' being singled out for state munificence? If elections are becoming expensive and therefore money power with its natural ally of muscle power becomes the crucial factor in deciding the outcome of elections, and if therefore the intention is to provide a level playing field, an expression

currently fashionable in the context of economic liberalisation, then it is precisely the 'recognised political parties' that must be singled out for denial of state funding of elections. As between a candidate fielded by a 'recognised political party' and another, the contest is clearly unequal, in term of money power; the common Indian experience is that it is these 'recognised political parties' that accuse each other of using money power, acquired through abuse of state power. It cannot be denied that recognised political parties include those responsible for criminalising political process in general and electoral processes in particular. In fact, the proposals contained in the bill relating to 'illegal practices' lists out a whole series of practices of abuse of state power, do confirm the point. To provide state funding for such 'recognised political parties' without even insisting on these parties to have their accounts audited and published giving details of the source of their funds will merely accentuate problems. If the ordinary man in the street were to be asked the question as to who should be eligible for state funding of election expenses, the overwhelming answer would be totally opposed to the proposals contained in the bill.

That brings us to the another serious objection to the proposal in the bill regarding 'recognised political parties'. The preferential treatment sought to be given to these parties—and in this there is no reference to the time allotted in the All India Radio and Doordarshan transmissions to these parties for electioneering—seeks not only to perpetuate these parties but also marginalises the Indian people in the electoral process. The provision to increase the qualifying proportion of valid votes from one-sixth to one-fourth so as not to lose one's deposit can also be viewed as an attempt to reduce ultimately the number of recognised political parties to three or four. If, along with this, there is at least a provision that no candidate who polls less than one-fourth or one-third of the valid votes can be declared elected, then one can legitimately claim that the winning candidate has a measure of popular support. But as the law stands, these minima do not apply to the 'winning' candidate.

Given the track record of these political parties, the Indian people seem to be sick and tired of them. The electoral process, as it has come to be over the years, appears to offer the Indian people only a negative choice of voting not for the person whom they would have preferred to represent them, a person who is known to the local people, but for one among the candidates of 'recognised political parties'. This raises the important question as to how the candidates for election are selected and by whom? The unseemly goings on at the headquarters of some of these 'recognised political parties' during what can be described as 'ticket melas' are clear indications of how far these are removed from the real desires of the people on whose behalf these high commands are supposed to select candidates and 'award' tickets; caste, religion, money power and clout are the deciding factors in awarding tickets; and not consideration of suitability of the candidates and the opinions of the electorate concerned. In this milieu, to further strengthen 'recognised political parties' through state patronage will remove these parties even further, if that were possible, from the people.

The amendment proposals also contain a provision according to which any bye-election for filling up any vacancy should be held within six months from the date of the occurrence of the vacancy, excepting where the unexpired positions of the term is less than a year. This is a salutary provision and must be welcomed, because we have had instances of such bye-elections being postponed almost indefinitely, leaving the electors in the constituency without any representative on their behalf in the legislature.

However, this does not solve the problem, becoming almost a norm in the country, of an entire state where elections are being indefinitely postponed. Currently, the state of Jammu and Kashmir is an example. Other examples are not wanting. Once President's Rule is imposed on a state and the legislature dissolved under Article 356 of the Constitution, it is really for the central government to decide when it thinks elections must be held in the state. Under the Constitution, President's Rule can be extended in the state from time to time, subject to approval of the proclamation by parliament, up to a total period of three years. This is a serious inroad into the rights of the people of the state concerned who are denied their right to choose their representatives to the legislature.

The Opportunity

The above brief analysis of the two amendment bills has been attempted to bring out some serious drawbacks in the bills. Reference must now be made to the most serious drawback in the bills, viz, the haste with which these bills had been sought to be rushed through parliament and the total marginalisation of the people—the ultimate repository of sovereignty—in the process. Electoral reforms, and in this term we include all those elements that go to or should go to make India a working democracy, are much too important to be left to governments and political parties. It is the people who matter and who are to decide. Denial of the opportunity to the people even to express an opinion on these crucial issues is the very denial of democracy. With the increasing disillusionment of the people with governments, political parties and the electoral process, it is open to debate whether at all political parties should be allowed to retain state power, whether and if so, what kind of state funding of elections is necessary and desirable, and whether the time has not come for people to evolve systems which will empower them and give them the real voice in the governance of the country. After all, the Constitution of India did not, till the 52nd Amendment in 1985, mention anything about political parties and the proximate reason for the 1985 amendment, popularly referred to as the Defection Law which incorporates the Tenth Schedule, was the sordid behaviour among members of various political parties of floor-crossing and an attempt to end (for whatever be the political reason) the era of 'Aya Rams' and 'Gaya Rams'. Thus, the reference to political parties in the Constitution did not have any edifying origin. That these 'Rams' are not persons sponsored by the people of the constituencies but imposed on them by the political parties only adds to the urgent need for basic changes in the electoral process.

In the context of recent amendment to the Constitution creating the third tier below central and state governments in the shape of nagarpalikas and panchayats, it is opportune now to initiate a debate into the entire question of the kind of political system that we should have in the country in which we the people of India are the ones that matter and the ones who decide. This question should be seriously discussed at various levels, in towns and villages and come up with proposals as to how the local people in each 'constituency' not merely vote for but actually select on the basis of their record of work, candidates to stand for election; how a system of 'recall' of elected representatives who do not carry out the mandate and wishes of the electors should be made operational; how the various bodies at different levels are made accountable to their 'masters'; how the entire system of governance is not top downward but bottom upwards, and so on.

These are the kinds of issues that require to be discussed and taken up for solution. It is not the intention to suggest, in this paper, any alternate model of our polity or a revised electoral law. These must evolve on the basis of a wide-ranging participatory debate. One would have liked to see these kinds of issues being raised and discussed in the media, instead of comments upon or discussions on the failure of the ruling party to master the required two-thirds majority or the discomfiture of the law minister in the Lok Sabha in introducing and withdrawing the bill or converting the entire debate into one regarding the pros and cons of T N Seshan. Far more serious issues are at stake.

Dalit-Intermediate Caste Alliance

Call to Greatness

Anil Nauriya

Kanshi Ram and Mulayam Singh Yadav have before them at least three fundamental questions which must be dealt with before the SP-BSP alliance can conceive of retaining power over a longer term. These relate to dalit relations with the intermediate castes, the impact of the dalit-intermediate caste alliance upon the Muslims and the relations dalits hope to evolve with those outside this electoral alliance.

AFTER the initial excitement over a dalit and intermediate caste alliance attaining power in the most populous Indian state, the parties concerned now have to turn their attention to evolving a political and economic vision for India. Kanshi Ram and Mulayam Singh Yadav have before them at least three fundamental questions which must be dealt with before they can conceive of retaining power over a longer term or of being able significantly to replicate such combinations elsewhere, assuming that they intend to do so. These three issues relate essentially to dalit relations with the intermediate castes, the impact of the dalit-intermediate caste alliance upon the Muslims and finally the relations that the dalits envisage with some of their countrymen and women who stand outside this electoral alliance.

I

First, it is necessary for them to address the question of economic contradictions between the scheduled castes and the intermediate castes. In the countryside this is primarily the contradiction between landless labour and the small or middle peasants. So long as the sting is not taken out of this contradiction, the alliance represented by the Bahujan Samaj Party (BSP) and the Samajwadi Party combination cannot endure. Does the Uttar Pradesh government have on its agenda any wide-ranging land reform that could help provide sufficient land to the landless to enable them to enhance their bargaining power in the rural labour market? Can we expect the level of land poverty to be reduced adequately so as to reduce the dependence of the landless on the rural labour market? Little is heard from the Mulayam Singh Yadav government about land reforms or distribution of land already declared surplus.

Let us assume, to start with, that this is so largely because of the standard argument put forward on behalf of state authorities in India that there is not much good quality land available and that a further round of land reform could result in economically unviable holdings. It is certainly possible that even if the dalit-intermediate caste combination, now in power in Uttar Pradesh, does not expressly indicate this to be the case, some such notion is part of its understanding. If Kanshi Ram's party really has the support of the bulk of the dalits and is not in fact riding piggy-back on intermediate caste support, land reform would ordinarily have been high on its agenda. The CPM regime in West Bengal after 1977 was able, -in the early years, to push ahead with legislative business and to put the central government in a position where that government was seen as holding up some of the bills reserved for the consideration of the president. Can the Uttar Pradesh government be expected to take similar initiatives?

Even if it is believed that the scope for land reform is limited for the time being, the problem of dealing with the economic contradictions between the dalits and the intermediate castes will remain. If not dealt with soon enough the 'UP model' will be under strain. There are ways of tackling these contradictions, if not directly, at least by side-stepping them. This can be done by developing other economic opportunities for the landless. They can be organised together in group poultry and dairy farms, fisheries and in many other agro-based activities with appropriate training, credit and marketing support from the government.

Ambedkar had conceived of resettlement of dalits in new areas so as to free them from the social hierarchies of the typical village environment and "the thraldom of the Hindus". This particular method of dealing with the problem may or may not be desirable or feasible; but there is much to be said for establishing small agro-industrial communes for the landless wherever possible. This is a concrete step that the present government in Uttar Pradesh can take and a way of addressing, in a secular way, some of the real problems of such groups. Besides, agro-industrial activity has the advantage, in contrast to agriculture that at least some of it can take place on land that may otherwise be unsuited to large-scale agriculture. Such land should be available in plenty and there can therefore be no excuse for not making it available. This would help a substantial proportion of the dalits by strengthening their relative economic position. In taking a large proportion of them out of the rural labour market, or at least in reducing their dependence on that market, the Uttar Pradesh government would have taken a major step in overcoming the economic contradictions that underlie the dalit-intermediate caste combination.

II

The next important question concerns the impact of the SP-BSP combination on Muslims in their relation to Hindus. To consider the impact of BSP politics on Hindu-Muslim relations, it is necessary first to consider the backdrop. The relations between Muslims and Hindus at large are delicate in post-1947 India. Both communities have collective memories of mutual grievances. Muslims are naturally wary of the rise in Hindu communalism in recent times. In the years after independence the bulk of the Muslims supported the Congress, looking upon it as the force that might keep Hindu fundamentalism in check. Many of them did so in spite of a host of real and imagined grievances which they had come to entertain in respect of the National Movement as led by the Indian National Congress. Over the years, the character of the Congress also changed markedly and one can legitimately ask whether and to what extent the party which bears its name today in fact represents the pre-1947 organisation. After 1947 the Congress suffered at least three significant splits. First, most of the socialists went out of the Congress in 1948. Second, the Congress old guard went out in 1969. Indira Gandhi was able to take her faction to a national electoral victory in 1971; but for that victory, her party was in every other way a break-away group from the main Congress organisation which then became the Congress(O). Some more democratically-minded people left Indira Gandhi's party, first during and after the 1975-77 emergency phase, and ultimately when her party suffered yet another split in 1978. Some of those who split away from her returned later. But they returned to a party which was in some ways as different from the earlier Congress as the Muslim League after late 1930s was different from the Muslim League of, say, the mid-1920s.

It was this new-fangled Congress, the Congress (Requisitionist) as it was called in 1969, or the New Congress as it was called for some time, or, after being identified for some years with the names of its various party presidents, which came to be finally known as Congress(I). It was the Congress(I) which gradually and ultimately lost the electoral support of the bulk of Muslims of north India.

Yet in all this, one development passed almost unnoticed. This was that as the character of the Congress, that is the Congress(I), clearly changed from what it

had been earlier and the Muslims gradually withdrew their support from it, there was also a parallel and simultaneous movement among them to a greater appreciative understanding of the national movement, for all its various flaws. An increasing number of Muslim intellectuals showed greater appreciation than they had earlier seemed to do, for example, of Mahatma Gandhi's role in the Hindu-Muslim context as also the role of Congress Muslims like M A Ansari and Maulana Azad. This change was keenly perceptible in the 1987-1993 phase even in Muslim fundamentalist journals. Thus while the Muslims at large were moving away from the Congress(I), many of them seemed simultaneously to move to a more sympathetic appraisal of the concerns of the national movement than had been the case some years earlier despite their support to the post-independence Congress. The demolition of the Babri masjid by the Sangh clan and the nonchalance with which the central government treated the demolition, again enhanced, within the Muslim community, respect for the ideals of the national movement, if nothing else, by way of contrast with the present. At last the effect of the assiduous post-1937 political activity of the Muslim League, which had sunk deep into Muslim consciousness in some areas, seemed to be weakening. This was a good portent for Hindu-Muslim relations because it had the potential of enlarging the political space available between the rival communalisms of the two communities. The irony was, however, that this phenomenon was occurring at a time when Hindu Communalism was on the rise.

It is in this scenario and at this time that Kanshi Ram and his party emerged with a larger presence on the political scene. His combination had achieved major isolated successes over the last few years but now, taking advantage of increased Muslim disillusionment with the Congress(I), it was able, with the help of the intermediate castes, to put through a winning combination.

For Kanshi Ram's political organisation and methods it was necessary to wean away dalits from the Congress(I) and other parties to itself and a large part of the strategy chosen for achieving this involved ignoring the differences that existed in quality, outlook and character between the Congress(I) and the pre-1947 Congress. It followed that attacking the Congress(I) was not enough; the whole nationalist anti-imperial ethos had to be questioned and debunked rather than being seen as part of the process of an evolving nationalism. Thus precisely at a moment when a large part of the Muslim intelligentsia had begun to show greater appreciation of the differences in character between the pre-1947 Congress organisation and the Congress(I), Kanshi Ram's party sought to involve them in an alliance in which precisely the opposite would be stressed. This strategy, if pursued in this form, can be expected once again to increase the distance between Muslims and the Hindus at large. A typical illustration of this process is the following. When after the recent BSP remarks on Gandhi, a Muslim leader refused to join in the mud-slinging, he was attacked by an Islamic fundamentalist journal. Pulling up the Muslim leader, the journal editorialised that defending Gandhi was equivalent to defending the kar sevaks who demolished the Babri masjid.

The particular caste politics pursued by the BSP thus has certain communal implications. Unless it is assumed that a deterioration in the inter-communal atmosphere is conducive to the growth and development of the BSP, it must fine-tune its strategies to avoid such a result.

III

This leads directly to the third problem that the SP-BSP combination has to grapple with—that is its relations with those Indians, including Hindus, who, though not seen as political allies by the SP-BSP, do not nurture any hostility to it and would in fact welcome the forces that the combination represents find expression. It is in this terrain that one may locate the Gandhi-Ambedkar controversies and the recent re-run of these arguments.

Ambedkar often used the English analogy in his arguments with the 'caste' Hindus. So if the Congress told the British that only an India with the assurance of independence could give effective support to Britain in the Second World War, Ambedkar in his turn told the Congress that only the 'untouchable' who knew what place he would occupy in the post-independence scheme of things could really join the struggle for national freedom.

In every hard-fought struggle, the natural effort is to search for allies wherever they can be found. It was natural therefore for Indians to cultivate as many friends as they could among British politicians of the time and especially in the British Labour Party. Indians often felt that the Labour Party and leading Labour leaders did not go far enough to help them and remained essentially imperialist at heart. (In fact, this was also the impression of many Englishmen including Wavell.) In spite of this, Indians sought to befriend such politicians. Carrying the English analogy further, one might have expected dalit representatives to cultivate as many allies as they possibly could among the non-dalit Hindus and among Hindus outside their definition of 'Bahujan Samaj'.

Gandhians have traditionally been sensitive to the dalit question, even if, as some dalit leaders maintain, they did not go far enough. Besides Gandhians, there were a large number of groups in the Gandhi-led movement, which did not see themselves as 'Gandhians' but held Gandhi in high regard as the leader of the anti-imperialist struggle. There were, for example, Marxists like Acharya Narendra Deva, who believed that it was reactionary to oppose the national struggle and progressive to support it. These traditions live on today and the CPI/CPI(M) Left has also come closer, in its analysis of the national movement, to positions that Marxists like Narendra Deva had already taken at the time.

Going by the Ambedkar reference to the nationalist attitude towards the British as a pointer to what the proper dalit expectation from the national movement ought to be, the BSP should, following the analogy in contemporary terms, seek to befriend sympathetic elements in the country's national life. The nature of the BSP outbursts on Gandhi would appear to push it into a corner, in which the task of seeking out and retaining such allies might become more complicated and could at some point create strains even in its existing ties with OBC-based organisations like that of Mulayam Singh Yadav.

In his 'What Congress and Gandhi Have Done to the Untouchable', Ambedkar takes the Congress to task for various things, but one of the episodes mentioned by him illustrates exceedingly well the dilemma of the times. He refers to the Temple Entry Bill which had been introduced in the central assembly by Ranga Iyer in the early 30s. The Congress had promised to support it. However, as soon as it became clear that the assembly would be dissolved and fresh elections held, the Congress backed out. Ambedkar then asks: "When the Hindus threaten to defeat the Congress in the election, if it pursues the matter to a conclusion, Mr Gandhi, in order to preserve political power in the hands of the Congress, give up Temple Entry! Is this sincerity?"

Temple entry was later taken up by provincial governments. For our present purposes, the relevant point is that in recognising the strength of the opposition to the temple-entry programme, Ambedkar obviously understood the cruel dilemma with which the Congress was faced. It could either turn entirely to social reform and become politically marginalised. Or it could hold back on the reform for sometime and carry on the political struggle. Ambedkar's criticism would have had greater relevance if it could have been shown that both aspects of the struggle could be taken to their fullest extent in the given situation. But Ambedkar himself recognised the strength of the orthodox Hindu opposition of the time.

It would be wrong, however, to assume that Ambedkar was motivated by any special animus against Gandhi. Ambedkar shows consistency here, and makes the same criticism of Lincoln. Lincoln had said of the

various opinions held in the American civil war:

If there be those who would not save the Union unless they could at the same time save slavery, I do not agree with them.

If there be those who would not save the Union unless they could at the same time destroy slavery, I do not agree with them.

My paramount object is to save the Union, and not either to save or to destroy slavery

This, Ambedkar concludes, throws:

...a very different light on one who is reputed to be the liberator of the Negroes. As a matter of fact he did not believe in the emancipation of the Negroes as a categorical imperative.

(Further on in the same work Ambedkar makes certain distinctions between Gandhi and Lincoln to the disadvantage of the former.)

This method of analysis does not take account of the complexities of crisis situations, of life, of movements and of individuals and it ignores completely their relative placement in a given social configuration. It demands that even a sympathetic ally or party pursuing an immediate unexceptionable objective should be required to prove its credentials even if the method or extent of proof demanded be such that the primary objective being pursued by that party is itself jeopardised. This is not a basis on which personalities and movements can be fairly judged.

The essential point, however, is not whether Ambedkar was right or Gandhi was. The real point which the BSP should perhaps be stressing is that all the reasons that could be marshalled in favour of granting primacy to the political struggle at the time of the Gandhi-Ambedkar controversies ceased to be relevant after 1947. Therefore, the present condition of the dalit is an unqualified critique of the post-colonial state. Formulated thus, the BSP can at least make itself open to, if not actually muster, an immensely larger support base. Many who consider themselves Gandhians and many others who though not Gandhians retain high regard for Gandhi's work and also those in that part of the Marxian tradition which had identified itself entirely with the national movement, can be expected to be firmly on the dalit side of the struggle.

It is a mistake to identify the Gandhian tradition in Indian political and social life with the state. The BSP, along with some other groups makes an error in thinking of 'Gandhi' as political shorthand for the present day state and the ruling Congress(I) and in thus feeling obliged to make angry attacks on (rather than balanced appraisals of) Gandhi in order to make contemporary political points. There is obviously an attempt by the BSP to refer not merely to Gandhi as a person but to use him as a kind of emblem to represent all such non-dalit non-'Bahujan' Hindus who claim to share or at least understand the dalit agony. The attack on Gandhi is thus a symbolic assertion of the policy of political exclusivism on the part of the dalits or on behalf of the larger category of 'Bahujan Samaj'. Although the state did attempt after 1947 to claim the Gandhian legacy, the distance between that legacy and the state as well as the major centrist political parties is very wide. It was pointed out in the constituent assembly itself that the Constitution had few Gandhian elements in it. Later on, the life-style of the politicians and bureaucrats similarly moved further away from the people. Some of Gandhi's ideas may be seen as impracticable—but even his more common sense suggestions in practical matters were ignored. Gandhi's suggestions on Hindustani as against Hindi were rejected. His emphasis on 'basic education' was brushed aside. The rise of Hindutva (and the failure of the state to bring communal offenders to book, and of the Congress(I) to tackle them politically) has only this relationship with Gandhi that he had kept it adroitly under check, not sparing in his day even Swami Shraddhanand from piercing but respectful criticism. It is ironically in the current year of Gandhi's 125th birth anniversary that the chasm between his thought and the Congress(I) has been sharply underscored making it clear that while such parties might in their relatively lucid movements reach out for aspects of the Gandhian legacy, they cannot claim it by right. This is evidenced by the spectacle of the ruling party at the centre, which presents itself as upholding Gandhi's legacy, having to be brought to account for its involvement in the November 1984 riots by a Bharatiya Janata Party (BJP) government in the National Capital Territory. The BJP, for its part, has false pretensions as its cadres, to give only a couple of instances, still proffer justification (its official positions notwithstanding) for the assassination of Gandhi and the destruction of the Babri masjid. The connection between Gandhi or 'Gandhism' and the state or the major centrist parties does not carry conviction. What affinity can there be between a state which enacts and maintains the Terrorist and Disruptive Activities Act (TADA) and one who first emerged upon the national scene with a vigorous challenge to the Rowlatt legislation?

Gandhi saw it possible to go so far as to condemn untouchability, campaign against it and to declare the general proposition that any Hindu scripture that was contrary to reason had to be rejected, thus putting traditional Hindu society on the defensive. In the context of those times when even temple entry questions aroused widespread opposition this was no small achievement.

But the choicest political invective is sometimes reserved for those relatively closer to one's own position. For instance, to consider a slightly different context, the 'Platform of Action of the CP of India' published in *Pravda* in 1930 had this to say of Nehru's more sharply Leftist phase:

The most harmful and dangerous obstacle to the victory of the Indian revolution is the agitation carried on by the "Left" elements of the National Congress led by Jawaharlal

Nehru, Bose, Ginwala and others...

The greater understanding is sometimes reserved for the one who is safely outside and perhaps even ranged against one's own struggles. Thus leading Jews could overlook some of Voltaire's anti-semitic 'fervour' by taking a broad view:

> However, that may be, the Jews forgive him all the ill he has done them, in consideration of the good he has done them, although involuntarily perhaps even unknowingly; because if they are enjoying a little peace for a few years, they owe it to the advance of the Enlightenment, to which Voltaire has certainly contributed more than any other writer, by his numerous works against fanaticism.

The memory of Gandhi is, if anything, a resource available to the BSP and all groups that seek to speak for the depressed for it is the groundwork initiated largely by him that has helped prepare non-dalits for social change. It can reject this resource only if it believes that social reform comes in one fell stroke and that since Gandhi did not see his way to go far enough he was, therefore, ranged against the dalits. By not appreciating this matter or the difference between the present and the pre-1947 situation the BSP would be denying to itself the widespread support for dalits that may be available outside the ambit of its own self-definition. In the new context, the BSP may have to move to some extent beyond Ambedkar and overcome the isolationist tendencies of the past by making allowance for the notion that it is possible for a non-dalit to be genuinely concerned over the oppression faced by dalits. If the possibility or genuineness is accepted, it is not necessary to waste time on the question whether such concern can equal that felt by the dalits themselves. The African National Congress has little difficulty in functioning on this basis and there is no reason why the BSP cannot see its way to do likewise.

It is paradoxically in moving beyond its isolationist legacy that the dalits can arrive at a larger fulfilment of Ambedkar, to whom Lohia, the ideological master of Mulayam Singh Yadav, had written in December 1955 that "Sympathy should be joined to anger" and that he should aim to become "a leader not alone of the scheduled castes but also of the Indian people" If the SP-BSP combination can so function as to make this its object it will give cause to rejoice in the emergence of a combination that has it within itself to replace the decaying parties of India's political centre. Few persons have understood this better than Gandhi himself. In January 1940 he wrote in *Harijan*, welcoming the move by Jinnah to bring about a combination of parties opposed to the Congress by creating an alliance between, among others, the Justice Party, Ambedkar's party and the Muslim League. This was partly a precursor to the alliance structure sought to be built up by Kanshi Ram and Mulayam Singh Yadav. Gandhi saw such a combination as lifting these groups out of the narrow channels within, which each had till then functioned (and consequently, he hoped, implying denial of the two-nation theory). Gandhi, therefore, wrote:

> Such an alignment of parties is a consummation devoutly to be wished: If the Quaid-i-Azam can bring about the combi-nation, not only I but the whole of India will shout with one acclamation: 'Long Live Quaid-i-Azam Jinnah' For he will have brought about permanent and living Unity for which I am sure the whole nation is thirsting.

Jinnah, seeing the chink in the two-nation theory, wrote back on January 21, 1940 declining the compliment and saying that while the combination was indeed being attempted, "India is not a nation, nor a country" and that the alignment was "partly a case of 'adversity bringing strange bed-fellows together' ".

As the two-nation theory is also now no longer in the way, it is open to Kanshi Ram and his party to accomplish what Jinnah declined to do and to bring about, with the help of enlightened support from groups like Yadav's and other Indians, that wider social 'consummation', not only in Uttar Pradesh but throughout the country. Can he and Yadav rise to the occasion?

A Blanket Spread Too Thin

Compensation for Bhopal's Victims

Paul Stanton Kibel
Armin Rosencranz

The individual-based compensation distribution scheme currently existing in Bhopal fails to respond to the severe disaster-related medical and social distress.

IN 1986, the Bhopal Gas Leak lawsuit was filed with the district court, Bhopal. The district court's interim ruling was appealed to the Madhya Pradesh High Court, and eventually to the Supreme Court of India. While the case was still pending before the Supreme Court, and with the Supreme Court's intercession, the Indian government and Union Carbide reached a settlement. The settlement required Carbide to pay the Indian government $ 470 million This settlement fund would be supervised by the Indian Supreme Court, and distributed to those who had been injured, and the surviving families of those who had been killed, in the Bhopal disaster.

The existing Bhopal settlement distribution scheme is based exclusively on compensating specific claimants for death or injury. This individual-based distribution scheme, by itself, fails to respond to the severe medical and social consequences of the Bhopal disaster unless it is integrated with 'community-based' distributions which would fund institutions, programmes, and services that serve the larger, collective group of persons injured and adversely affected by the Bhopal accident providing effective long-term relief and assistance to survivors, and would serve as a landmark case of disaster relief.

Under the Bhopal settlement distribution scheme envisioned by the Supreme Court, 30,000 individuals were expected to receive compensation payments. These individual compensatory payments were intended to cover a host of costs and concerns, such as pain and suffering, lost wages, and incurred and future medical bills. The amount of compensation that each individual was to receive would be determined by the severity and permanence of the individual's injury.

The claimant classification system promulgated by the Supreme Court adopts the following categories: fatality, temporary injury; permanent injury; temporary disablement caused by temporary injury; temporary disablement caused by permanent injury; permanent partial disablement; and permanent total disablement The compensation for an individual fatality was estimated at approximately $ 14,500. Although originally 30,000 claimants were expected, the class of claimants may expand to 300,000. Because the total settlement is fixed, this enlargement could drastically reduce the amount of money each claimant would receive. This enlargement could also drastically increase the administrative burden placed on government officials.

Although the individual-based compensation scheme may appear as an appropriate, effective and fair response, the scheme possesses many flaws. These flaws render the scheme dysfunctional, and prevent the Indian government from achieving basic medical, social and justice-related goals. The three primary flaws concern (1) administrative burden and time delays, (2) the susceptibility of claimants to exploitation and manipulation; and (3) most importantly, the failure to provide for the future of the Bhopal community and affected unborn generations These disadvantages are considered below.

The processing of up to 300,000 individual claims for compensation places a tremendous administrative burden on the government and courts. The government must give notice, process claim applications, conduct and review medical and financial assertions, as well as disburse each claim. In discharging these tasks, substantial financial costs will be incurred. The administration of this large claim, evaluation, and disbursement apparatus will also result in time delays. These time delays may prevent many desperate, injured claimants from obtaining the money they need for immediate survival. If the number of claimants is expanded to 300,000, the administrative and time delay problems will increase accordingly. This increase may prevent the government from effectively responding to the widespread suffering, displacement and poverty caused by the Bhopal accident.

The vast majority of Indian citizens injured or killed by the Bhopal disaster were uneducated and illiterate. Because of their circumstances, most of these people have a limited understanding of modern commercial and financial dealings. This lack of experience renders them, and their newly acquired assets, particularly vulnerable to outside exploitation and manipulation. To believe that such exploitative and manipulative efforts will not be made is both naive and dangerous. The injection, over time, of up to Rs 2,000 crore into the local Bhopal community will attract the interest of those seeking access to this vast sum of funds. Some may come offering insurance or annuities. Some may come offering products or services. Some may come offering investment opportunities. Although the specific angle such 'interested' persons will take remains uncertain, one thing is sure. They will come. Being illiterate and uneducated, the Bhopal claimants will likely prove susceptible and vulnerable to such outside efforts. If these outside efforts are successful, the result will be a *de facto* transfer of Bhopal compensatory claims to private business interests. If this happens, the Bhopal victims will find themselves in the same condition of suffering, poverty and injustice that they have endured until now.

The Bhopal disaster placed 40 tonnes of highly toxic methyl isocyanate (MIC) into the Bhopal atmosphere. In addition to the death and injury it inflicted on Bhopal's citizens, the release of MIC had other adverse effects. It rendered much of the agricultural land unsuitable for farming. It rendered much of the surrounding area uninhabitable. It also, according to most medical experts, will cause increased birth defects among future generations.

The individual-based Bhopal compensation scheme does not confront these issues. There are no provisions for detoxifying the soil or for assisting former farmers. There are no provisions for addressing the problems of wide-scale population displacement. There are no provisions for the medical care of the unborn. Unless these larger, broad-based problems are addressed, the settlement will not truly succeed in compensating or rehabilitating the victims. To effectively compensate these persons, the distribution scheme must provide for the future of the Bhopal community and the welfare of its affected unborn generations.

Alternative Scheme

There is an alternative to the flaws and limitations of the individual-based distribution scheme—'community-based' compensation. Under this model, only a portion of settlement funds are distributed directly to individual claimants. A significant fraction of settlement funds are invested in institutions, programmes and services that will collectively benefit the entire class of claimants. The theory behind this alternative distribution scheme is simple. The claimants will derive the greatest benefit from pooling a portion of their individual claims, and developing an ongoing financial framework to deal with the Bhopal community's problems and needs.

Under the community-based model, instead of providing individual claimants with funds to cover medical costs, the Indian government would invest in modern hospitals to treat the injured. These hospitals would be specifically designed to meet the needs of the Bhopal victims, with staff and facilities to deal with issues such as post-traumatic stress syndrome, genetic counselling and mental health generally. These hospitals would be for the exclusive use of, and at no cost to, Bhopal victims and their future affected generations.

Under the community-based model, instead of providing individual claimants with funds to cover soil detoxification and family relocation costs, the Indian government would invest in technologies, services and facilities designed to address these problems. Once again, these programmes would be free, and for the exclusive use of Bhopal victims and their future affected generations.

Beyond the immediate problems of medical care, land detoxification and population relocation, the community-based model could also effectively address other local problems. Settlement funds could be used to establish schools, programmes for job retraining and new housing construction. While these expenditures and services may not be directly related to the Bhopal disaster, they will obviously help to improve the welfare of the Bhopal community. Because improving the welfare and condition of the Bhopal victims was the central aim of the settlement, these types of programmes are wholly appropriate compensation strategies.

In addition to providing effective relief, under the community-based model, settlement monies would not be as vulnerable to exploitation by private business interests. Provided that the model contained effective internal checks and outside supervision, the real social and economic benefits should reach the settlement's intended beneficiaries, the victims of the Bhopal disaster.

The alternative community-based distribution scheme should not be thought of as completely inconsistent with the individual-based model. It is possible for one compensation scheme to retain elements of both. For instance, the Indian government could offer individual-based compensation for fatalities and permanent total disablement. For all other injuries, claimants could be given free access to the programmes and services established under a community-based model.

The advantages of the community-based distribution model can best be understood by referring back to the three primary flaws under the individual-based compensatory approach. First, there is a smaller administrative burden in operating a handful of community programmes than in processing 300,000 individual applications and claims. Second, because many claimants would receive service benefits rather than monthly cash payments, there is less opportunity for outside exploitation. Lastly, because the community-based model establishes ongoing programmes and services, it will be better able to serve the future interests of the Bhopal victims.

The Bhopal settlement provided the Indian government with $ 470 million to assist and benefit the Bhopal disaster's victims. With the devaluation of the rupee, and accumulated interest, this sum has grown even larger. Having secured these funds, the Indian Supreme Court must now help local authorities develop an effective, fair and feasible distribution scheme. While the existing individual-based compensation scheme is well-intended, it possesses many flaws. Because these flaws may render the scheme dysfunctional and ineffective, we urge the Supreme Court to consider alternative compensation models. More specifically, we believe the Supreme Court should integrate elements of the community-based compensation model into its Bhopal distribution strategy.

The integration of community-based distributions, even if initiated by the Supreme Court, should not be controlled from the top. Rather, the decision of which programmes to fund, and how much money to allocate, should be left to the people of Bhopal. These citizens are in the best position to evaluate the problems and needs of their community, and to determine how the funds can be most effectively spent. To further this local empowerment, the Supreme Court or the Madhya Pradesh High Court could appoint a panel of widely respected Bhopal citizens to speedily establish programme priorities. Only by empowering local citizens will the community-based programmes be responsive to the critical medical, social and economic needs of the Bhopal victims.

Major's Little England

Corporate Meltdown

Frederic F Clairmont

The German seizure of Rover is not only a debacle for a once robust British car industry, it signals the inexorable withering away of an already anaemic manufacturing base.

"BMW swallows Rover", crowed *Bild*. It went on to proclaim that BMW's chairman had crafted "a masterpiece of industrial policy", Britain had been blitzed and busted. No doubt the attributes of the Herrenvolk, the triumph of Germanic organisational genius, unbeatable marketing skills. The crap goes on. In short, it was these Nazi-like supermen qualities that had made BMW one of the powerhouses of German industrial engineering. The pride of authentic Germanic capitalism. The German stock markets echoed their approval and BMW's stock soared.

The sheer brilliance of the annexation *Bild* ranted was that the consummation of the coup had uplifted a Germany stricken with crisis and bathed the whole of German industry in sunshine. There was only one way to go and that was "onwards and upwards". Translation: bigger and bigger market shares, fatter and fatter profits for mega German corporations. The corporate pro-Nazi media joined the chorus. The massively concentrated multi-billion-mark yellow press was in a state of apoplectic celebration so redolent of the October and November days of 1989 that marked the annihilation of the GDR and the biggest real-estate scam in all history.

Perhaps more luminously, another leading yellow tabloid caught the spirit of global economic war and inter-imperialist rivalries in a classic one liner that could not be bettered. "Sure we lost the last war. What matters now is that we've won the economic war. The bulldog is sick and toothless." In the grim and utterly despondent state of contemporary Britian, the nation appears tragically to be immune from shame and humiliation.

The war was occurring in a specific inter-imperialist configuration: aside from the economies of the Pacific Rim, the world economy was in a state of chronic instability with joblessness hitting record levels; undercapacity working in all industrial sectors hovering tremulously at around 65-70 per cent, the lowest in the post-war years; massive closures and retrenchment in all industrial and service sectors with no prospects of the hurricane moving on.

It is not fortuitous that the appearance in January of the UK's official Social Statistics, coinciding with the acquisition, indicated that 21 per cent of the nation's assets are held by less than 1 per cent of the population, a spectral number that is rising ominously. Despite the slippage of global export and output aggregates and its agonising social corollaries, the economic gulag continues its boom.

Simultaneously with the gobbling up of Rover at a cost of $ 1.4 bn, the Bank of America Corp annexed Continental Bank Corp of Chicago for $ 2 bn in the sixth largest banking combination ever. The Bank America/Continental fusion germinates a bank holding company with assets of $ 209.6 bn, second only to Citicorp among US banks. The deal has other ramifications for big capital. Rationalisation follows: over the next two years more than 2,000 bank employees will have been junked. Let us get the picture straight: the gulag's liquidationary strategy is taking place not because profits are in a hole but to boost profits. The same logic of uninhibited greed applies to BMW's devouring of Rover.

For the intellectual compradores in the service of economic liberalism now hollering at full throat for industrial 'restructuring', 'liberalisation', 'privatisation' and the familiar panoply of the World Bank/IMF, the lesson to be drawn from the BMW/Rover dossier is unequivocal. It is wholly destructive of any kind of coherent industrial and economic policy. Corporate aggrandisement does not, however, formulate policies on the basis of ethical concerns.

Two of the traditional prides of Englishmen from the industrial revolution of the 18th century to the 1960s were the twin pillars of the British empire and the spectacular achievements of its industrial engineering. The shipbuilding industry is dead. Britain's premier computer group ICL was grabbed by Japan's Fujitsu. The empire has gone. What remains of its industrial heritage, including the automobile industry, is in the throes of extinction. Lord Nuffield, the pioneer of the British automobile industry, would now be quivering in his grave.

The German seizure of Rover is not only a debacle for a once robust indigenous car industry, but, even more cataclysmic, it signals the inexorable withering away of an already anaemic manufacturing base. A process that reached its zenith in the Thatcher years. A state of play that appears irreversible even to demoralised treasury officials and the enfeebled government itself still peddling defunct *laissez-faire* mouthings.

Obviously, the strategy of manufacturing policy cannot and should not be divorced from overall government economic policy. In the rampantly corrupt cabal of the Major cabinet, there is no such policy. When Norman Lamont, the former chancellor, himself the epitome of a wobbly politico, declared that the government was "weak and hopeless", he was venting not only his personal pique at having been booted out of the cabinet and being used as a scapegoat for the UK's withdrawal from the ERM.

It was the case of the pot calling the kettle black and the fire calling both sooty. The pathology of Tory misrule that has shovelled the country into a fourth-rate niche goes beyond individual invective and recrimina-tions and counter-recriminations that reverberate within and outside parliament. There was hardly a whimper at the takeover in Westminster. The exception was Tony Benn. This is understandable; the party itself is the victim of endless sexual scandals and of graft and corruption that have scaled new heights.

The Tory machine is the natural house for corporate capitalism. It was conceived as a party of an oligarchic caste and it has never deviated from its goal; it is a coterie whose policies and pattern of conduct are consistently anathema to the national interests, a point devastatingly spelt out by David Lloyd George in the 30s: "Scratch a Tory and you'll always find a fascist"

Westminster, during and after the Thatcher years, has been a source of prodigious enrichment for the Tory caste. Naturally, the source of the Tory payola has emanated from a staggering variety of sources including West German and Japanese capital, US Chambers of Commerce, the CIA and last but by no means least South Africa's mega-conglomerates. All kinds of shady traffickers have made their contributions. Tory money-boxes are not open to public accountability. Over nine-tenths of its parliamentarians are intimately enmeshed with the city; many are on several boards of TNCs. The Westminster Tory club exhibits the highest concentration of millionaires in the UK. Why should this be surprising?

Given the very nature of the gulag-media, the nexus of political and financial power is rarely if ever divulged. Sexual

peccadilloes and ups and downs of a decadent monarchy is fair game for the yellow press. It deflects opinions from the underlying realities of big capital and their political agents.

Whether or not there were cash flows between BMW and the Tory caste to facilitate the political passage of the takeover cannot be ascertained. What is important are the implications of this acquisition. What it signalises is the total loss of control in all stages of decision-making that has passed to another country. Germany has three major car groups; the UK has none. The replacement for the Rover 8000 will be based on a five-series BMW platform. All future research and development will be concentrated in Germany, a feature that is now a banality in TNC practices. The workforce will be trimmed. The union is slated to be axed.

This simply means that Rover car production will inevitably become an assembly unit. BMW will acquire Rover's dealers which it wants. Also BMW will concentrate resources in Land Rover since this is the grand prize that BMW has always coveted. The first claim and its ballyhoo is an indicator of the future. At the time of Rover's takeover by British Aerospace, there was a lot of doubletalk about synergy. The rhetoric was hollow then. Little investment was made in Rover and it was dumped when Aerospace needed a new injection of cash flows.

The public relations cant that BMW will be investing massively in Rover will not wash. The decision to invest or not to invest or simply pull out of the country altogether and move elsewhere is no longer a British decision but a German corporate one. What has happened in the case of Ford and Vauxhall? The design and engineering skills have been moved out of the UK into Germany. The UK is nothing more than a location for low-cost assembly.

The trouble with low-cost countries is that, as one analyst commented, there is always another low-cost country coming up behind. Vietnam is a case in point. Corporate capital that comprise the economic gulag have no compunction whatever about shifting location to remain 'competitive', to use their jargon. This single dossier from the auto sector is a source of invaluable reflection on the nature of inter-imperialist rivalries in all its facets. The disastrous course of Tory policy over the last decades was and continues to be a design for disaster; a dossier whose wider analytical significance goes well beyond Major's impoverished and enfeebled island.

Regional Politics in Russia

Anuradha M Chenoy

Regional variations in political power and economic structures in Russia have led to struggles for power and control of resources. While the centre has used the disputes between the republics and provinces to play off competing territories against one another, the regions have adopted varied tactics to pressurise the centre.

IN Russia the 'region'—the territorial unit administered by a local government—has today become a powerful entity. Regional elites constitute important players in the struggle for power and control of the great redivision of state property, since economic and political reform efforts have to be implemented in the regions. The role of the regions as influential actors in the Russian political scene has been demonstrated during the Russian referendum, and the local and national elections. The future of the Russian federation thus lies in its regions.

Regional Structure and Federalism

The Russian federation is divided into 88 units. Of these 55 are provinces/regions (oblasti, kraya), two cities (Moscow and St Petersburg), 20 republics (earlier known as the Autonomous Soviet Socialist Republics—ASSR), and 11 autonomous formations. These formations are enclaves within some of the regions that have a special status associated with their titular nationality. This division was made on nationality basis by the Bolsheviks in 1918, and has influenced regional politics since then. Power and rights varied according to these categories, and the regions' relation with the centre depended on this.

The establishment of the Russian federation after Soviet disintegration necessitated reformulation of the federation, and reopened debates on rights and privileges of the federating units. Political movements relating to the federal structure originated around these debates. Movements from some republics are secessionist in nature (Tatarstan and Chechnya), while other republics want to maintain their rights and privileges within the federation. The provinces have been mobilising for political rights and economic autonomy. The autonomous entities have demanded statehood.

The negotiations for forming the Russian federation and drafting a constitution became complicated because of the disputes between the units. The republics insisted on maintaining privileges received during the Soviet period (even though these had not been practised until the Gorbachev regime). They insisted on ownership of subsoil and other resources on their territory. The provinces argued that these rights would mean sovereignty for the republics.[1] Drafts of a federal treaty which did not ensure special rights were not approved by 14 of the 20 republics.[2]

The Federal Treaty of March 1992 appeared as compromise documents which president Yeltsin and speaker R Khasbulatov promoted. The final treaty showed that the pressure from the republics had been acceded to.[3] The Federal Treaty stated that the republics "possessed full state power" (except for those powers that had been transferred to federal bodies). Ownership and administration of land, subsoil and other resources was left to the republics (shared with federal authorities). Emergency measures could only be levied after consent of the republic concerned. The republics retained the right to sign the treaty, which was to become part of the new constitution.[4] Tatarstan, Chechnya and Ingushetia held out, while other republics signed.

The Federal Treaty gave legal sanction to the republics' special privileges and initiated new debates and movements in the provinces. The city and provincial elites questioned the republics' right to statehood because of the demographic pattern of ethnic pluralism in Russia. The 1989 Census shows that in only four of the 20 republics was the titular nationality in a majority. In nine of the 20 republics, Russians are in majority. Less than 55 per cent of the total population of the eponymous live within the borders of these entities.

Regional representatives argued that republics and autonomous areas are no longer populated solely by eponymous people. Thus if the criterion for statehood is that it be populated by a majority of eponymous people, even Tatarstan would not fulfil this criterion. It was further argued that the right to national self-determination was to be granted when cultural development is unattainable except through statehood. Moreover, practice has shown that statehood does not guarantee a nation's free cultural development.[5] Thus, for instance, the Tatar elite is not helping in the solution of cultural or social problems in Tatarstan, but only urging the people to struggle for expanding the framework of statehood.

Discrepancies within the federal budget were also used to criticise the republics' demands for statehood. All the 15 regions which receive more from the common treasury than they put into it are republics or autonomous entities. For instance, Tatarstan paid 93 million roubles and received 38 billion roubles from the centre. Chechnya, Irkutsk, Dagestan, among others fall into the same category.[6] This distribution has led to outcries from provinces.

The *ad hoc* political situation in Russia led to uncertainty amongst provinces. They started taking steps to strengthen themselves. Thus Irkutsk province and Krasnoyarsk territory passed a resolution to unite to form a single republic.[7] Norilsk industrial region demanded that they join the Taimyr region, and initiatives were made to form the central Siberian republic. In Sverdlovsk and Vologda province local soviets declared themselves the Urals republic.[8] Vladivostok and the Maritime territory expressed the desire to form the Maritime republic. Chita province demanded republic status, and other such demands followed.[9]

These moves were made by the provinces to provide a powerful counterbalance to the republics. These had the backing not only of the provincial elites but also of the highest executive authority. For instance, Sverdlovsk's decision to form a Urals republic (July 1, 1993) initially received a favourable response from Yeltsin and prime minister Chernomyrdin,[10] but was later dubbed as untimely. Since the Constitutional Commission wanted the Russian federation to continue to follow the nationality pattern, different provinces wanted to ensure their rights.

The moves made by provinces for changing their borders and enhancing their status was due to a number of factors. The provinces wanted to resist efforts by Moscow to impose disadvantageous contracts on them. The centre's changing positions and the dispute between the parliament and president increased instability, and decisions were *ad hoc* and unpredictable. The provinces were dissatisfied with the Federal Treaty and the 'asymmetrical model' of the federal structure, which did not give them equality with the republics. They had varied perceptions of economic transformation and wanted to be equal partners in the redivision of property. V Novikov, chairman of Krasnoyarsk territory soviet stated, "The constitutional redistribution of material and financial resources (were) in favour of the republics. After all, if the republics receive the status of sovereign states, they will become the owners of land, natural resources, etc..." This reflected the deep concern of the provinces and their determination to 'fight

to the end' to ensure equality in the new constitution.

Constitution and Regional Question

The regional question and distribution of powers were a major barrier in the making of a constitution. The parliamentary draft constitution of 1991 was not accepted because the republics did not want provinces to have equal rights with them.[11] (The president also wanted more powers than granted in this draft.)

The president's decision to present his own draft in April 1993 ran into trouble. This draft was criticised by the republics on the grounds that though the Federal Treaty had been included into it, the constitution did not stipulate either the legal status of republics as sovereign states or the voluntary nature of the federation. The republics criticised the lack of an article on the right to self-determination and felt that articles of the constitution contradicted the Federal Treaty.[12]

Russian provinces too reacted to the president's draft constitution. Representatives of 40 territories stated that they would sign the draft constitution only if: (i) Russia was established as a constitutional federation; (ii) the status of members of the federation was equal, with certain exceptions established by the constitution; (iii) exclusive and joint jurisdiction of the units was equal; (iv) members did not have the right to secede; (v) budgetary structure was included in the constitution as an independent chapter; and (vi) the upper house of parliament was to be elected independently on the basis of uniform norms. The provinces made it clear that they opposed the position of republics as 'sovereign states' since it implied "constitutional redistribution of resources in favour of the republics".[13]

President Yeltsin's susceptibility to pressure, and his method of playing off one group against another led to this wrangling over the constitution. The second constitution draft presented by him in June 1993 mixed contrary ideas. A 'constitutional federation' and a 'treaty-based federation' were fitted together. This draft offered the republics the right of 'sovereign states' and the provinces and autonomies the right of "state-territorial formations".[14] It confirmed the existence of a two-level hierarchy within the federation, yet promised "equality among themselves" for all members in their relation with federal bodies of power. Similarly, the draft stated that "republics may establish their own citizenship" but also made citizenship "uniform and equal" (Article 6).

The impact of the republics' pressure on the draft was acknowledged by Alexander M Yakovlev, a prominent architect of the draft, who said that the decision of granting the republics the right to conclude additional treaties (Article 75) was a verbatim reproduction of a proposal by the Tatarstan delegation.[15]

Clearly, then, the difficulty in adopting a constitution because of the disputes between the federating units and with the centre, along with the opposition to the draft by the parliament, provided an input into Yeltsin's decision to dissolve parliament and assume emergency powers. It was evident to the presidential team that a constitution and a federation had to be imposed on the units to form the Russian state.[16]

The new constitution published by the president on November 10, 1993, and placed for the December elections, like the earlier presidential drafts, reflects the current shifting political situation, without considering the future of the federation.[17] The constitution serves one of the antagonistic political forces in Russian society—that represented by the president. Though representatives of republics and provinces participated in its drafting, the constitution was not a collective effort based on a constituent assembly. The new constitution is thus not a document which represents consensus in a highly divided society.

The president's antagonism with the vice-president and the earlier parliament is reflected in the fact that the constitution envisages no position of vice-president or speaker, but establishes a regime of personal power by the president. The province-republic conflict is represented in the contradictory articles on distribution of power, where various groups are appeased.

For instance, federal state property and its management are under the jurisdiction of the Russian federation. But the possession, use, and disposal of land, subsoil resources, water and natural resources, and demarcation of state property, are under the joint jurisdiction of the Russian federation and the members of the federation. This provision is ambiguous and leaves room for endless disputes. The method of solution of disputes is not clear. The right to secession has not been granted, and several social and economic rights which had been granted by earlier regimes have been taken away. Several republics and regions are clearly dissatisfied with the constitution. During the December 1993 referendum, the republics of Khakassia, Bashkortastan, Chuvashia, Komi, Buryata, Dagestan, and Kabarda Balkaria, did not approve of the constitution. They were joined in their dissent by regions like Lipetsk, Perm, Penza, Rostov, Ulyanovsk, Tambov, Belgograd, and Bryansk.

The inability to provide institutions, including a constitution which would assist in the formation of a stable political system, implies that even this new constitution would be a transitory and temporary document. Since the constitution does not reflect the demand of all the federating units, and the constitution-makers have not been able to arrive at a consensus, discord between the members and the centre will occur frequently. This would lead to negative regionalisation and separatist movements.

Regional Elite Structures

A regional elite with control over local power structures has formed in the Russian regions. This elite is a mix between the old nomenklatura and some new radical leadership. In several instances the radical leadership includes officials who served under the old regime but have now distanced themselves from it. The 1989 elections to parliament led to an unexpected defeat of the party leadership at regional level. Most of the new leadership was in favour of the reforms.[18] This leadership maintained some links with the old nomenklatura, especially since they lacked administrative skills.[19] Since the economic shock therapy programme failed to reverse economic decline, much of the regional elite changed their position *vis-a-vis* economic reform. The local elections of March 1990 witnessed a different trend and communists made political gains in some regions.[20]

Elite formation and consolidation is revealed by the 1993 elections to the Federal Council and State Duma. In the Federal Council, of the 172 deputies elected from the two-seat electoral districts, 115 have held leading positions in the regional administration. Twenty-four deputies are directors of joint-stock companies, and about 18 are professionals (physicians, heads of newspapers, rectors, professors). Only eight did not earlier hold positions in the official or elite hierarchy.[21]

Similarly, of the 219 deputies elected in the 225 single-seat constituencies for the State Duma, about 80 have held leading positions in either the central or local administration. Fifty are directors of joint-stock companies or chief of banks, 15 are directors of state or collective farms, and 40 belong to academic or cultural institutions. Thus only seven unemployed individuals without previous official positions and only two from working class background (one bus driver and one trade unionist) have been elected.[22] Most deputies (94 per cent) have received higher education and are males (87 per cent).

The 225 deputies from the party list include leading party workers, but also state and local officials who have affiliated themselves to the winning parties. Thus a majority of the deputies to parliament belong to a fairly entrenched elite, whose positions of power extend back to the earlier regimes. Election results indicate the consolidation of a professional elite. Regions and republics have elected local leaders and high-powered state officials.

Trends in Regional Politics

The consolidation of the regional elite structure has had an impact on regional politics. The regions have begun to show definite political

choices. Some regions have supported Yeltsin's policies and leadership. Others have systematically opposed him. There is a trend in some regions to become 'oppositionist' regions. While their political choices vary, most regions have started taking independent initiatives at the local level.

An indication of the changing political choices of regions was evident in the April 1993 referendum. In this referendum Yeltsin did not receive a majority of the votes from 10 republics (Adygeya, Bashkortostan, Altai, Dagestan, Ingushetia, Karachayevo-Cherkessia, etc). He was supported by a two-thirds majority in Moscow, and most of the provinces beyond the Urals, except five (Altai, Amur, Chita, Aga Buryat, and Ust-Orda Buryat). In European Russia, only 12 provinces did not express confidence in Yeltsin, mainly from the Black Earth region. Several provinces voted for Yeltsin but not for his social and economic policies (Buryatia, Udmurtia, Krasnador, Stavropol, Volgograd, Voronezh, Kalyga, Kemerovo, Kostroma, Kurgan, Novosibirsk, Omsk, Orenburg and Tver).[23]

This referendum revealed regional block-voting patterns. Regions and republics classified as 'poor' areas generally voted against Yeltsin. Regions with large military-industrial sectors opposed the president's economic and social policies. Ethnic causes also affected voting choices. Moreover, lobbying had preceded voting, with both Yeltsin and Khasbulatov making appeals to regional heads.[24]

This trend is an important indicator of regional politics, because during the 1991 coup and Soviet disintegration, most regional leaders remained neutral. In the crisis situations at the centre the regions initially tried to keep a distance. But at the same time, they sought to capitalise on the weakening state-power by assuming more local power. This was possible because of legal ambiguity on the division of powers.

Independent political initiatives at the regional level were taken by specific provinces in April 1993. Since the Congress of Russian People's Deputies did not extend the president's rights to appoint chief administrators, several provinces held elections for the post. In many of these provinces, people supported by the communists came into power. (For instance in Orel, Krasnoyarsk, Bryansk, Chelyabinsk, Kursk, Lipetsk, and Penza.) In others, independent reform-minded but centrist leaders were elected.[25] With this development the presidential vertical chain of command was broken, though in January 1993 the president had issued a decree granting major powers to the presidential representatives at local levels, thus striking a blow to the powers of the local Soviets and administrators.[26] But with these elections, new power structures opposing the president were again positioning themselves at the helm of affairs.

Yeltsin's aides stated that the aim of these local elections was "to paralyse the system of presidential authority and destroy the executive chain of commands".[27] These political initiatives came from the regions because Yeltsin failed to develop a political party with linkages to the regions. Only the communists still retained linkages at grass roots level.

Instead of re-establishing linkages with regions, Yeltsin sought a further end to these political articulations by imposing emergency, dismissing local Soviets and appointing his own representatives as chief administrators. Twenty-seven regions demanded that the president revoke the September 21 emergency decree. They asked for elections to the parliament and for the presidency. They demanded an end to censorship and threatened to levy counter-pressure by reserving the right to apply economic and political sanctions if their demands were not met.[28] The president's advisors dismissed this demand since it came from the less influential regions (Novosobirsk, Karelia, Tuva and others). This issue hardened the 'oppositionist' trend in some regions.

The impact of Yeltsin's political and economic policies, and the growing regionalisation showed up in the December 1993 elections to the State Duma and Federal Council. In the State Duma of the 450 deputies, 225 were to be directly elected through single-seat electoral districts. The rest of the 225 deputies were to be elected on the basis of proportional representation, through federation-wide electoral districts. In the elections, six electoral districts in Tatarstan and Chechnya boycotted the poll. Thus only 219 deputies were directly elected (see the table).

The result showed trends in regional voting. For example, Vladimir Zhironovsky's Liberal Democratic Party of Russia (LDPR) performed well in central Russia, gaining in Smolensk, Tambov, Orlov and Ryazan (between 30 and 34 per cent of the votes), while Russia's Choice received a high percentage of votes in the northern regions such as Moscow (37.22 per cent), St Petersburg (26.25 per cent), Perm (25.79 per cent), Sverdlovsk (23.95 per cent), and Arkhangelsk (22.51 per cent). The communists received the highest votes in many of the republics like Dagestan, Kabarda, Balkaria, Bashkortostan, Buryata, etc.

Interestingly, however, many regions which voted for the LDPR in the federation list, did not vote for their candidates in the direct election. As a consequence even though it received 22.29 per cent of the votes, only five of its candidates got directly elected. (Many communists or Agrarian Party members won here, for example, in Pskov, Smolensk, Kursk, Novosobirsk, Omsk, etc) (see the table).

This would indicate that the LDPR vote was not entirely a positive vote for Zhironovsky's politics but a negative or opposition vote against Yeltsin. The vote indicates that Yeltsin needs to correct his policies towards the regions, rather than appeal to overt ultra-nationalist sentiments.

A telling statement of the elections is the fact that the largest number of directly elected deputies (126) are not affiliated to any party at all. Party leaders account for only 5 per cent (22) and regional party leaders for only 7.2 per cent (32) of the deputies.[29] This indicates a political culture in which political parties as institutions of interest aggregation and mobilisation have not yet been able to receive legitimacy in the changed circumstances. This also reveals the failure of the parties in building links with the regions or even with the regional elite.

The impact of regional politics will be felt in the State Duma. A new group, New Regional Politics, has been registered, under the chairmanship of V Medvidev. The group claims 65 members, and its purpose is to lobby for the regions.[30] It is evident that regional alliances will have the power to influence decisions in parliament and bring regional issues to the country's attention.

Yeltsin has had to revise his policy and tactics to accommodate the new pressures after the elections. The resignation of

TABLE : RESULT OF THE DECEMBER 1993 ELECTIONS TO STATE DUMA

Political Party	Per Cent of Vote in Federation Wide Electoral Districts	No of Seats by Federal List (225 Seats)	No of Direct Single-Seat Electoral Districts (225 Seats of Which 219 Elected)
Liberal Democratic Party (LDP)	22.79	59	5
Russia's Choice	15.38	40	16
Communist Party of Russian Federation	12.35	32	16
Agrarian Party of Russia	7.9	21	11
Yavlinsky-Boldyrev Lukin	7.9	20	2
Democratic Party of Russia	5.5	14	1
Party of Russian Unity and Accord	6.76	18	–
Women of Russia	8.1	21	2
No-Party Affiliation	–	–	126
Local Party and Others	–	–	40

Sources: Central Electoral Commission of Russian Federation, *ITAR-TASS*, December 25; and *Rossiiskaya Gazeta*, December 28, 1993.

Y Gaidar and Boris Fyodorov was a consequence of this. Yeltsin is saddled with a parliament which has elements of continuity with the one he dismissed summarily under emergency conditions. Most of the new deputies are committed to slower economic reform, a larger role for the state, and social support in the form of continuation of select subsidies. The new parliament, despite the constitution, is thus capable of confronting Yeltsin on economic, social and regional issues.

Regionalisation and Economic Reforms

The reform process, privatisation and their impact has varied from region to region. The division of property initiated by the centre has led to a scramble for resources in the regions.

Reviews of privatisation show that some industries have been privatised much more than others. For instance, in the first half of 1993, 22,000 enterprises had been privatised, a five-fold increase over 1992. Public catering and consumer services comprised 69 per cent of privatisation. Light industry and construction comprised 9 per cent, construction material 2 per cent and agriculture 2 per cent.[31] This meant that given the concentrated nature of Soviet industry, some regions, especially urban ones, witnessed quick privatisation, whereas rural areas remained within the old system. Thus areas like St Petersburg, Moscow, Rostov, Sverdlovsk, Krasnodar and Stavropol Krays had each privatised 700-850 enterprises (in early 1993), whereas regions like Tatarstan, Kalmykia, Aygen, Altay and others had privatised less than 50 per cent enterprises. This uneven manner of privatisation is leading to lopsided development. While this is a feature of capitalist growth, the Soviet economy had tried to develop all regions to some basic level.

The method used for privatisation has further exacerbated uneven development. Enterprises have to be privatised by converting the shares of enterprises into joint-stock ownership through three options. The first is open subscriptions. The second option allows work collectives to retain the controlling share of stock; and the third involves the restructuring of the enterprise. Eighty per cent of the enterprises opted for the second option, 5 per cent for the first and only 2 per cent for the third.[32]

That most enterprises, especially those based in the republics and provinces, opt for retaining the controlling share of enterprise stocks was not intended by the privatisers. Because in this case profits are used to raise wages, not to pay dividends. Prices rather than productivity levels rise. Besides, corporate restructuring requires rationalisation. This has generally not occurred in the cases of workers' control.

The voucher-based auctions of properties further distorted the value of industry. For instance, from January 1992 to January 1993, prices rose by 2,500 per cent, but the nominal values of industrial enterprises remained frozen. Thus, though municipal property (housing, shops, taxis, restaurants, etc) was privatised for cash auctions at market value, privatisation of large and medium state enterprises in contrast was restricted to voucher sales. (Each of Russia's 148.7 million citizens received vouchers worth 10,000 roubles as start up capital). The market values of vouchers did not emerge. So, small shops sold for more than large industrial concerns.[33]

Further, parliament and executive policies lowered or increased values of vouchers. For instance, the parliament's decision to counter the presidential decree 'On additional measure on privatisation' of July 1993, brought down the exchange rate of the privatisation voucher. Some decrees by the president increased their rate. These policies benefited the shadow transnational financial groups, which bought up vouchers 'for a song'.[34] This meant local residents would be deprived of shares, which were cornered by outside interests or 'travelling commercial structures'.

These economic policies have led to great price variations between commodities but also between regions. Prices in cities are much higher than those in the provinces.[35] There are also large differences in unemployment patterns amongst regions. Unemployment was higher where privatisation was faster and in areas where defence industries exist.[36]

With regional disparities 'rich' and 'poor' regions have emerged in Russia. Geographically, there are bound to be such regions in every country. But the Soviet regional policy had been one of assisting even development and transferring resources to backward regions, even though this policy was not cost-effective and had its own problems. Now, areas with relatively high and others with low levels of nominal income have developed.[37]

This differential depends on the kind of enterprises located in regions and on the regional authorities' policy in the spheres of employment, income, price control, or the kind of local intervention. Studies show that the gap between the average per capita income of the population of the 'rich' and 'poor' areas has widened noticeably, from 3.2 times in January 1992 to 4.9 times in December 1992. Besides, 56 of Russia's regions had a per capita income below the average for the federation. Groups with the lowest income include Chechnya, Ingushetia, Marie-El, Dagestan, Ossetia, Moscow Province and others.[38] The poor regions have a high percentage of rural residents, a high unemployment rate and 30 per cent more pensioners.

Another regional policy which has led to regional variation and dissatisfaction has been the distribution of subsidies. Analysts from provinces have stated that federal subsidies have been used as a means of political support or payment for political support, rather than based on a region's necessities. Thus the high subsidies to areas like Tatarstan, Bashkortastan, Sakha, and Chechen, have been viewed as 'bribes'.[39] Moreover, economic and social logic does not determine distribution of federal subsidies.[40] Federal budget tax collection and redistribution has shown 'nationality based privilege'. Resentment between regions and republics has thus been aggravated.

These regional policies have instilled fear and caution amongst regional elites. This led to a resolve amongst local leaders to intervene in economic activity and decision-making. This intervention which has been going on since 1991 has increased since then. Thus local authorities have imposed barriers to the movement of goods, introduced export licences on local products and have taken measures for protecting regions. For instance, in late 1991 Karelia and Stavropol imposed controls on staple deliveries to other regions.[41] Vologda imposed 100 per cent tax on sales of timber across its boundaries,[42] and Krasnoyarsk levied similar taxes.

Some provinces adopted a cautious approach and suspended privatisation under various pretexts. For instance, Primoskiy Kray held up voucher auctions, because of a slump in production. Novosibirsk and Chelyabinsk provinces suspended property auctions claiming that the travelling commercial structures would buy up shares in local enterprises.[43] (Here 60 per cent of all trade and services were privatised. Of these 55 per cent were bought up by labour collectives.)

Analysis of privatisation in Chelyabinsk showed that the travelling businessmen from Moscow and Kazan with 'bagsful of vouchers' bought up shares totalling 6 per cent of the start up capital of enterprises. As a result 2.5 million residents of the Chelybinsk defence sector enterprises were cut off from cheque-based auctions.[44] In defence of the State Property Committee, the military-industrial lobby in the region prohibited the defence-sector enterprises from being turned into joint-stock companies. The centre intervened and Anatoly Chubais, the minister in charge of privatisation, fought against the trend initiated in Chelyabinsk. Clearly the dispute over privatisation had its impact in the provinces.

Besides the Chelyabinsk's example, provinces facing financial difficulties have been resorting to individual remedies. For instance, Samara Oblast suspended budget payment to the centre and used the amount to pay for grain purchases, until such time the central authorities remedied this problem.[45] Thirty-eight regions threatened to suspend payments to the federal authorities unless the finance ministry settled its accounts.[46] Siberian territories have

developed a common foreign economic policy co-ordinating foreign economic activity.[47] Most regions are arguing for greater autonomy and control of resources.

Clearly, the uncertainties over the constitution, the question of privatisation of vast resources, contracting economies and increasing unemployment have fuelled resentments in the provinces. There is special resentment on the absence of any effective regional policy that would ameliorate costs and prices. This has led to province/regional elites seeking greater control over their own affairs.

While there is a fear of autarky, it is also a fact that a politically viable diversification of the economy can only be based on greater regional control over their own natural resources, marketisation, etc. It is evident that the regions will have to create conditions for accumulation to finance their own economic projects. This aspect of regional autonomy would have to be encouraged rather than curbed.

Conclusion

Regional variations in political power and economic structures in Russia led to struggles over power and control of resources. The centre's regional policy consisted mainly of controlling the budget, and allocating sums to territories as part of political pressure and patronage. The centre has also used disputes between republics and provinces to play off these competing territories against each other. This policy has led to regions using different tactics to pressurise the centre. Another consequence of the policy has been uneven sectoral change and uneven development. Russia is thus getting divided into rich and poor regions. At the same time, most political parties, including the democrats supporting Yeltsin, have not built regional links or grass roots movements. Only the communist party and the old nomenklatura have links at the provincial level. A varied regional elite has emerged, consisting of some new reform-oriented groups, and others linked to the old nomenklatura. Some regions thus support the president's social and economic policies, whereas others have emerged as 'oppositionist' regions. Most regions, however, have been taking steps independent of the centre, especially on local issues. This isolated resolution of problems is attempted because of the jurisdictional confusion over division of powers. The need for regional power elites to safeguard their constituencies from sharp socio-economic decline and to maintain themselves in power has led to great negative regionalisation. This approach is driven by an instinct for survival both by the republics and regional elites.

Linkages between the regional elite and social groups obviously exist but have not yet been adequately studied. Contradictions amongst emerging classes and between elites is evident in local and national elections and debates on privatisation.

The new constitution instituted by Yeltsin does not remedy the problem of disputes between regions and the centre, and will increase regional differentiation. By adopting emergency measures and ignoring the regions, Yeltsin in many instances curbed the nascent democratisation and autonomy movements there. The impact of these moves became evident in the 1993 elections where a large number of regions and republics opposed Yeltsin. Decentralisation is essential for transition and the regions have been playing an increasing and important role towards this. Yeltsin's policies and the new constitution do not provide for this decentralisation.

It is, however, clear that only those institutions and structures which are supported by Russia's regions and regional elite will be effective. The Russian federation will have to be built from below, based on consensus and grass roots democracy. Presidential decrees and referendums are no substitute.

Notes

[I would like to acknowledge my debt to Kamal Mitra Chenoy for his comments during the writing of this paper.]

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2 N Medvedev, Report to the Council of Nationalities, *Rossiiskaya Gazeta*, February 20, 1992.
3 R Abdulatipov, op cit.
4 Federal Treaty, March 13, 1992, *Itar-Tass* and *Rossiiskaya Gazeta*, March 18, 1992. The Federal Treaty included several treaties signed by the republics.
5 L V Smirnyagin (Member of the Presidential Council) in *Sevodnya*, June 22, 1993.
6 L V Smirnyagin, 'Political Federalism vs Economic Federalism', *Sevodnya*, June 25, 1993.
7 *Izvestia*, June 23, 1993.
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12 'Statement of Heads of Supreme Soviet of republics within the Russian Federation on the Draft Constitution', *Nezavisimaya Gazeta*, May 15, 1993.
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21 List of deputies elected to the State Duma, *Rossiiskaya Gazeta*, December 28, 1993.
22 Ibid.
23 Data from the Electoral Commission, *Izvestia*, April 28, 1993. Of the 64.6 per cent of voters in the 88 election districts who voted on the Ist question on support for the president 58.05 per cent said yes. Yeltsin's social and economic policy was supported by 52.88 per cent 32.64 per cent called for early election for president and 41.4 per cent for early election to parliament.
24 *Sevodnya*, April 6, 1993.
25 *Rossiskiye Vesti*, April 13, 1993.
26 *Rossiskiye Vesti*, February 13, 1993.
27 A Fydorov, Yeltsin's aide in *Rossiskiye Vesti*, April 13, 1993.
28 *Nezavisimaya Gazeta*, September 28, 1993.
29 *Rossiskiye Vesti*, January 10, 1994.
30 *ITAR-TASS*, January 17, 1994.
31 Russian Economic Statistics for the first half of 1993, *Ekonomiki i Zhizn*, No 131, July 1993.
32 Ibid.
33 An example of this is that Malysh baby food shop in St Petersburg sold at 701 million roubles, whereas the St Petersburg shipyard Baltiisky Zavov sold for 150 million roubles.
34 P Mostovy, deputy chairman, State Property Committee, *Kommersant*, August 5, 1993, *SWB* SU/1763.
35 Hanson, op cit, p 49, and Russian Economic Statistics, op cit. A good example for the difference between the highest and lowest prices in retail trade between cities and provinces was that bread prices varied by a factor of 112, milk by 22, potatoes by 40, etc.
36 Moscow City and Oblast employed 40 per cent of the entire defence R and D personnel St Petersburg 10 per cent whereas in Udmurtia, Novosobirsk-Omask, Novgorod, Perm, Tula 30 per cent of the workforce worked for the defence sector. Cuts in defence orders have led to greatest unemployment here. Ilya Bass and L Dienes, 'Defence Industry Legacies and Conversions in the post-Soviet era', *Post-Soviet Geography*, Vol 34, No 5, p 309.
37 A Surinov, Russia Ministry of Economic Report on Regions, *Izvestia*, February 13, 1993.
38 Ibid.
39 *Izvestia*, July 8, 1993.
40 Thus regions like Tyumen, Sverdlovst, Moscow, St Petersburg, Smolensk, etc, pay an excess of taxes in billions, over the money they receive. While republics like Komi, N Osseha, Dagestan, Tatarstan, Yakutia-Sakha receive more subsidies and pay less taxes (*Sevodnya*, June 25, 1993).
41 *Tass*, November 18, 1991.
42 *Izvestia*, December 6, 1991.
43 *Izvestia*, April 30, 1993.
44 *Sevodnya*, April 20, 1993.
45 *Itar-Tass*, September 19, 1993.
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Conquest of Self?

Intimacy and Overcoming of Boundaries

Ananta Giri

The Transformation of Intimacy: Sexuality, Love and Eroticism in Modern Societies by Anthony Giddens; Polity Press, Cambridge, 1992.

> Sexuality and reproduction in the past structured one another... when directly bound up with reproduction, sexuality was a medium of transcendence. Sexual activity forged a tie with the finitude of the individual, and at the same time carried the promise of its irrelevance; for seen in relation to a cycle of generations the individual life was part of a more embracing symbolic order. Sexuality for us still carries an echo of the transcendent. Yet given that such is the case, it is bound to be surrounded with an aura of nostalgia and civilisation. A sexually addicted civilisation is one where death has become stripped of meaning; life politics at this point implies a renewal of spirituality.
>
> —Anthony Giddens[1]

> Human Society is a ceaseless growth, an unfoldment in terms of spirituality. If so, it must be based on ever increasing demand upon the restraint of the flesh. . Above all, a life of restraint presupposes an intense loving desire for reunion with god
>
> —M K Gandhi[2]

> A closed government is bounded in a way that the self is supposed to be bounded and undisclosed in the individualist model of unethical freedom that permits us to victimise, appropriating and acquiring power of wealth behind our boundaries, without disclosing and assuming relational responsibility...
>
> —Michael Ryan[3]

I

COMMENTING upon the sexual revolution taking place in American society, Pritrim Sorokin had written in 1956: "Since the 'marriage-family', school increasingly fails to graduate well-adjusted individuals and since there seems to be no other agency which can better discharge this task, tne nation, and mankind at large, is bound to be made up more and more of individuals less and less capable of getting along with others... Charity or love begins at home, at the cradle of the helpless baby. If there is no baby, no cradle, there can be no loving and caring parents."[4] Anthony Giddens' *The Transformation of Intimacy*, which comments upon the same American condition but in its later phase of development, provides us not only a different—an affirmative—answer to the naggihg doubts Sorok in had raised but also a different meaning of the elementary terms of conversation such as home, family and marriage. Giddens shows in this engaging book how changes taking place in the realm of intimate relations in American society in particular and western societies in general have broken asunder the supposed teleological unity among sexuality, marriage and reproduction. Recent developments in sexual relations, for Giddens, show that it is possible to get along with each other in companionate marriage, while fighting with each other in heterosexual marriages, and nurture each other without having the need of the opposite sex and having a child as a medium.

Basing upon the ethnographic observation of men and women, and boys and girls, carried out by researchers such as Lilien Rubin and others, Giddens argues: "Hetero sexual marriage superficially appears to retain its central position in the social order, making the prior discussion of lesbian relationships at best rather marginal. In reality, it has been largely undermined by the rise of the pure relationship and plastic sexuality".[5] For Giddens, "Plastic sexuality is decentred sexuality, freed from the needs of reproduction... it frees sexuality from the rule of the phallus, from the overwhelming importance of male sexual experience."[6] This is manifested in gay, lesbian as well as in heterosexual relation where sexuality is an act of intimacy in itself, is not tied to reproduction and is not servant of an imposing long-term commitment. It goes hand in hand with the rise of "pure relationships" in the realm of sexual intimacy where one enters inside a relationship as an autonomous and free individual, without any constraint. Pure relationship does not presuppose sexual purity—in fact it considers this as a liability—and is capable of accommodating multiple sexual relationships. Giddens calls it episodic sexuality. In his words:

> A pure relationship has nothing to do with sexual purity, and is a limiting concept rather than only a descriptive one. It refers to a situation where a social relation is entered into for its own sake, for what can be derived by each person from a sustained association with another, and which is continued only insofar as it is thought by both parties to deliver enough satisfactions for each individual to stay within it. Love used to be tied to sexuality through marriage, but now these are connected more and more via the pure relationship...The pure relationship, to repeat, is part of a generic restructuring of intimacy. It emerges in other contexts of sexuality besides heterosexual marriage, it is in some casually related ways parallel to the development of plastic sexuality.[7]

Episodic sexuality earlier was the preserve of the males. Giddens argues that recent developments in the sphere of intimate relations show that girls have reconquered this exclusive male privilege. In fact, the significance of Giddens' present work lies in bringing to the core of the discussion the sexual experiments of the girls in the recent times. The bad/good girl distinction is not total any longer and girls feel that "they have an entitlement to engage in sexual activity, including sexual intercourse, at whatever age seems appropriate to them". Girls now do not have "to fight to achieve sexual freedom: such freedom exists, and the problem is to make something of it in the face of male attitudes which still carry more than an echo of the past. The girls therefore emerge as the main social experimenters."[8]

But when girls pursue sexual experimentation, it is no longer a reiteration of the earlier male "romantic lover" but is a pursuit of what Giddens calls "confluent love". While "in romantic love attachments, the element of sublime love tends to predominate over sexual ardour",[9] confluent love is contingent in which a person's sexuality "has to be negotiated as part of a relationship."[10]

For Giddens, in the transformation of intimacy underway in Europe and North America, both lesbian and gay relationships are examples of reflexive sexuality—"sexuality as a quality or property of the self".[11] But in this transformation of intimacy there has been a transmutation of the biological categories of male and female, including the transmutation of phallus into "mere penis".[12] While this transmutation has made sexuality "torn between assertive sexual dependence, including the use of violence, on the one hand, and constant anxieties abut potency on the other",[13] in the case of women it has certainly led to liberation. According to Giddens, "Women can now see men, at least on a cognitive level, as just as much a functionless appendage as the male sexual organ itself."[14]

II

Giddens describes for us both the limits and possibilities in the rise of such plastic sexuality. The limits are mainly the problems of compulsive sexuality and pathological co-dependency. With the public legitimation of lesbian relationships and sexual freedom, the sexual addiction of girls has come to the

force. But Giddens offers a normative criticism of sexual addiction, whether it is in the male or in the female, by arguing that it is a "defensive reaction" and a "negative index of the degree to which the reflexive project of the self moves to centre-stage of late modernity."[15] Sexual addiction is a form of "compulsive behaviour" where the "integrity of the self as a whole is menaced."[16] The same problem of "reverse reflexivity" is also at work in the rise of co-dependency in the field of emergent plastic sexuality. A co-dependent is someone who is dependent upon another person for his or her definition and "cannot feel self-confident without being devoted to the needs of others".[17] "Lack of self esteem", primarily because of abusive parentage, is a primary reason for co-dependency and therefore co-dependent persons are advised to "heal the child within".[18]

The promise in contemporary changes in intimate relations lies in the germs of a "non-repressive" society that it carries within itself. It is also a harbinger of a companionate marriage where marriage is used as a home base by both partners who have "only a slight emotional investment" in each other.[19] The rise of free and non-coercive engagement in sexuality is an index of "revolutionary processes, already underway in the infrastructure of personal life", which press for "psychic as well as social change".[20] Transformation of intimacy carries with it the promise of a "democratic personal order" not only in the area of sexuality but also in those of parent-child relations, and other forms of kinship and friendship.[21] According to Giddens, "the prohibition of violence" and "avoidance of emotional abuse" are continuing challenges that current transformation has to face.

Though Giddens locates the transformation in intimacy in social and cultural tran-sformations taking place in the recent past, he does not agree with the Foucauldian account of the history of modern sexuality. For Giddens, *contra* Foucault, modern preoccupation with sex has not been set by the regime of power and its origins are not merely institutional; rather its origin lies in the reflexive project of the self—a project helped but not exhausted by changes in reproductive technologies. Giddens argues that to explain changes in sexuality "we have to move away from an overwhelming emphasis on discourse".[22] For him, "...sexuality has the importance for us today that it does, not because of its significance for the control systems of modernity, but because it is a point of connection between two other processes: the sequestration of experience and transformation of intimacy".[23]

III

Giddens traces the emergence of an "ethical framework for the fostering of non-destructive emotion" in individual and communal life in the non-coercive intimate sexual relations underway in our times.[24] Such intimate relations provide for the "possibilities of a revitalising of the erotic" through mutuality rather than through unequal power.[25] Giddens has also brought the autonomy of individual action to the centre of intimacy, but he leaves unanswered the question of negotiation between autonomy and mutuality. In his quick characterisation of all co-dependent relations as pathological, Giddens argues that "defining personal boundaries is regarded as fundamental for a nonaddictive relationship".[26] For him boundaries "counter the effect of projective identification".[27] But without the overcoming of boundaries, is real love, any love for that matter, possible? Giddens privileges personal boundaries, thus reiterating the vocabulary of possessive individualism which is in urgent need of transformation.[28] Therefore, he can uncritically accept the current therapeutic labelling of co-dependency as pathological. If co-dependency also means being dependent on the other and giving love to a partner despite felt abuses, then why should it be viewed as pathological? If the task of sociological engagement is also to subject the dominant style of thinking to a critical scrutiny by bringing in different accounts of non-institutional styles of self-reflexion, then is it not important for Giddens, who is interested in reflexive mobilisation of self, to explore different alternatives possible within a labelled type? After all, what is the meaning of self-confidence when one is part of a relationship? This exploration would help us raise further questions to the contemporary discourse rather than just celebrate it, such as: Is it not a challenge for pure relationship to erase the distinction between self and non-self?[29] With a view of intimacy based upon inviolable boundaries and self-confidence, how do we come to terms with the view that love makes us vulnerable rather than powerful?

In this account of transformation of intimacy Giddens himself points out the contradictions in pure relationship. He shows us the tension existing even in lesbian relationships because of promiscuity and the use of violence in such relationships. Therefore on the part of women, lesbian sexuality can be looked upon as a step towards more democratic sex but can not be treated as an end in itself. Giddens himself speaks of the "return of the phallus" in some of the sexual activities lesbians are engaged in such as hair pulling and beating. Here, along with the challenge of overcoming of boundaries, there is also the challenge of overcoming one's ego. Children, females, males—all have ego, and the distortions ego can bring to the work of a "pure relationship" are enormous. Though modern feminist scholarship has looked at the problem of gender at the conjunction of race and class, it has by and large left the problem of ego untouched.[30] However, whether we speak of intimacy or democracy or intimacy as democracy, the next battles are to be fought *vis-a-vis* the problem of ego. Overcoming one's egoistic boundaries certainly constitutes an arena of "life politics", which is concerned with generativity rather than distributive power, in Giddens' sense.[31]

Giddens looks at the transformation of intimacy as an instance of both institutional reflexivity and self-reflexivity. But though he is very good in showing the reflexivity of the self *vis-a-vis* modern institutions, he does not provide the account of reflexivity of the self *vis-a-vis* itself. What is the nature of the self and what place intimacy and sexuality have got in its total scheme of things—its scheme of being and becoming? How does a sexual engagement relate to the seeking of meaning of the self in other engagements? At what point does sexuality itself become an addiction to be distantiated from in the meditation of the self? The meditation of self, according to Charles Taylor, involves discovering and realising a "set of qualitative distinctions".[32] Lately, even political scientists have started speaking of higher desire and lower desire—the "inner conflict between what the individuals themselves experience as their more desirable and less desirable desires".[33] I am not arguing that sexual engagement is an instance of lower desire, but does a reflexive mobilisation of the self come to term with such questions at all at any point? Writing of sexual over-indulgence, Sorokin had argued: "... over-indulgence of sex urge tends to undermine the physical and mental health and vitality of the individual, destroys his sense of morality, diminishes his creative energy?"[34] One can certainly disagree with Sorokin's assertion, but does a reflexive self at all confront such questions in its sojourn? Does a reflexive self totally discount what Sorokin calls "the possibility of transmuting an unsatisfied sexual drive into a form of creative achievement?"[35] These questions inevitably bring us to the issue of nature of the self—its sources, and its manifold aspirations. Though Giddens had told us in his *Constitution of Society*[36] that he is more interested in questions of ontology than epistemology, he does not really probe into ontological questions such as the nature of the self and culture.[37] Without a deeper reflection on the nature of the self, it is no wonder that Giddens can only work with the visible boundaries of the self.

Of many contradictions in pure relationships that Giddens talks of, what is conspicuous by its absence is the question of purity of action and intention in a relationship. Giddens says that a pure relationship can accommodate multiple

episodic sexual encounters. But he himself admits that such multiple sexual encounters bring tensions to a relationship. A processal analysis of resolution of such tensions would have made Giddens grapple with the question of purity of action and intention of actors rather than dismiss it as a non-issue. Giddens says that confluent love can revive the "aesthetic qualities" of actors as participants of sexual activity.[38] But does this aesthetic experience not have at least the potential to make actors reflexive about "eroticism as cultivation of feeling, expressed through bodily sensation"[39] and use it as a basis for a transcendent spiritual realisation? In other words, does not sexual pleasure, beginning with the denudation of the body, in its aesthetic turn end with its cultural and spiritual adornment?[40] Do these moments of aesthetic realisation not initiate a process of reflection within actors to purify their instruments of pleasure? If the kind of changes that Giddens is describing are a step to future, then the issue of purification of intention and action cannot be dismissed totally.

The delinking of sexuality from reproduction is probably the most important feature of the transformation of intimacy that Giddens talks about. He makes a reference to contraception and other reproductive technologies in this regard. He looks at this delinking in the context of technological changes as well as of shifting mentalities. But he takes for granted the non-contentious articulation of this delinking as offered by the dominant discourse. In the American heartland itself, a serious ideological battle has been going on around the issue of abortion where the participants are not only those women who celebrate the freedom of sexuality from reproduction, but also women in pro-life movements who have consistently questioned the delinking of sexuality from re-production. In fact, they have offered a cultural critique of such delinking. Faye Ginsburg's engaging ethnography of the abortion debate presents the voices of some such critics of contemporary culture of sexuality.[41] Ginsburg writes about the vision that animates pro-life women in the American community that she studied. Pro-life activists

> accept differences, but not necessarily hierarchy, in the social and biological roles of men and women. Their reform efforts are directed toward creating and promoting a social and political context that they feel will protect and enhance one essential condition that, in general, distinguishes men from women: pregnancy and motherhood. In their view abortion is thus a condensed symbol for the devaluation of motherhood and the central attribute assigned to it in this culture—the self-sacrificing nurturance of dependents.[42]

Ginsburg also tells us how, in their fight against abortion, pro-life activists are fighting against the forces of "materialism and narcissism" that are "displacing the nurturant ties of kin and community" and to "reform the more dehumanising aspects of contemporary capitalist culture".[43] They strive to control destructive male sexuality and transform "raw masculinity" into a nurturant power. They associate abortion with the profit-making motive and liken abortion clinics to "7-11" convenience stores.[44] In their attacks against abortion, they are not only concerned with women and womanliness, gender and sexuality but also with the "self-production of society",[45] and the reproduction of American culture as a whole. In the right-to-life view, abortion comes to signify "not only a withdrawal of unconditional, self-sacrificing nurturance, but the devaluation of culture itself".[46]

The above account of Ginsburg shows that there are still many women in American culture who value motherhood and would like to take responsibility for the foetus that is born of sexual relation.[47] In his earlier work on modernity and self-identity Giddens had told us that reflexive mobilisation of the self, which is not an extension of the control systems of modernity, takes place primarily, though not exclusively, in the field of contemporary social and cultural movements. If he had brought some related social movements, such as the pro-life movement, into the orbit of discussion, he would have encountered a more differentiated ideological landscape, where his uncritically accepted thesis of the delinking of sexuality from reproduction it itself subject to intense ideological criticism.

The genius of Giddens lies in elevating sociological analysis to a level of normative criticism, which is evident from his critique of sexual addiction. I am sure Giddens would be open to the possibility of taking such normative criticism to still greater heights and state along with Robert Bellah and his colleagues: "Attending means to concern ourselves with larger meaning of things in the longer run, rather; than with short-term pay offs. The pursuit of immediate pleasure, or the promise of immediate pleasure, is the essence of distraction. A good society is one in which attention takes precedence over distraction."[48] In his own account, Giddens many times refers to the manifold relationship between spirituality and the emergent plastic sexuality. In fact, one of the concluding lines in his book speaks of the "renewal of spirituality". Therefore, to ask such questions as Can sexuality be a source and field of renewal of spirituality? would not be unfair to Giddens. But to come to terms with such questions, Giddens would have to meditate on the frontiers of spirituality at the present juncture. From *The Class Structure in Advanced Societies*[49] to *The Transformation of Intimacy*, Giddens' career has been a quest of creativity and continuous transgression of boundaries. The next thing we can expect from this remarkable interpreter of our times is a work on spirituality, which is in fact long overdue given his preoccupation with what he himself calls the "transformative capacity of the actors".[50] But for this, Giddens would have to be not only an ethnographer but a spiritual seeker, questioning not only the "post-metaphysical thinking"[51] of the time but also going beyond the rational foundation of modern European philosophy.

Notes

1 Anthony Giddens, *The Transformation of Intimacy: Sexuality, Love and Eroticism in Modern Societies*, Polity Press, Cambridge, 1992, p 203.
2 M K Gandhi, *Conquest of Self*, Thacker and Co, Bombay, 1946, pp 23 and 21.
3 Michael Ryan, *Politics and Culture: Working Hypotheses for a Post-Revolutionary Society*, The Johns Hopkins University Press, Baltimore, 1989, p 225.
4 Pritrim A Sorokin, *The American Sex Revolution*, Porter Sargent Publisher, Boston, 1956, pp 11-20.
5 Giddens, op cit, p 154.
6 Ibid, p 2.
7 Ibid, p 58.
8 Ibid, p 10.
9 Ibid, p 51.
10 Ibid, p 40.
11 Ibid, p 63.
12 Ibid, p 14.
13 Ibid, p 118.
14 Ibid.
15 Ibid, p 153.
16 Ibid, p 76.
17 Ibid.
18 Ibid, p 89.
19 Ibid, p 99.
20 Ibid, p 155.
21 Ibid, p 182.
22 Ibid, p 188.
23 Ibid, p 25.
24 Ibid, p 180.
25 Ibid, p 202.
26 Ibid
27 Ibid, p 94.
28 See, Robert N Bellah et al, *The Good Society*, Alfred A Knof, NY, 1991; Fred Dallmayr, *The Twilight of Subjectivity: Contributions towards a Post-Individualist Theory of Politics*, Amherst, 1981; Roberto M Unger, *False Necessity: Anti-Necessitarian Social Theory in the Service of Radical Democracy*, Cambridge, 1987; and Michael R Wood and Louis R Zurcher, *The Development of a Postmodern Self*, Greenwood Press, NY, 1988.
29 See G C Pande, *The Meaning and Process of Culture as Philosophy of History*, Allahabad 1989.
30 For an interesting critique of feminism which suggests a similar line of inquiry, see Mira Marody, 'Why I Not a Feminist', *Social Research*, 60(4): 853-64.
31 See Anthony Giddens, *Modernity and Self Identity: Self and Society in the Late Modern Age*, Polity Press, 1991

32 Charles Taylor, *The Sources of the Self*, Harvard University Press, Cambridge: MA, 1989.
33 Clause Offe and Ulrich K Preuss, 'Democratic Institutions and Moral Resources' in David Held (ed), *Political Theory Today*, Polity Press, Oxford, 1991, pp 143-71.
34 Sorokin, op cit, p 56.
35 Ibid, p 72.
36 Anthony Giddens, *The Constitution of Society*, Cambridge, 1984.
37 For such an ontological inquiry, see G C Pande, 'The Nature of Social Categories' in Ravinder Kumar (ed), *Philosophical Theory and Social Reality*, Allied Publishers, Delhi.
38 Giddens, op cit, 1992, p 202.
39 Ibid.
40 I owe this thought to my reading of Chitta Ranjan Das's interpretative essay on the aesthetic theory of Sri Aurobindo. See Chitta Ranjan Das, 'Nandanatattyara Baratiya Bidyan; Sri Aurobindo' in Labanya Nayak et al (eds), *Nandana Tattwa*, Institute of Oriya Studies, Cuttack, 1985, pp 86-92.
41 Faye D Gundburg, *Contested Lives: Abortion Debate in an American Community*, University of California Press, Berkeley and Los Angeles, 1989.
42 Ibid, p 7.
43 Ibid, p 9.
44 Ibid, p 5.
45 Ananta Giri, 'Narratives of Creative Transformation: Constituting Critical Movements in Contemporary American Culture', *Dialectical Anthropology*, 14:331-43, 1989.
46 Ginsburg, op cit, p 109.
47 Here we also cannot forget the practice of surrogate motherhood and its implication for the narrative of plastic sexuality that Gidden speaks of.
48 Robert N Bellah et al, op cit, p 273.
49 Anthony Giddens, *The Class Structure of Advanced Societies*, Harper and Row, NY, 1975.
50 Anthony Giddens, op cit, 1984.
51 Jurgen Habermas, *Post Metaphysical Thinking*, Polity Press, Cambridge, 1993.

Banking for Development

Bhupat M Desai

Banking and Rural Development by H B Shivamaggi; Mittal Publications, New Delhi; pp 254, Rs 290.

H B SHIVAMAGGI has been intimately associated with the development of the organised rural banking for over three decades and has deep interest in agricultural and rural development. He offers a very interesting operational framework free of technical jargons and methods for evolving policies for agricultural development and institutional rural credit. He presents this in two parts consisting of 14 chapters. Nine of these 14 are articles and/or talks by him published elsewhere earlier.

We will review by drawing on his broad framework for factors and policies influencing agricultural and rural development instead of each chapter. Before that it must be stated that the book would have enriched further if (a) more recent literature and data were analysed, (b) functioning of co-operatives and Regional Rural Banks (RRBs) were also analysed, (c) older programmes like SFDA and MFAL were compared with IRDP, and if (d) repetitions in some parts were avoided. Four significant points of the author need stressing are: (a) both efficiency and equity are the objectives of economic development, (b) economic aspects of rural development are very important, (c) agriculture makes important contributions to economic development though development of non-agricultural sector is also critical in itself and also for agricultural and rural development, and (d) rural folks being leisure-loving, risk-avert and tradition-bound require close supervision and motivational measures by developmental and credit agencies; we however think that such attributes are applicable to all Indians or for that matter entire humankind.

Shivamaggi suggests that agricultural development is influenced by technical, organisational, and economic factors although these three overlap and also interact among them. We substitute 'institutional' in place of organisational factor because appropriate organisational structure and processes are also needed even for technological and economic changes, besides institutional change.

The author merely discusses the new inputs in which technical change is embodied. What is very critical is that it is the new knowledge generated by basic agricultural research, engineering and extension system that forms the foundation for new inputs and services. He, however, rightly states that new agricultural technology being scale-neutral and divisible has relaxed the land constraint and has augmented land and labour use.[1] But agricultural unlike industrial production process is highly complementary in nature.[2] Not only HYVs, irrigation or more appropriately water, and fertilisers are complementary but even labour and some form of capital including working capital are complementary for such works as well digging, soil conservation, bunding, etc. These characteristics have highly significant implications for rural financial institutions (RFIs) for their lending and other operations. The discussion on mechanisation is illuminating for it identifies farming operations which need mechanisation that is human labour and land augmenting but bullock-labour saving in nature. Finally, new technology for rainfall dominated semi-arid and arid areas should be not merely resource-centred but also seed-centred. It is not enough to have watershed-based farming for it is the suitable HYVs which act as a major productivity-shifter. Again the complementarity among the inputs including modern hand- and bullock-drawn small implements must be attained for efficient and rapid technological change in rainfed areas. Needless to say that such a change also requires and interacts with institutional and economic changes.

We will restrict to only three types of institutional factors, namely, land tenure, agricultural marketing, and institutional credit. On land tenure unfortunately the author raises the issue of scale of farming more often than warranted in the present context. While we share his concern for high and increasing fragmentation of landholdings we think that the top-most priority to resolve this is for land consolidation policy rather than co-operative/collective farming. This is because former seems to be organisationally and politically more feasible than the latter. For similar reason we also differ on the issue of lowering existing ceilings on land ownership at the current stage of development. But we fully endorse his strong emphasis on proper land laws and records for both land owners and tenants in particular. These are critical for incentives to adoption of new technology and also for facilitating the role of RFIs in this process.

On agricultural marketing three important issues may be commented, namely, marketing defects, role of public, private and co-operative institutions, and institutional finance for marketing. Marketing defects like distress sale, too many intermediaries and their exploitative practices, and price disincentives for perishables have adverse effect on farmers' share in consumers' rupee. Shivamaggi suggests establishment of sub-yards of regulated markets and marketing co-operatives as solutions. While the former is feasible, the latter is unwarranted. Instead, existing primary agricultural co-operative credit societies (PACS) may be facilitated to undertake agricultural produce marketing. Even this alternative is likely to be problematic because of severe competition from private traders. Hence PACS may perform a market intelligence service and act as agents of apex co-operatives like NAFED, and other public agencies. As regards exploitative practices there are contrary evidences. Higher margins are more due to high transportation and other costs. Hence what is required is sub-yards and broad-based transportation and communication network. This alternative is better than the creation of public institutions and monopolies like cotton monopoly procurement scheme

in Maharashtra. This is because of strong comparative advantage of the private sector in agricultural trade. It is perhaps for this reason even co-operatives have not much succeeded especially in non-perishable agricultural commodities. In this context it would be worth studying whether or not, how and where NDDBs vertically integrated co-operatives of oilseeds growers have served their objectives.

Shivamaggi interestingly discusses three types of institutional finance for agricultural marketing. These are finance for traders engaged in agricultural produce marketing (AMS), farmers selling this produce (APS), and dealers selling agricultural inputs (AIS). All these three may be encouraged because they facilitate forward and backward linkages among AMS, APS and AIS. These linkages lead to higher agricultural productivity, production, value added, and incomes of farmers. These types of agricultural finance by RFIs enable them to spread their common transaction costs and reap scale and scope economies for their viability, besides diversifying risks in credit business and portfolio with high as well as low interest bearing loans. Current policy indifference for and/or bias against such agricultural finance must be appropriately corrected.

The discussion of institutional rural credit for farmers' working and term capital needs overemphasises implicitly indicated supervised rural credit policy. Similar is the case about his suggestive consideration of only the rural poor (i e, landless, marginal and small farmers both of whom constitute 76 per cent and operate only 29 per cent of land in mid-1980s) as clients for the RFIs. This is surprising because Shivamaggi is acutely aware of limitations of institutional credit policy for them. But his stress on this policy in a technologically dynamic agriculture is rightly placed. So is the case with his recognition of credit and non-credit functions of RFIs at grass roots level for both agriculture and non-farm activities. These functions are (1) working capital loans (both in cash and kind), (2) term loans, (3) technical services, (4) inputs supplies, (5) marketing of produce, (6) sale of consumer goods, (7) collection of deposits, (8) other borrowings, and (9) loan recovery.[3] While PACS are eminently suitable for most of these, commercial banks and RRBs have a genuine problem in undertaking commodity marketing related functions (4) to (6). But, the earlier discussion of three types of marketing finance is extremely pertinent here. Another mechanism is to co-ordinate with the existing institutions engaged in commodity marketing. Let us not forget that rural India in 1990s is different from what it was in 1950s or earlier. That leaves only one controversial function, i e, technical services. Some of the commercial banks have well organised this through creation of specialised branches, technical service centres for a group of branches, etc. What may further be considered is the organisation of technical staff on a peripatetic basis and improved co-ordination with the government extension and other services, agricultural universities, NABARD, and inputs industries. These decentralised alternatives are likely to be better than Shivamaggi's suggestion of creation of a government-cum-bank's separate institution for technical services. Let us also recognise that diversified and decentralised rural banking entails not only costs but also returns. Moreover, there are evidences of either scale economies or constant returns to scale for RFIs.[4] These can be reaped not only from larger, diversified and multiple operations but also from larger reach or coverage of rural households. In this context a word about group loans may be stated. While such loans would also bring scale economies, they need not be the only and strait-jacket solution. This is because a group can collude to jointly default and can also have a free rider who would create a problem for genuine borrowers. Three additional points on institutional credit may be commented.

First is the suggestion of establishment of multi-purpose rural co-operative banks at tehsil or town levels. It appears to us that this would create many more complexities—social, political, organisational, etc. Instead existing PACS may be developed into a truly multi-purpose co-operatives. This may be done in stages beginning first with vibrant inputs sales operation, besides whatever else they are presently engaged in. For this they would require godown, sustained cash credit facility to buy and stock inputs well ahead of the season, some performance-linked incentives for their staff, and organisation of managing committees into three or four smaller groups to assist the staff. RBI/NABARD, state co-operative banks, and district central co-operative banks may assist in all of these. Such process of transforming PACS would also then not require the functional co-operatives the author advocates. However, such commodity-based co-operatives may be encouraged for perishables but they (as well as oilseeds growers co-operatives) should concentrate only on produce marketing and processing including primary and tertiary in nature.

Secondly, Shivamaggi's suggestion of district credit planning (DCPs) by the Lead Bank together with projectisation of different types of rural term loans combined with core working capital loans by different individual banks is worth implementing. These DCPs may also incorporate the three types of marketing finance discussed earlier, besides agro-processing finance.

Thirdly, paradoxically credit-based poverty alleviation programmes may be viewed with some detached but not indifferent approach especially for the landless. Some carefully designed such agricultural artisan, and other activities for them may be promoted. Moreover, their problem of unemployment and low incomes must be also attacked by concurrent (a) programmes like JRY and Employment Guarantee Scheme, (b) rapid technological change of land and labour augmenting type for other farmers especially medium-sized (2 to 10 hectares who constitute 22 per cent and cultivate as much as 51 per cent of land), and (c) policy-induced decentralised processing industries particularly for foodgrains, oilseeds, sugarcane, dairy-products and horticulture which tend to be labour-intensive and nearer their raw materials.[5] Institutional credit for these last two categories would be extremely crucial.

On economic change three major issues may be discussed. These are agricultural prices, inputs subsidies, and government investment for basic agricultural infrastructure.

Shivamaggi convincingly argues for a cautious approach to agricultural price policy. This is because of its conflicting influences on agricultural production, saving, and investment, industrial development, government saving, and income distribution. He also recognises that increases in procurement prices for pulses and oilseeds have not much encouraged their production. This is because of binding constraint of inadequate adoption and/or availability of appropriate new technology for them. But his suggestion for favourable terms of trade for agriculture overlooks the possibility of sustaining neutral or harmonious relative agricultural prices through guided price mechanism. It is also important to note that farmers are not compelled to sell their produce to the government. Public agencies merely act as

a buyer of the last resort. All these policy initiatives are worth recalling when injudicious increases in procurement prices are announced more often now.

On inputs subsidies the author advocates discontinuation or modification. Latter seems to be preferred because he thinks they are a necessary evil in a welfare state and also because they are better than the produce price support. We concur with the latter and emphasise that the inputs subsidies provide incentives for technological change. Having said this we also suggest that prices of fertilisers, canal irrigation water, and rural electricity must be periodically raised lest farmers get accustomed to the cushion these subsidies provide. Likely adverse impact of this on the demand for these inputs and hence production may be averted by non-price policies. Subsidies on all these three inputs unlike interest rates are budgetary subsidies. We disagree with the author's concept of interest rates on rural credit being a direct financial subsidy. Moreover, we also underscore that interest rate subsidy exists only when real interest rates (i e, nominal rates minus normal inflation rate) are negative. But interestingly these rates on rural credit have remained positive in last two decades or so except for four abnormal years witnessing exogenous oil shocks, droughts, etc. Lastly, the author advocates full remission in loan repayments in place of capital subsidy for IRDP beneficiaries because of difficulties in controlling its end-use, leakages, corruption, etc. However, all of these can be rectified. Moreover, remission in loan repayments would endanger building a sustained, dignified and disciplined relationship among the government, banks and beneficiaries. Such a relationship is crucial for future banking including credit transactions among these actors.

Shivamaggi rightly emphasises government's role in agricultural and rural development. However, he does not pinpoint this in the form of appropriate investment and how has it changed over the past seven five-year plans. What needs emphasis is that government investment in such agricultural infrastructure as research, extension, irrigation, electricity, communication, roads, education, regulated markets, and weather forecasts crowds-in rather than crowds-out private investment by millions of rural households. Both public and private investments for agriculture have a declining trend in 1980s.[6]

Notes

1 For a similar point, see *The Economics of Agricultural Development*, John W Mellor, Vora and Company, Bombay, 1966, and also *The New Economics of Growth*, John W Mellor, Cornell University Press, Ithaca and London, 1976.

2 For some insights on this see Mellor, ibid; *Economic Development in Asian Perspective*, S Ishikawa, Kino Kuniya Book Store Company, Japan, 1967; and *Image and Reality in Economic Development*, Lloyd G Reynolds, Yale University Press, New Haven and London, 1977.

3 For some cross-country comparative discussion on how these functions have been promoted see, 'Institutional Finance for Agricultural Development: An Analytical Survey of Critical Issues', Bhupat M Desai and John W Mellor, *Food Policy Review* 1, International Food Policy Research Institute, Washington, DC, 1993.

4 On this see Desai and Mellor, ibid, and also see 'Scale and Scope Economies in Rural Banking: Their Implications to Rural Credit Policies', Bhupat M Desai in National Seminar on 'Agricultural Credit System: The Next Stage' organised by the Agricultural Economics Research Association (India) New Delhi and held at NAARM, Hyderabad from March 2-3, 1994.

5 For some evidence on this see *Food Processing Industries: Development and Financial Performance*, B M Desai, V K Gupta, and N V Namboodiri, Oxford and IBH Publishing Company, New Delhi, 1991, and also see Mellor, ibid, 1976.

6 For some evidence on this see 'New Economic Policy and Agricultural Investment', G S Ram, and 'New Economic Policy: Likely Implications for Agriculture', Ashok Gulati and Shashanka Bhide, in the first national conference on 'Agricultural Policy in the Context of New Economic Policy: Proceedings, Agricultural Economics Research Association', IARI, New Delhi, February 24-25, 1993.

Ram Janmabhoomi, Consumer Identity and Image-Based Politics

Arvind Rajagopal

Underlying the adaptation and encroachment of communal discourse within commodity culture is the rise to prominence of mass-mediated images as a centralised locus of social and political discourse, indexed by the recent establishment of national television. With this crucial development emerges a new era of symbolic politics.

THE Indian economy, in a famous quip by economist Raj Krishna, suffered from a 'Hindu rate of growth' for decades after independence—a "sluggish" 3 to 3.5 per cent per annum between 1950 and 1980.[1] Embodied in the phrase is not only the economist's old adage that growth is the chief goal of any economy, but also the self-deprecating characterisation of this failure as 'Hindu'. 'Hindu' here was metonymic of India—ancient and out-of-date, too vast to be successfully influenced by mere mortals, and, possessing in this intractability its own peculiar distinction. Yet the overriding feature of this distinctiveness was failure—its seeming incapacity to answer the needs of changing times. From being considered the glory of an old civilisation, to be 'Hindu' had become the unbudgeable burden of a backward nation attempting to be modern.

Yet in a matter of a few years, the term 'Hindu' performed the equivalent of a semiotic somersault. To be Hindu became a triumphant declaration of strength and vigour, and the symbol of an aggressive culture eager to acquire hegemony. Now it was those who had believed the term to signify anything else who were at fault—they were traitors to a great heritage who, by their unbelief, had paralysed an incomparable civilisation. In a criticism symptomatic of the change, RSS ideologue Jay Dubashi declared, "It was not the Hindu rate of growth that failed India but the Nehru rate of growth and men like Raj Krishna are as much the guilty men as Nehru himself".[2]

In the 1980s, the average annual growth rate was above 5 per cent, thereby "breaking the barrier of the Hindu growth rate", declared a prominent business magazine.[3] "The last 10 years have transformed not only the society and the economy, but also the psyche of the country", it proclaimed. "[R]evered terms of the past are now *passe*: socialism, controls, state interference (*sic*)... One can easily sum up the decade by saying, 'Long live democracy'. Or if one wants to be more specific, 'Long live liberalisation' " (p 50). There is journalistic hyperbole here, but the choice of rhetoric itself is revealing. With the lifting of socialism, or, state interference (the terms slide into each other, as in many such accounts), and the liberalisation this implies, democracy springs forth, and psychic transformation proceeds. From being seen as a burden, events seemed to suggest that 'Hinduism' too was a part of the repressed truth of society, released by the lifting of state controls and the mobilisation of latent popular forces, although those espousing 'Hinduness' insisted that much remained to be done.

Two streams of discourse, on economic liberalisation and 'Hinduisation', respectively, came to prominence in close proximity in the mid-80s, reinforcing each other, but also interrupting and clashing periodically as in the debate over swadeshi vs entry of MNCs, which saw internal dissent in the BJP. The euphoria over liberalisation, the growing assertiveness of its beneficiary classes, and the spread of a consumerist ethos that accompanied these phenomena, created, in fact, new spaces into which communal discourse inserted itself, to the great advantage of the latter. In this paper, I argue that underlying the adaptation and encroachment of communal discourse within commodity culture is the rise to prominence of mass-mediated images as a centralised locus of social and political discourse, indexed by the recent establishment of national television. With this, crucial, development emerges a new era of symbolic politics, one whose consequences this paper makes a limited attempt to explore via the Ram Janmabhoomi campaign.

Market Forces and 'National Culture'

The celebratory rhetoric of radical change Rajiv Gandhi brought in with him to office, fashioned for policies modelled after Reagan and Thatcher, signalled a twinned emphasis on both market forces and 'national culture' in some sense.[4] A reliance on market forces (via 'supply side' policies) meant a reduction of the socio-economic role of the state; individual initiative in the private sector was expected to fulfil this role more efficiently. In effect, this replaced tax revenues with massive public borrowing from market sources to finance the expenditure of the rich, a policy which in India led eventually to a negative balance in net reserves during June and September 1991.[5] In the US and UK, the reactionary character of these economic policies was complemented by a celebration of national heritage—involving an affirmation of racist and imperialist attitudes and policies. In India, Hindu upper-caste dominance became marked by a stridency and coerciveness unprecedented since independence, while at the same time the consent it was based on was sought to be widened. In these (and many other) countries, then, there was a cultural as well as an economic assertion of ruling classes at this time.

Rather than simply 'read off' the Indian situation from Reagan's America or Thatcher's Britain, it is important to mark the historical specificity of the path of development of each country, a point I return to below. An important result of this difference is that 'national culture' in India has a different character from that in the US or UK, with a shorter history and a far narrower popular base. Since independence, the task of 'development' has been understood as predominantly economic, with culture being treated as a residual category. With the labours of the state directed elsewhere, 'national culture' has largely meant official propaganda indifferent to its reception.[6] In contrast, its counterparts in the US and UK were well-established in popular understandings of national identity as distinctive, superior, racially based, and endowed with a global mission (which was past in the case of the UK, but as the Falklands war proved, could be quickly revived). The notion of national identity promoted by the Indian government was in many ways similar, for indeed it was modelled on the west, but it was little known beyond a segment of the predominantly Hindu, upper caste, middle and upper classes.

Rajiv Gandhi's accession to power saw a determined, high-level attempt to popularise this vision of national identity for the first time, with the employment of native idiom and vernacular narrative traditions. Those who followed the news then may recall his wearing a sacred thread above his vest during his mother's funeral rites, which were nationally televised. This was a hint, for those attentive to such symptoms, that the public culture of the Rajiv Gandhi regime would bring with it something quite old, but worn in a distinctively new fashion. Cultural sponsorship concentrated on the spectacular form, to reach beyond the educated minority as well as to highlight the state's imprimatur on the events. A guiding precedent was perhaps the 1982 Asian games, which for the first time in India were broadcast in colour, and won large domestic audiences. There followed a host of other events, with the sponsorship of 'Apna Utsav', the festival of

India in the US and in France (and their transmission back to India via the media), and perhaps most important of all, the initiation of 'national epics' on the newly institutionalised national programme on television. These were novel ventures—epitomised by television, which created for the first time a single cultural platform that could be 'shared', in some sense, right across the country; and in the early, crucial years the state served as undisputed ringmaster of the show.

The mid-80s saw the ensconcement not only of national television, but the burgeoning of other media and media-related businesses—the advertising industry alone quintupled in size over the decade. With the boost given to consumption by Rajiv Gandhi's government, the increasing prominence of the media signalled an industrialisation of not only material cultural goods but also of 'culture' in general. The things people used, as well as the ideas and images they received, were more and more part of a single circuit of consumption, relayed by industries that for all their differences, were engaged simply in the business of business. The unprecedented centralisation of cultural production makes understandable the circulation of similar narratives in different fields—economy, polity, and culture, as social discourse increasingly begins to pass through a small number of interconnected channels. Just as the value workers produce is alienated from them, socially produced meanings too are, increasingly, privately appropriated through the media.[7] While these channels are far from reaching all of society, as apparatuses of its ruling elites thay claim a new representativeness for public discourse by virtue of the 'consent' implied in winning media audiences.

With the growing distance between lived experience and public culture, however, the commitment implied by audiences' consent no longer has the guarantees personal presence would entail. Commitment then becomes far more fluid and mobile, being based more on the gratification different images afford than on any investment of personal resources. Where this refers to box office receipts at cinema halls, and other such market activity, it is but an indication of the rhythms of the economy at work. With the recent rise of communalism, however, politics has drawn from and shaped public culture to an unprecedented extent, thereby giving politics claims to represent lived experience in a way that it did not before. A highly disciplined and organised force like the RSS, which has overseen and propelled the growth of communalism, can exploit this altered form of commitment to present its own politics as representing those of the public at large. The Sangh parivar's appeals to identity, exemplified here by Ram Janmabhoomi, overlapped with the rhetoric of advertising and consumerist identity formation. The overlap was necessarily partial; it arose as part of a broad stratagem to maximise acceptance across as wide a section of society as possible, priming the field as it were, for the RSS's storm-troopers. Such a view helps disarticulate essentialist notions of a fundamentalist monolith, and specifies how acceptance of the Hindutva agenda may have been partial rather than complete. At the same time, it highlights the swift slide possible (and recently witnessed) from a consumerist celebration of a 'Hindu' identity, to a libidinal collective identity which requires violence against a satanic 'other' as its chief form of expression.

I understand the rise of communalism as both an expression and a consequence of changing ruling class strategies to retain political power, in a society undergoing 'passive revolution'. That is to say, while ruling classes may support communal forces, they may not identify with them at all times; in communalism's most violent manifestations, ruling classes may attempt to retain it as 'a dog on a leash', i e, as a threat to be controlled.[8] Randhir Singh has pointed to the 'massive feudal-colonial inheritance' of the ruling classes, in a society characterised by deep religious divisions, as leading to communal politics by the ruling classes (1988: 1548). The ruling classes are not monolithic; rather, as Bardhan (1984) has argued, they form a coalition of different groups; the relationships amongst these groups, then, require reproduction and renegotiation. Communalism is to some extent the expression of relatively new, vernacular elites vying for power against older, more often English-educated elites, although the last few years have seen a blurring of this distinction, with more and more educated professionals espousing communal views. In a very limited way, the spread of communalism has been contested, with the Congress Party periodically resisting the BJP's advances in the temple movement and getting a postponement of 'kar seva'—although such moves prolonged the issue as much or more than they impeded it. To what extent the face-off between the two political parties was real may be briefly indicated in the outcome: the BJP achieved its immediate objective of masjid demolition, while the Congress stayed in power. The support given by large corporate houses to the Shiv Sena, whose labour unions are used to smash independent workers' organisations, is only one instance of the support given by the most 'modern' segments of the ruling classes to communalism.[9]

Gramsci's concept of the 'passive revolution' refers to the means of capitalist development alternative to the 'classical' path. Whereas the bourgeois ascent to power in the west was accompanied by a revolution in social relations, and had the character of a genuine movement, this was not the route in other countries such as India. In the latter case, capitalist accession to power came first (through 'transfer of power'), and social-economic restructuring came subsequently, via legislative intervention by the state. Despite the teleological implications of the term, Gramsci stresses that the ideological schema of the passive revolution creates a set of expectations with its own force; the success or failure of the attempt is therefore a secondary question. Here he cites the case of Italy, where the aspirations of the great mass of the urban and rural petty bourgeoisie were raised, enlisting their services in the reinforcement of the hegemonic system of the traditional ruling classes [Gramsci 1988: 267]. In India too, a predominantly state-led process of capitalist development can be seen as now undergoing a process of restructuring, of delegating a larger share of power to the system of 'fortresses and earthworks' of civil society [Gramsci 1988: 229] to private businesses and to dominant Hindu upper caste elites. Corresponding to this, then, is a turbulence amidst which ideological rearmamentation is being sought, suitable to the changing formation of power being attempted.

What is dissatisfying about most class-based explanations is the economism they imply, reducing all questions of human agency and motive to expressions of 'His Majesty, the Economy'. What results is an apparent exhaustion of the meaning of any event by its description as 'serving ruling class interests'—a top-down, rigidly functionalist view that suppresses any further questions, for instance about contradictions in the working out of ruling classes' interests via contingent processes that have no guarantee of success. Here, Gramsci's notion of hegemony is helpful, in foregrounding the necessity of winning the active consent of subaltern classes, of defining the terms of debate so that dissent itself may occur within a larger field of consensually-based politics via a process that is uneven and contested. Examining meanings in discourse offers a way of directly addressing human agency, since agency is informed and directed by meaning.

If we connect discourse analysis to uncovering individual agency, how are we to understand its simultaneous connection to larger social processes? We can begin by considering Erving Goffman's notion of frames. Drawing from Bateson, Goffman has defined frames as mechanisms by which reality is selected and ordered, in patterns for making sense of the world. Frame-making is hardly explicit, or perceived as imposing order from without. Rather, it emerges as individuals confront a chaotic world and struggle to retain orderly perceptions amidst an infinity of sense-perceptions. While Goffman makes skilful use of the concept, it risks becoming a static and two-dimensional

grid that limits movement and development, leaving human agency outside the 'frame' itself. (This has in fact been its fate in media sociology, for instance.) Most importantly, his methodological individualism does not allow for broader cultural patterns that may span social formations. Recent theorists, such as Hayden White, drawing from literary studies, point to the production of narratives as the basic function of culture. He discusses the relationship between narrative and culture in broad terms, acknowledging the primary role of subjectivity and desire in the process of "making sense" of the world, of constructing a sense of order that is both "out there" and needs to be fulfilled at the same time. "What wish is enacted, what desire is gratified, by the fantasy that real events are properly represented when they can be shown to display the formal coherency of a story? In the enigma of this wish, this desire, we catch a glimpse of the cultural function of narrativising discourse."[10]

Narratives make sense of the world too, but they invite the investment of the subject's desire in their progressive unfolding; as scripts of the culture at large, they have a certain external, coercive power, but nevertheless, require subjects' agency for their fulfilment. We may think of a narrative as a series of (culturally prescribed) frames, in a film whose viewers are also protagonists, in a sense. Socialisation then consists in the making invisible of narratives, of rendering them naturalised aspects of the world. And social conflict represents not only contests of different, opposed narratives, but also the failure of narratives' prescriptions, as they clash with a reality indifferent to human desire.

Marx's notion of commodity fetishism, which usefully connects relations in the economic 'base' with 'superstructural' relations, prefigures the discursive emphasis being made here. Commodities in capitalist society appear to have a magical life of their own, although they are in fact a product of human labour. Instead of forming an attribute of the producers and an expression of their effort, they appear external to them as objects that of their own accord 'rise' or 'fall' in price, 'move' and 'circulate' amongst various people, 'improve' or 'decline' in quality, and so on. Moreover, these movements and changes in attributes actually determine the lives of those who produce these objects: "[A] definite social relation between men assumes, in their eyes, the fantastic form of a relation between things."[11] Marx is referring here to the ways in which things are described (" in their eyes "), or the narratives that are constructed to 'make sense' of capitalist relations. Such narratives invert 'real' social relations (and so will eventually be overcome, for Marx), but they do express the partial historical truth of the producers' subjugation. Marx understands this as a cognitive rather than an emotional perception: as commodity fetishism permeates society, social relations are misperceived as relations between things. Desire plays no part in this process, for Marx, save to express itself as alienation from species being.

Desire enters, however, with the language of advertising, which develops with mass production and the emergence of 'consumer society'. Advertising naturalises the mysterious 'life of things' and affirms it as the source of all positive human attributes. Whereas Marx saw commodities as alien and opposed to workers, who became paupers as they produced more goods, the shift to 'mass consumption' heralded a change in this regard. Provoking desire now forms the basis of escalating production of goods: consumption is held out as the guarantee of a good life, or the salve for an alienated one. Advertisements build a cluster of qualities and attributes which, by allusion, argumentation and imagery, are associated with a product or a 'brand name' and can transfer to the buyer. The nature of the 'transfer' is of course purely magical, as Raymond Williams has pointed out, and stands out sharply against the rationality of capitalist production itself [Williams 1980]. This 'magic' is nothing but the projection of the consumer's desire onto the objects whose attributes she desires. Consumption, in this situation, is a means to achieving identity, a project of self-definition using socially approved meanings.[12]

In seeking an analogy to explain commodity fetishism, Marx took recourse to "the mist-enveloped regions of the religious world", where the emanations of the human mind come alive as independent creatures, "entering into relations both with one another and the human race" (1954: 77). Marx's critique of religion, in fact, foreshadows his later critique of commodity fetishism. The objects of human worship, he said, were merely the projections of humankind's most valued qualities onto an external being, which was then believed to have power over them. When alienation was overcome, he argued, men and women would come to recognise themselves as the true makers of their history; religion itself arose as an expression of the lack of power over their own lives.

The historic distinctness of commodity fetishism as an expression of alienation is that, in capitalism, human self-reproduction through labour is itself alienated, as the product belongs to the capitalist rather than to its producer. This clarifies the receptivity to advertising as a means of fashioning personal identity. With the progressive erosion of social relations in use-directed contexts of production, traditional sources of identity are scarcer even as the crisis in identity becomes more urgent. If the old sources are scarcer, Marx's argument seems to suggest that the old models are still useful, with religious magic lingering on in advertising. This pertains to the appeal of the Ram Janmabhoomi campaign, which certainly used the methods of modern publicity. The galvanising power of the issue proved that the meanings evoked by its archaic-seeming subject had all the force of contemporary concern. How can we understand the subject-position constructed in the campaign: what desires are mobilised in it?

Ram Janmabhoomi and Construction of Desire

I will begin with a brief consideration of the Ramayan serial, whose broadcast from January 1987 to August 1989 (with a break before the final Uttarkand) covered the most crucial phase of the Janmabhoomi movement, when it changed from a relatively little-known 'tala-kholo' agitation to the dominant political issue before the country, one that made and unmade prime ministers and ruling parties. With the Mahabharat serial that followed on its heels, the Ramayan achieved record viewership in every part of the country (something no serial before it had done), and made Sunday mornings 'belong' to it; any public event scheduled for that time courted disaster. Many commentators, including supporters and critics both, of the Sangh parivar, have noted the enormous impact of the Ramayan serial in preparing the ground for the Janmabhoomi issue. With such publicity given to its pre-eminent symbol, it is not surprising that by the middle of 1989, the BJP itself later declared that the Ayodhya movement "had reached a state and status in Indian public life when it was no more possible to ignore its effect in politics, including electoral politics".[13] Before the serial was over, the VHP had conducted its shila pujas and shila yatras, and in June 1989 the BJP made its historic resolution at its quarterly executive session at Palampur, to adopt the Ram temple issue in its electoral platform.

The decision to televise religious serials represented a considerable departure from earlier broadcasting policy, and clearly signalled an attempt to formulate a cohesive, Hindu upper-caste dominated cultural identity for the nation.[14] Justifying the telecast of the Ramayan serial, the information and broadcasting secretary overseeing the decision, S S Gill, described the epic as cultural rather than religious, with universalist values applicable to all. There was a majoritarian premise to his argument, but clearly, the quotes were being removed from 'religious' programming: a Hindu epic was now identified with Indian culture in general.[15] The director of the serial, Ramanand Sagar, who described himself as a 'romanticist', rendered the story in a highly sentimentalised fashion, with a glacially paced script, and copious use of deep close up shots.[16] He introduced the conventions of the Hollywood soap opera to an epic tradition, with shot-reverse shot sequences and alternating close-

ups following every master shot. This replaced the embodied narrator of poetic convention, of a Valmiki or Tulsi rendering a highly personalised story and making his direct address to audiences, a thread parallel to and interweaving with the entire length of the epic. Sagar's production positioned a disembodied, omniscient spectator akin to that of conventional cinema. This reinforced a certain voyeuristic emphasis in presentation. Hammering insistently on the idealised behaviour of the story's protagonists, Sagar made every interaction an emotion-choked encounter as characters were made to emphasise the extraordinary 'bhava' of each act. In the process, he used the small screen to advantage: the deep and prolonged close-ups suggested the visual capture of emotions, and the repeated reaction shots served to reinforce the sense of a tightly homogeneous moral community with the entire cast unfailingly responding in like fashion.[17]

The highly romanticised relationships depicted an idealised inter-subjectivity in which the protagonists made unearthly sacrifices for each other casually; and that is indeed the ethos of both the Tulsi and Valmiki Ramayans, from which Sagar claimed chiefly to have drawn his material. In Sagar's serial, when Bharat accosts Ram in Chitrakoot to offer him the kingdom and is told to keep it, he asks if Ram would fulfil a request. Ram replies, 'Pagle! Tu mere pran mang le to is kshan de doonga. Bol, kya chahiye tujhe?' [Idiot! Ask for my life and I will give it to you this moment. Tell me, what do you want?]. To which Bharat says, 'Mujhe apni charanpaduka de do' [Give me your wooden sandals]: he will use them to represent Ram during his absence from the throne.[18] Such a discourse of extreme self-abnegation and mutual sacrifice could be taken as parodic, but was in fact widely understood as a literal description of a bygone past.[19] As figures in a distant past, the characters engaged in secure, selfless relationships that showed no hint of the uncertainty customary in real life. If identification occurred, then, it was to the exclusion of any threat of recognising oneself in them. Viewing therefore had an important vicarious aspect, with the serial seen as endorsing much-desired possibilities unrealised in present-day society. The abstraction employed in Sagar's Hollywood-influenced positioning of the all-seeing absent viewer is a crucial technical determinant of this vicarious reception.

Eliciting accounts of the serial from viewers supported the understanding that, while they may have responded emotionally, they discounted the possibility of the viewing experience carrying over into daily life. One letter from a viewer stated: "Everything in the serial is simply too good. We become so emotional while watching the relationships between Ram and Lakshman and between Ram and his mother." "Often tears come to my eyes", said an ex-MP in an interview. "Then I think life should be like this, on the basis of ideals." But many viewers were scornful about the idea that people would be affected by the serial: "The way Ram gave up a kingdom and went to the forest to save his father's honour... Who would do that nowadays?" wondered one worker. "Today a son would say, you go to the forest, I'll stay here." Another viewer expanded on this theme: "People take the Ramayan as entertainment", said a small businessman. "Rarely you will find in families today that members fulfil their duties. Today we don't want to sacrifice. Today we want that Bhagat Singh should be reborn, not in my family but in the neighbour's... Today's mentality is that he suffers, I enjoy the fruits."[20]

Viewers are of course usually the first to discount any question of effect or of ideology. What these answers suggest rather is that the Ramayan serial made images of sacrificial relationships, via personable Hindu icons, seem painless and even desirable. Projected onto a distant past, both the plausibility and the implausibility of the story could be accommodated together in a dynamic contradiction—this became part of the tragedy of the nation, which had once attained greatness and today was in dereliction. The theme of loss, alluded to but never directly addressed, underlay the entire serial. In interviews, it was explained that the culture and values of olden times had been lost, that people required reminding of them.[21]

Viewed in the privacy of the home, the notion of a great Hindu culture as a libidinal collectivity came to exist in the intimate spaces of people's lives, and over the lengthy period of broadcast, these images became familiar, domesticated and comfortable. This was arguably a key symbolic backdrop against which the Ram Janmabhoomi movement can be seen to have 'taken off'.

The resonance of the term Janmabhoomi is important by itself; that it is Ram's only highlights this importance. Two narratives overlap here. First of all, the quest for Janmabhoomi implies a dislocated individual subject, one who seeks to regain his or her old moorings, spatialised in the 'birthplace'. There is a promise here of regaining a primordial oneness with the self, of reconciling the divisions within the self in the unity of that self-evident location. The frequency of migration, resettlement, or just 'moving on', with the indifference this implies to context, local ties and continuity of tradition, are part of the existential backdrop here.[22] Fused with this is a broader historical narrative, of the failure of post-independence India—with Ram presented as a national symbol, even *the* national symbol, of a return to origins as an attempt at revitalisation, of the renewal of the distinctive energy and spirit of the national project.

Social theories tend to describe temporal processes in a pre-existing spatial order; the latter is not analysed so much as taken for granted, and treated as a contingent, neutral category; time itself is understood as singular, homogeneous, linear and irrecoverable. What is remarkable in the Janmabhoomi issue is the privileging of a highly particularised space as the market of that lost time—'mandir wahin banayenge'. This occurs against the context of modernity, in which space and time are both emptied and made homogeneous. The insistent claim—there and nowhere else—as baseless as it was maniacal in its relentlessness, embraced a resistance to the ephemerality of modernity. Simultaneously, there was the unprecedented concretisation of a figure of hitherto only fuzzy historicity. Suddenly, the claim to have identified his birthplace uniquely became "an indisputable fact of history", in a statement of justice Deoki Nandan, then president of the VHP.[23] It was also "indisputable" for justice Nandan that a Hindu idol consecrated as a deity "has a juridical personality of his own. He is capable of owning property and of suing and being sued in a court" (ibid p 12). Nor is this excess characteristic merely of the VHP. In a response to a petition demanding darshan of the Ram Lalla idols at the site of the demolished mosque, justices H N Tilhari and A N Gupta of the Lucknow bench of the Allahabad High Court ruled, on January 1, 1993, that Lord Ram was a "constitutional entity and admittedly a reality of our national culture and fabric and not a myth." They based their contention on the presence of a sketch of Ram among the illustrations present in the original constitution of India, which according to them proved that "the Constituent Assembly accepted the history of Rama in relation to the places as a fact, a reality of national pride and cultural importance (*sic*)".[24] Here the fetishism of images is, with a degree of consistency rare in modern society, decreed to have the status of law!

This corresponds to the lately degraded status of myth. Considered incompatible with a 'scientific temper', myth is equated with untruth or falsehood, and is thus unable to anchor a defensible politics. Hence the need to insist relentlessly on the literal truth of the Ram figure, and to construct a new body of myths around it, now named as 'fact'. This was paralleled by a change in the modes of representing the figure of Ram. The Janmabhoomi issue transformed Ram into a symbol of a militant campaign claiming to span the country, and standing simultaneously for nation and citizen. It was a reduction that by the very vociferousness and repetitiveness of the claims, acquired a force to be reckoned with.

The following excerpt from a booklet, by Balwant Rai Garg, on the October 30-November 2, 1990 firings in Ayodhya, *Sri*

Ram Janmabhoomi Mandir: Ayodhya ki Rakt Ranjit Gaurav Poorn Gatha, or 'Ayodhya's Blood-Stained Pride-Filled Story', minces no words in its uncompromising declaration: "In Ayodhya Ram janmasthan is the foundational pillar of our culture, it has always been the inspiration for the ideal of *apnai* in social life".[25] A bi-lingual pamphlet of photographs narrating the December 6, 1992 kar seva, Sundar Kanda in Ayodhya, projects the movement to build a Ram temple as a centuries-long struggle that has obsessed 'Hindu society', and in fact been its defining trait through the ages:

> Ayodhya, the Mokshadaini [giver of salvation], is the birthplace of Lord Sri Rama, who is the sole, heart and very life of Hindu society (*sic*). Babar the invader got destroyed the temple that stood on Ram Janmabhoomi... Hindu society never accepted this humiliation and waged 76 wars in which four lakhs laid down their lives to erase that stigma. Unfortunately even after the independence Congress also followed the same political game. Hindu awakened and realised that he is deceived by Congress. and pseudo-secularists (*sic*). Seething anger of Hindu volcano erupted on December 6, 1992 at Ayodhya.

Nor were these crudities confined to popular pamphlets. In the BJP's 1993 White Paper on Ayodhya and the Rama Temple Movement, L K Advani began his preface thus: "Sri Ram is the unique symbol, the unequalled symbol of our oneness, of our integration, as well as of our aspiration to live higher values. As Maryada Purushottam, Sri Ram has represented for thousands of years, the ideal of conduct, just as Ram Rajya has always represented the ideal of governance." By 'our', Advani meant, of course, both Indian and Hindu; the two were equivalent.[26] In this series of astonishing condensations, the history, polity and culture of India are all comprehensively expressed in the single figure of Ram, for whom, it then goes without saying, everything must be done to protect.

Parallel to this was an extensive refashioning of the Ram icon itself. Conventional iconography shows Ram *en famille* as it were, flanked by Sita and Lakshman, with Hanuman at their feet. Ram's expression, as befitting a maryada purushottam, or ideal man, is gentle and serene and in harmony with himself. He is finally reunited with his wife (until the Uttarkand at any rate—a phase of the story marginalised in dominant representations); after years of uncomplaining renunciation, he has the reward of long-denied grihasthashrama, and has been crowned king. Piety and obedience, with selflessness and compassion, are perhaps the virtues he has most been celebrated for; and these are qualities well-befitting the householder depicted in the extremely popular picture described above, of 'Pattabhirama', Ram anointed as king. The deities are in full front view, positioned in a stately, ceremonial stance fit to receive worship, confirming their divine status. This is characteristic: to depict deities in dynamic poses would indicate incompleteness, with desires as yet unfulfilled, and thus as more human than godlike.[27] The manner in which the VHP defined its Ram symbol represented a considerable innovation—Ram having been plucked out from what was traditionally shown as a pantheon and presented as a solitary hero, and striking a range of poses as if to suit the varying mood of the consumer: child-like, adult and war-like, benevolent and godly, and so on.

Ram encloses contradictory attributes: he is described by Valmiki and Tulsi as softskinned and almost girlish in appearance, and self-effacing in nature; yet he is mature in temperament, manly in his courage and invincible in battle. Androgynous in his looks as well as his character, with the appearance of youth and the wisdom of age, he offers semiotic plenitude for the propagandist: a wide variety of characteristics could be attached to Ram and still gain popular recognition. The VHP draws from this repertoire, but goes beyond it, using the representational modes of Hanuman and the infant Krishna as well, to present Ram in the guises of the three most popular male deities in northern India. Hanuman is the only god from the Ram legends who is typically shown by himself, and often in mid-stride, putting his strength at Ram's service. This pose is simulated and enhanced in a widely distributed picture, when the angry look on Ram's face is mirrored in a turbulent sea and a stormy sky. His torso is proportionately bigger than usual, and he is shown as finely muscled, emphasising the masculinity of his image. His hair and his malas are disarrayed in the wind, he holds his bow aloft, as if about to shoot. The whole mood is apocalyptic: violence is understood as the means by which earth, sky and human alike will regain calm.

The Ram Lalla image, which represents an emphasis on the infant phase of Ram's life, is an innovation in the tradition; both Valmiki and Tulsi, for instance, dispose of Ram's childhood in a few verses. Shown sometimes in a crawling posture, and at times holding bow and arrow, the playful-looking, creamy-complexioned child is readily associable with the infant Krishna and with baby food ads as well, reinforcing the maternal impulses it is meant to appeal to.[28] Other pictures show Ram in a more traditional ceremonial stance, and more feminine in appearance, smiling and with his hand raised in blessing, superimposed above a picture of the would-be temple. The temple itself, it should be pointed out, is syncretic in design, incorporating south Indian style 'gopurams' which are subordinated to a north Indian-style 'shikhara' quadruple their height. In one picture, while Ram is in statuesque front view, his expression is pensive, and he holds up his right index finger rather than his hand, as if in warning.

A range of portrayals of Ram is offered to invite devotees of every persuasion, so to speak. But this is only an apparent plurality of meaning; in effect, the variety of meanings evoked by the various images are all meant to be subordinated to the singular one of Ram in 'krodhitbhava', leading an army to avenge injustice. The effect of the latter portrayal, as a VHP activist in Ayodhya told me, is that people get inspiration from such a depiction.[29] Clearly, the kind of inspiration derived from more traditional depictions of Ram is inappropriate for the VHP's purposes. Uma Bharati was derisive about the older depictions, and made it clear that for all the variety of Ram images the VHP may offer, only one of them was on their agenda: "'Haan', that picture of Ram, with Hanuman bowing to him, or Krishna playing the flute. That's why we are so weak and ineffective. You have to show them fighting. Krishna with a chakra, Ram with his bow drawn."[30] In contrast with the old iconography, which provokes reverence and contemplation, the VHP representation is propagandistic and seeks to steer and direct thought and action. Thus there is a careful selection and rearrangement of elements from the available repertoire according to the kind of behaviour sought to be provoked.[31] The point is not, of course, to stimulate 'Hindu' consciousness as such—least of all in the vaunted plurality and inclusiveness of that term, but to attach the appellation 'Hindu' to the desired aggression.

The structure of these portrayals is similar to that of commercials themselves: (a) abstracting meaning/value from certain familiar symbols or images (in this case, aggression from the polyvalent symbols of 'Ram'); (b) asserting an equivalence between the meanings/values of the images and that of the brand name or identity being promoted (so that Uma Bharati's Ram stands for Ram in general, and connotes Hindu aggression); and (c) urging an exchange of the reader's money/acceptance/allegiance for the brand name or identity ('Hindu', 'Ram'). That is, like advertisements these portrayals are structured on the model of commodity exchange, with all the violence to specificity that implies.[32] However, their rhetoric of necessity emphasises the uniqueness of the transaction being advertised, of the special affinity between product and consumer, and the pre-destined nature of the satisfaction/success to follow. At the same time, because the co-operation of the reader is required, an element of uncertainty is introduced, this is represented as the individual's effort to remake herself, as a (potential) triumph of will. We see in the advertisement, then, a

characteristic conjoining of contingency and fate, of individual effort and pre-destination.

A series of advertisements made by the BJP's election campaign advertisers, announcing a "new identity" for a corporation, is useful here in clarifying the kinds of links that are made between Ram Janmabhoomi and consumer identity. The ads attempt to sell acceptance for the company's image rather than for a product *per se*, but this does not affect their basic structure. The Madras-based company, R K Swamy and Co, was founded by its owner in 1972 after years of service at J Walter Thompson.[33] The company, now a subsidiary of BBDO, has been engaged by the BJP for the past two elections to devise its campaign propaganda. The ad series is a post-demolition series, appearing shortly before the crucial 1993 assembly elections. It is made for Greaves Limited (formerly Greaves Cotton Limited), an engineering group subsidiary of the Thapar Group of companies. The ads each carry a picture of a large pyramid against the sky, seen from the base of the structure, with a smaller, blue-white pyramid emerging from one side of it. The logo of the company is the smaller pyramid itself, which has a stylised graphic of a phoenix, signalling resurrection.

In the first ad, the legend above the picture, in large type, goes: We went back 5,000 years to be in great shape for the future.

The sky against the pyramid shows uncharacteristically saffron tones suffusing a dark sky as the sun comes up, suggesting the dawn of history, and perhaps a Hindu history at that. The picture of the smaller pyramid emerging from the larger one signals the broader theme, at any rate, of deriving the company's identity from 'history'. The text on the side of the ad, begins in small type, signifying 'basic information':

The Great Pyramid of Egypt, a 5,000-year-old monument, is more than just a tourist attraction. It is a storehouse of extraordinary powers. An embodiment of engineering perfection. A symbol of enduring strength. And an elusive secret of superior knowledge. [And in slightly larger type] *Precisely all that we stand for.*

Of the handful of old monuments held to symbolise an entire civilisation and, by inference, modern-day nation, the Great Pyramid is probably the oldest. This highlights the nature of the claims intended—first, oldest, strongest, most superior, etc. That is, all potential competitors can be answered with finality: no argument is possible. On seeing the pyramid, we remark not merely a physical structure that has endured the elements but also the mysteries of its survival itself: this points to the power and knowledge that must lie behind such a marvel. Little attempt is needed to actually understand the 'elusive secret' of the pyramid's makers. With these extraordinary qualities, the message is clear—they are all that 'we' stand for. As an ancient civilisation whose age and ill-understood wisdom are generally invoked as tokens of its greatness, 'India' is an obvious referent here. The pyramid itself is not the focus, so much as its age and associated qualities, aspects with a ready resonance for an audience recently animated by the assertion of special powers claimed for another structure.[34] The elusive secret of superior knowledge is lost to us, but its proof endures. Loss is elided over in the text's gliding between past and future, as underlined by the main legend. "We went back ... for the future". Loss is a feature of the present, impelling movement beyond its frame.

A broad red band separates this from the 'argument', printed in larger type:

Quite naturally, we adopted the Pyramid as our new identity. And shortened our name to Greaves Limited.

We've also realigned ourselves ...to ...synergise ...and grow in size and stature ...to become a global force in the years to come.

Rarely has the past so accurately defined the shape of the future.

The company logo is then reproduced again, with the words: *Greaves Limited. We're in Great Shape for the Future*

Identity here is a choice, shaped albeit by an affinity of attributes, by natural likeness. The need of the present, then, is to recognise oneself and one's powers through judicious selection from symbols of the past. The superior knowledge of the past may have become secret now, but to recognise its superiority and appropriate it for oneself is crucial. What lies behind this notion of identity that one simply appropriates by fiat? A profound declaration of will, and of an ability to refashion the self to be 'in shape' for the future. The choice of a new identity poses a question about the nature of the old identity, but again the issue of loss is only elliptically raised: the needs of 'the future' create an imperative that is immediately intelligible, and requires no explanation. The uses of identity, it appears, are thoroughly worldly, though its choice seems mainly a matter of self-recognition. The rewards will be gratifying: one 'grows in size and stature ...to become a global force in the years to come.' There is deliberation in the choice: 'We went back 5,000 years...', and yet both the event of that choice and the growth it bestows seem 'natural', even foreordained: 'Rarely has the past so accurately defined the shape of the future.'

The suggestions proceed on parallel lines that are nevertheless presented as united. Identity is chosen, yet it is natural; it has to be sought out, and yet it is fated. Agency and destiny are fused here in a dynamic contradiction that bestows the confidence of success to action, while asserting the necessity of will. Advertisements acknowledge a certain contingency (in the associations, and by implication in the encounter of consumer and message) but ultimately reveal this too to have been the working of fate. Identity, after all, is the overcoming of the split between subject and desire.

The subsequent ads in the series elaborate on the pyramid's qualities, which are said to have inspired the philosophy of the company. Each text concludes with a line which, in the context of the ad alone, is curious, and lacks the kind of ready resonance one is accustomed to in advertising: Rarely has a "pile of stones" provided such a solid foundation for growth; and: Rarely has such a "passive piece of history" had such an impact on the future of business. In a sense, the allusive argument begun in the first advertisement becomes progressively less nuanced and instead more direct and literal. In a displaced way, these ads are referring to the Ram temple that is alleged to have stood at the site of the Babri masjid, and to the demolition of the masjid. The aggressive thrust of the Hindutva movement is here reasserted as an identity offering a vital impetus to business growth. Reiterating his party's commitment to liberalisation before the 1993 assembly elections in an interview with *The Economic Times*, L K Advani echoed similar ideas in explaining why business should support BJP: "I think [the] approach of the present government stems from diffidence, a sense of inferiority complex and a lack of faith in the capacity of the country itself to face the present economic crisis. And since there is no conviction as a party... it is not fit to be an instrument of change."[35]

Advertising takes the fetishism of commodities for granted, making the second-order 'reality' of capitalist society into a naturalised, first order: the power individuals have is to empower themselves by purchasing/appropriating things. We may raise the question about advertisements—why do individuals have to be told how to empower themselves, or make themselves desirable to others, and if they had this power before, how did they lose it? This is a question advertisements may provoke, but they prefer to elide over this moment, focusing at most on the inadequacy generated by loss. Their emphasis instead is on the accessibility and desirability of renewal and fulfilment.

Hindu Imagery and Narratives of Improvement

The rhetoric of Ram Janmabhoomi, to its ineffable advantage, centres on this elided moment, on the violence of loss, on the pain and humiliation of an enforced deprivation,

all encapsulated in the demonised figure of the Muslim 'other'. It is at this point that the narratives of Hindutva and advertising part company. The story advertisements cannot tell is that of the founding violence of a commodified universe where men and women strive for a uniqueness and individuality made impossible by the levelling force of exchange value rendered dominant. Ram Janmabhoomi propagandists allegorise this originary violence with their story of the 'foreign invader' whose brutality and destruction echo across centuries. Their dwelling on the moment of loss renders the communal solution that follows urgent and vivid. The focus on addressing the individual gives their discourse a compelling immediacy. Most important, we have now entered a world in which there is no question of contingency or uncertainty in the resolution of identity. We have here a Manichaean order where a razor-sharp line separates good and evil, and the righteous have no recourse but to join in the life-or-death struggle against the enemy.

The Hindu imagery in market circulation, in Ramayan videos, calendar art, or advertising, redefines popular symbols, and proffers an invigorated sense of identity by inserting these symbols into a narrative of improvement. So far, the transactions involved replicate those of commodity consumption, and like the latter, offer success as the reward for the effort of allegiance/purchase. The rhetoric of Ram Janmabhoomi, however, cannot allow its addressee merely to entertain its message, or to weigh whether or not they choose to invest in it. The very possibility of rational calculation is swept away with the urgency of the crisis—one must join or die! The sense of complete redemption entailed in the discourse's abolition of doubt is cathartic.

The following excerpt from a widely distributed article entitled 'Angry Hindu! Yes, Why Not?' is symptomatic of the kind of rhetoric involved:

> Yes, certainly I am angry. And I have every right to be angry... Otherwise I would be no man. Yes, for too long I have suffered affronts in silence... My temples have been desecrated, destroyed. Their sacred stones are being trampled under the aggressor's feet. My gods are crying. They are demanding... reinstatement in all their original glory. When I speak out my agony, you of the secular tribe condemn me as a threat to our 'secular peace'. You add insult to my injury. . I now realise I had been too good for this world of 'hard reality'. I believed that others would respect my gods and temples as I respected others'. I believed generosity begets generosity.. But alas, again and again I was deceived... I was stabbed in the back.. My goodness has been turned upon me. I know now a bit of the ways of the world. And I have decided to speak to others in the language they understand. And finally I have come to know the value of my anger itself.[16]

The language exceeds its subject, and invites those with a variety of grievances to share the writer's indignation. Those accused are only vaguely referred to; almost any object of fear or hatred could be that 'you'. Accepting this writer's meaning offers absolution, an identification with the 'I' who has only been 'too good', although he seems to have lived to tell the tale. A closer reading elicits a strongly gendered imagery: the absolution offered is of a distinctly masculine kind. In his 'silence', in the condemnation he invites by 'speaking out', in being 'stabbed in the back', there is a surfeit of imagery suggesting that the character described is 'no man' if he remains in his passive condition, and that in fact he has been repeatedly raped. In a characteristic set of tropes, the typical Hindu (who is male) is depicted as silent, virtuous and feminine, qualities that bring him only 'insult and injury'. In metaphors meant to taunt Hindu men and rouse their aggression, the message implies that only assertive and vociferous masculinity are the attributes of real Hindus; these are qualities of the Muslims who threaten them, which they must acquire for self-protection.[17] The gendering of the imagery here is far more one-dimensional than that of advertising, which in its construction of the pleasure-seeking yet assertive consumer carries both masculine and feminine attributes (here, as above, I refer to socially constructed polarities of gender attributes, of course, rather than to any essentialised set of differences).

We are now in a world in which people are either of the delivered or the damned, where the choices are of life and death. One VHP pamphlet, *Warning: India in Danger*, that asserts, "The enemy of Hinduism is the enemy of human race (*sic*)", ends: "Please zerox, print and distribute this matter throughout the country, through 10 crore pamphlets (*sic*). This can save India. It is your moral duty. If you are unable to do even this much then you will lose your right to live in India... [T]hen your doom is certain..." The hysterical tenor of these passages suggests the overwhelming of all considerations other than that of survival, i e, of preparing for the violent 'other'. What must be stressed is that, under suitable circumstances, such messages become enormously attractive in the very simplicity of their mechanisms; chiefly the displacement of all discontents onto a tyrannical 'other', and the submergence of the self in the mass struggle against this other. Uma Bharati disclosed that although she had been long used to giving addresses on Hindu dharm, merely telling people to be good Hindus was not "effective," whereas saying: Hinduism is in danger! drew huge crowds.[18]

The private space the consumer is exhorted to use to explore and affirm her subjectivity, namely, the space of consumption is an externally constrained space. Without harnessing individual desire, and providing a space for subjectivity, the social mission of consumption could not be reproduced. Yet by privatising the spaces of individual expression, their social potential is meant to be delimited and regulated. In contrast, the Hindutva mobilisation called explicitly for aggressive political action, albeit under their own stewardship—it was a call to join the suicide squad of Hindutva, in a sense, though mere support was welcome too. The discourse of consumer identity formation and that of Hindutva thus appear far removed from each other. The problems they address, however, are at one level identical: that of securing meaning against prevailing homogenisation, of the need to articulate feelings of injustice as against the erosion of means with which to do so, and the radical insecurity that thus results.

We can now distinguish a spectrum along which 'Hindu' identity is offered, where we can distinguish at least three positions. There is the myth-historicised subject of the Ramayan serial, for instance, whose idealising of the past does not inherently polarise the present, although it has the potential to do so. This subject dovetails with that of the calendar and sticker art of the VHP. The authors of *Khaki Shorts and Saffron Flags*, for instance, cite the remark of a 'paanwala' who pointed to his VHP sticker of Ram and the temple, and declared that he kept it for the picture of Ram, and that he did not want the temple. There is a more distinctly worldly position, with a 'Hinduised' identity as an enthusiastic prescription for renewed confidence and success, as Advani implied in his interview. Finally, there is a summons of high urgency, a do-or-die call to arms to guard against the enemy. These identities are constructed and propagated in the form of images; they do not exist as 'live' role-models, for instance, so much as the spotlighted ends of imagined polar oppositions communicated through the media.

With the enormously increased circulation of images becoming integral to the economy, the meaning of the image and the commitment they entail themselves undergo an enormous change. An image no longer has any necessary connection with its referent, although it trades on the echo of referentiality as the means of enabling its circulation. As example we can cite the gulf between real Muslims and those of the Sangh parivar's propaganda, or that between the Ram of popular traditions and of Hindutva. In a well known essay, Walter Benjamin pointed to the destruction of 'aura' resulting from the mass reproduction of the image. He referred to the uniqueness and irreplaceability of the work of art, situated in a given context and, in older times, designating a sacred space of worship. With mechanical reproduction, he argued, this

is lost; what is gained, however, is the possibility of new meanings being constructed from elements of hierarchical traditional cultures.[39] In the case of Ram Janmabhoomi, the power of the new meanings (which, however, are anything but progressive) depends on their novelty being dissimulated, since they are parasitical on remnants of the aura which uneven development protects. Nevertheless, they call for but a weak form of commitment from the participant: while the idea of verisimilitude remains important, its force is weakened in the impersonal and distantiated context of new forms of mediated communication. Thus individuals may shift from one form of identity to another without necessitating a proportional shift in the distribution of their resources. The comfort of securing identity may be achieved in return for little more than the acceptance of this comfort itself; when voting, it may form the means of choosing between otherwise substantially similar political parties.

L K Advani, who was for many years the film critic of the RSS's *Organiser*, has a vivid sense of the power of the image. The metaphors he uses to describe politics draw more on stagecraft rather than on social forces: on the manipulation of props, character roles, and the difference between spotlight and shadows on stage. The BJP used to be thought of as the A K Hangal of Indian politics, he said recently, a good character actor who could not make it to centre stage. That was changed now, he asserted.[40] He understood that to affect perceptions about his party, it was not necessary to change the party itself: illusion could do the trick. "For the purpose of securing the non-committed vote, you must at least create an illusion that you are likely to come to power", he has said.[41] The "non-committed vote" here represents a peculiarly contemporary breed of voter, one without strong convictions or distinct political affiliations. Choosing a winner is instead more important. We can, of course, immediately relate this to the crucial swing vote of the OBCs in the 1993 assembly elections; their shift from the BJP to the Samajwadi Party was decisive, just as their earlier shift from the Congress to the BJP made the latter's electoral fortunes in 1989 and 1991. The frequent shifts represent a number of important political developments, including an increased political assertiveness of OBCs, and a rejection of the paternalistic neglect they had received for years from the Congress. But the rise of the category, 'non-committed voter', is itself socially symptomatic, and prophesies a swelling in its ranks as well. It indexes the growing reliance on mass media in political mobilisation, and reflects the recent emphasis on identity rather than on interests *per se*, as politically most salient.[42]

The focus on the uncommitted voter, highlighted in the recent media-based mobilisations of the VHP, represents as well a signal reformulation in the Sangh parivar's understanding of its own role in society, and in the stratagems it was willing to deploy in extending its power. Prior to 1983, the emphasis of the VHP and the RSS was on the 'threat' to Hinduism from conversions and the need to keep lower castes within the fold, exemplified by the 1981 Meenakshipuram conversions. As late as May 1984, articles on the awakening of the 'Hindu heart' in the RSS's *Organiser* referred not to the rediscovery of identity, but to the sympathy of upper castes towards Harijan oppression.[43] The failure of this campaign to generate much support indicates an indifference regarding the prospect of diminishing numbers; this may suggest the "fuzziness" of the Hindu community, in Sudipta Kaviraj's sense of the term.[44] Even if the RSS treated Hindus as a quantifiable, precisely definable community, and as always already a nation, such an understanding was not widespread enough, or able to articulate well enough with the issue foregrounded, to ignite a mass movement.

With the Ekatmata Yatra in 1983, we can observe a refinement of publicity strategy. Here, prominently bedecked 'rathas' carrying a portrait of 'Bharat Mata' against the map of the Indian subcontinent, and a huge 'Jal Kumbha' of Ganga water, covered more than 50,000 kilometres bringing the message to small towns and villages of the unity of India; for a sum of money, people could also obtain small bottles of Ganga jal mixed with 'holy water' from more proximate sources, thus appropriating for themselves a part of India's interrelatedness. Little was heard in subsequent campaigns of Bharat Mata, or Ganga jal. New symbols were found to symbolise Indian unity with the same indisputable necessity, symbols that would bring better dividends than the relatively unknown 'Bharat Mata'. But the campaign was claimed to be a huge success. The idea of an outreach programme to retail a concept as it were, reduced to the form of a product, with success measured in the relatively undemanding terms of the public's willingness to 'accept' the product retailed, established a precedent for later use in the Ram Janmabhoomi campaign (beginning with the worship of bricks in the 'Shila puja'). This is suggested in a VHP pamphlet: "The subsequent decision of the leading dharmacharyas to construct a befitting mandir to Lord Sri Rama at the Janmasthan followed as a logical sequel to the above."[45] The 'logical' connection between the two, otherwise quite different, campaigns was precisely that of retailing Hindu identity, I would argue.

The notion of retailing Hindutva for easy consumption was far removed from the understanding and the strategies the Sangh parivar had hitherto adopted. For RSS guru—Golwalkar, the term 'Hindu' defied all definition, referring to a people that pre-existed names and language, and whose distinction was their universality, their all-encompassing nature. The modest mission of the RSS, as the only organisation gifted with the means to share this wisdom, was to actualise the possibility of universal brotherhood, to unite and organise Hindu society, into an "invincible force".[46] He warned against the "short-cut mania", the "mean and ignoble attitude" that a quick route to power existed. "Because of such an atmosphere all around, people begin to think whether there are short-cuts in the Sangh work also. They ask, 'How long do you intend to carry on like this? When will you be able to bring about the total transformation of society that you visualise ..?' Then, they begin to look around and see the mighty government wielding vast powers...They begin to imagine that invested with such resources...they can, within a short time, change the entire face of the country...But let us not be carried away by such a superficial view".[47] The RSS had chosen to change people's attitudes rather than seek political power. The focus on changing attitudes aimed at supra-political power, defining the very horizons of political debate and party conduct, in this sense it was far from being non-political. Rather, it aimed at a stability and an influence beyond the reach of the vicissitudes of electoral democracy. "We come to the conclusion that the type of organisation that we are building—keeping ourselves aloof from the lures and tentacles of political power, but at the same time alert and powerful enough to check the erring powers that be—can alone give a healthy and permanent order in which our society can live and prosper.... Why should we, who have the integrated vision of the entire national life, run after a fleeting thing like political power? "[48] For Golwalkar, the Sangh would inevitably triumph but there was no question of hastening the process artificially. He was particularly disdainful of "today's method of more advertisement than actual work".[49] There was no substitute for slow, long drawn-out organisational work, of drawing more and more people into shakhas and the accompanying daily discipline of an hour's prayer and ritual, until society was eventually coterminous with the sangh. This would lead to actualising Savarkar's dictum, 'Hinduise all politics and militarise Hindudom', a task far more profound in implication and long-lasting in effect than merely winning office.

But by the late 1980s, with the Congress Party weakened and the opposition disarrayed and fragmented, seizing political power at the centre began to seem like a real possibility. The deployment of the Ram Janmabhoomi issue was an attempt at to make a relatively

quick bid for power at the centre, foregoing the patient extension of mobilisation that the RSS had hitherto based itself on. In *Khaki Shorts and Saffron Flags*, the authors have discussed how, from the mid-80s, the parivar's laborious task of making the Sangh coterminous with society was rapidly simplified by their adopting a new strategy. The VHP, which had overseen the growth of an enormous number of subsidiary organisations officially distinct from itself, now declared itself to represent the entirety of Hindu society itself; its actions were now a manifestation of Hindus' collective will.[20] This was of course a claim that could only be sustained by an orchestrated media campaign. Assisting this move was an increasingly specific and concretised definition of Hindu identity. Simple, and easy-to-understand images could be manufactured, if necessary, to define what was for Golwalkar, the undefinable. Nor would they rely on some cartographic deity to make a literalist connection between Hinduness and nation. If popular support was to be quickly mobilised, abjuring long-term grass roots work, the use of already popular symbols was essential. Negotiating discrepancies between RSS use of the symbol—in this case, Ram, and popular meanings attached to it, was a matter of public relations, for which sophisticated apparatus was now available.

The Mandal proposals undoubtedly dealt a body blow to the BJP's bid for power. It exposed their upper caste base and obliged them to take an explicit stance against the commission's recommendations in order not to alienate their constituency. The 1993 assembly elections in the north expressed this fallout, as it were, with crucial sections of the OBCs, notably the yadavs, deserting the BJP. Ultimately, indeed, both the narratives whose parallel trajectories we noted earlier seem to have climaxed for the time being, and are in a noticeable downswing. With the stock market scam indicating what the consequences of deregulation could be, the ignominy of GATT making a mockery of claims of Indian autarky, and inflation now reaching double-digit figures, the euphoria accompanying the early days of liberalisation has been replaced mainly by nervousness and anxiety. Economic reforms continue, nevertheless, but with little attempt to invite the masses onto the stage of history, so to speak. Rajiv Gandhi, on his arrival in office, had loudly proclaimed that the middle class was going to revolutionise society with its superior business sense. His triumphalism, undergirded, albeit, by debt-induced economic growth, produced for a while a rhetoric of popular participation in nation-building which sought its cultural complement in a 'soft saffron' Hindu identity. In a society where, after independence, there had been a firm exclusion of the masses from any discussions of nation-building, this was a risky enterprise, as events turned out; there was no longer a Mahatma around to fast in protest against actions that went 'out of control'. It would be surprising, however, if the limits of image-based mobilisation are not tested again: the narratives constructed may stand revealed as partial and motivated, as with that of Hindutva, but a considerable amount may be accomplished (and accumulated?) while the narratives themselves manage to stay in circulation.

Notes

1 The overall GDP growth rate between 1950 and 1989, 3.7 per cent p a, is still lower than that of all developing countries as a group [Desai 1993].

2 Viewing the term as unpatriotic, Dubashi writes: "...I did not expect socialists like Raj Krishna to play the British game and blame the apparent stagnation of India's economy on the Hinduness of India" [Dubashi 1985:2].

3 'The Eighties: A Decade of Change' in *Business India*, December 11-24, 1989, p 52. By 1990, the growth rate would drop to a low of one and a half per cent, a rate which persists at the time of writing (1994).

4 *The Wall Street Journal's* editorial, when Rajiv Gandhi presented his 1985 budget, was titled—Rajiv Reagan! Cited in 'The Budget. A Bold New Approach', *India Today*, April 15, 1985.

5 Most of the growth in industrial output during the 80s was in consumer appliances, and the fastest growing category in the imports bill appears also to have been consumer goods A substantial fraction of the external debt—which grew from $ 7.9 billion in 1975 to $ 20.6 billion in 1980, reaching $ 70.1 billion by 1991—went on consumer goods, Meghnad Desai has argued [Desai 1993: 8-10].

6 Sudipta Kaviraj, in an important argument, has noted that with the Nehruvian emphasis on planning, there was a major focus on English language "information" in the processes of state functioning, which represented a shift from the bilingual culture characterising the nationalist movement [Kaviraj 1990: 68-69]. English came to seem the repository of real nationalism, rather than any of the vernaculars. And with economic development, there came, contra Gellner, a growing cultural differentiation, rather than homogenisation, between dominant English language elites and vernacular 'others'. Attempts by the state at cultural engineering immediately lifted these tensions onto the larger political stage

7 Here I paraphrase an argument made by Todd Gitlin [Gitlin 1980:8].

8 A term recently used to describe Hindutva fascism by Prabhat Patnaik, a description he derives from Michael Kalecki [Patnaik 1993:76].

9 P Sainath notes that 'very large corporate houses' in Maharashtra and elsewhere have been using the Shiv Sena to crush trade unions in their factories. The Reliance group, for instance, has systematically promoted Shiv Sena unions in all its factories to replace the leftist unions within them [Sainath 1994].

10 See White 1980: 8-9. Cited in DeLauretis 1984:129.

11 See Marx 1954:77.

12 As such, individuation, and any resistance this may involve, is a central aspect of the consumption of mass-produced goods. Resistance and affirmation, therefore, are both embodied in the meanings consumption affords, pointing to its deeply contradictory characteristics Dick Hebdige has made this now well known argument in his *Subculture: The Meaning of Style* [Hebdige 1980].

13 *BJP White Paper on Ayodhya and the Rama Temple Movement*, April 1993.1.

14 'Religious' broadcasting was far from unknown on the radio in colonial India, or indeed after independence Festivals, anniversaries and other special events of various communities were regularly observed with programmes suitable to the occasion. However, after a Station Directors' Conference in 1942, it was decided that services of this nature were crowding the calendar, and generating unmanageable demand. Moreover, particular days were coming to be associated with religious programmes of particular communities: Friday for Muslims and Tuesday for Hindus in Delhi, and so on. It was decided that only 'important' festivals should provoke programmes on their behalf; further, regular weekly broadcasts on behalf of any religion were proscribed Until the mid-1980s, this was the operative definition of 'secularism' on Indian broadcasting.

15 See Gill 1988.

16 See Sagar 1986: 66-69.

17 Robert Allen has made this point about Hollywood soap operas [Allen 1985:70-71].

18 Episode 25, Ramayan Serial.

19 For a more extensive discussion, see Rajagopal 1992.

20 Letter from a viewer, and interviews with Digamber Singh, Chandru, and D S Damle respectively, cited in Rajagopal 1992:232-41.

21 E g, interview with Arun Govil (who starred as Ram, in *Illustrated Weekly of India*, November 8, 1987.

22 Bachelard's meditations on the 'poetics of space' are illuminating in this context. "Memories are motionless, and the more securely they are fixed in space, the sounder they are. Space contains compressed time. That is what space is for. And the space which is paramount for memory is the house.

"Life begins well.. it begins enclosed, protected, all warm in the bosom of the house ..In this remote region, memory and imagination remain associated, each one working for their mutual deepening...[W]e travel to the land of Motionless Childhood, motionless the way all Immemorial things are." Cited in Harvey 1990: 218. The metaphor of Janmabhoomi taps the deepest recesses of the mind, 'where memory mixes with desire', evoking longing for an irrecoverable love and wholeness, and fixing that longing in a secure, delimited space. The associations it provokes clearly go far beyond any ascriptive characteristics of culture or creed.

23 See Nandan, n d.

24 'High Court Uses Rama's Sketch to Define Secularism' in *Indian Express*, January 7, 1993.

25 See Garg, n d

26 Cited in Mukhopadhyay, 1994.379ff.

27 See Anuradha Kapur's essay, 'Deity to Crusader: The Changing Iconography of Ram' in Pandey 1993.

28 See *Khaki Shorts, Saffron Flags*, p 94, and also p 62, p 82 and *passim*.

29 Interview with Parmanand Mishra, July 21, 1992. 'Ayodhya' conducted by Shahan Bhattacharya, Kewal Kapoor and Arvind Rajagopal.

30 Personal interview with Uma Bharati, August 1, 1992, New Delhi.

31 The inclusion of the trishul, Shiva's weapon, indicates the syncretic nature of the image recast. One RSS graphic artist and wall-writer asserted that he would show Ram with a machine-gun if necessary. Interview with Sathyanarayan Maurya, conducted by Shahana Bhattacharya, Kewal Kapoor and Arvind Rajagopal, July 23, 1992.

32 I owe the insight of this analysis of advertising to Robert Goldman.

33 'R K Swamy Advertising: Seeing a Door Where Others See a Wall', *Business India*, July 25-August 7, 1988.

34 "...Ram mandir construction in Ayodhya will bring good luck to India", declares the banner of one VHP pamphlet, *Warning India in Danger*, n d. The 'good luck' derives, of course, from the sacredness of the site, and from a Ram temple having already inhabited the site before—or so the VHP claim.

35 L K Advani, interviewed in *The Economic Times*, August 10, 1993, p 7.

36 Cited from a 1988 issue of *Organiser* in Bhattacharya 1991: 127-28.

37 Describing their interview with B L Sharma 'Prem', VHP leader and presently BJP MP, after the riots in Nizamuddin, Pradeep Dutta and Sumit Sarkar write: "While he was talking to us about the Hindu and the Muslim, his facial expressions went through revealing changes. The gestures and looks through which the Muslim was portrayed conveyed a hard virile masculinity. While describing the Hindu, his voice and face took on a supplicatingly feminine and helpless expression. When he talked of the ideal Hindu of the future, his face resumed the expression that it wore when referring to the Muslim. The Hindu should, then, become what the Muslim supposedly is—violent and masculine" [Dutta and Sarkar 1994:89].

38 She disclosed that attendance at her talks went up from five to six thousand, to one or two lakhs after this change of theme. Uma Bharati, personal interview, August 1, 1992, New Delhi.

39 See Benjamin 1969.

40 L K Advani, interviewed in *Sunday*, August 29, September 4, 1993, pp 38-42.

41 L K Advani, interviewed in *The Economic Times*, August 10, 1993, p 7.

42 The Sangh parivar's own use of media demonstrated a sophistication in communication strategy perhaps never before witnessed in Indian political mobilisation. More could be said in this regard than space allows here—the class-stratified propaganda deployed indicated a systematic understanding of the fractures and fault lines in social ideology, as well as the power of particular symbols and themes to form links across these fissures, to craft broad-based political movements. The broad approach consisted in using a blend of myth and folklore for rural and small-town audiences, and a reliance on 'experts' of history, archaeology and jurisprudence for educated urbanites, using the paraphernalia of scientific research and argumentation. Apart from this, there was the fostering of cottage industries that retailed the VHP message through pamphlets, posters, stickers, buttons, toy 'movie cameras', as well as mass produced books, cassette tapes and videos (Basu et al, 1993: 60-63, 82-83, and 92-109). The formidable influence of the parivar on the press, often working from the level of cub reporters upwards—rather than from the editor downwards, provided a channel of communications that was able to survive or evade even the most 'secular' of editors, and helped to create a climate of opinion in which pro-Hindu ideas appeared in their most favourable light.

43 H V Seshadri, 1984. 'When the 'Hindu heart' is awakened' in *Organiser*, May 27, 1984, p 9.

44 See Kaviraj 1992.

45 See Anon 1990.

46 "...[I]t is the grand, world-unifying thought of Hindus alone that can supply the abiding basis for human brotherhood. This knowledge is in the safe custody of Hindus alone. This may appear to be rather too proud a claim. Nevertheless it is a bare statement of fact... It is inevitable, therefore that, in order to be able to contribute our unique knowledge to mankind...we stand before the world as a self-confident, resurgent and mighty nation. The Rashtriya Swayamsewak Sangh has resolved to fulfil this age-old national mission." [Golwalkar 1980:8-11]

47 Ibid, p 90.

48 Ibid, pp 98, 103.

49 Ibid, p 667.

50 Basu et al, pp 56-57.

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Some Issues in the Debate on Policy

Sebastian Morris

The current discussions on the liberalisation programme of the Indian government have found little common ground and have yet to come down to an empirical level where the hypotheses and fears on both sides are posed against facts. An attempt is made here to raise questions which need to be resolved.

THE liberalisation of the Indian economy which began in the early 80s has now accelerated. The content of the reforms announced in 1992, and 1993 go far beyond what may conceivably be attributed to pressure from the World Bank and the IMF. It is no longer possible to see the liberalisation as purely a response to the balance of payments crisis. While effective policy as such has changed more slowly than what the initiatives and intentions would indicate, it is nevertheless true that the pace of change has been rapid, and as never before since the crisis of the mid-60s in the Indian economy.[1]

There is much discussion about these initiatives in the popular press as well as in business and academic journals. The responses and stances of most scholars have been rather predictable. Most, but not all, left intellectuals have vehemently argued against the current initiatives particularly in their equity aspects, and have warned that under the guidance of the Fund/Bank India can go the Latin American way. Some have even argued that the policies of the 80s were in fact designed to bring the Indian economy to the impasse of 1991 so as to ensure the liberalisation of the economy under the Fund/Bank auspices!

Intellectuals closer to the government have on the other hand argued that the system of controls (and subsidies), and in general the superstructure of economic governance and policy had long become dysfunctional, having little bearing on the economic reality either as it exists today, or as had existed in the immediate past. They would demand that discretionary and bureaucratic control of the economy would have to go, to be replaced by price-based measures and eventually to be removed altogether. They have also argued for a trimmer and more efficient public sector, for privatisation of particular sectors, for a concentration of the public sector in its traditional infrastructural areas, and for throwing open sectors hitherto reserved for the public sector to the private sector. Licensing, with the obvious distortions that it has brought about not only in the industrial economy of the country but also in the political process, as well as the pointless nature of much of the provisions of the MRTPA (until its recent amendment), are all supportive evidence in their agenda for change. They would also insist that the economy ought to be opened up for import competition, and for foreign direct investments (FDI). These are claimed to be necessary to make Indian industry competitive. The high growth of the Indian economy in the 80s, which none can now deny,[2] has certainly provided the confidence to government and policy-makers pushing for change. The impact of liberalisation on growth is not quite clear. The traditional determinants of the performance of the manufacturing sector in India, namely, good agricultural harvest, increased public investment and relaxation of infrastructural constraints, may very well have underlined the good performance in the 80s.[3] Some scholars outside the government but not all necessarily left-wing have initially tended to deny the growth in the 80s. Later many have characterised it as being import and luxury goods led, as furthering inequalities, and as leading to a dependence of the economy to the detriment of its long-term prospects for industrial transformation.

The collapse of 'socialism' in eastern Europe and the erstwhile Soviet Union have certainly effected the conduct and content of the debate. The events therein necessarily open up, like unhealed wounds, particularly for the left, the questions of viability and desirability of Soviet style 'socialism' in the LDCs. It also puts the left on the defensive, and has given the right the upper hand in economic and political debates. Today, unfortunately the onus is on the left to argue its case.

The discussions have found little common ground and have yet to come down to an empirical level wherein the hypotheses and fears on both sides are posed against facts.

Is Latin America really relevant? In Latin America and some of the African countries, it is now quite clear that Fund/Bank guidance have brought about BoP adjustment only with great cost in terms of growth and equity. There are obvious differences between India and Latin America. The regular cyclical growth and collapse of the economy were features of Latin American development even before world war II and may not be unrelated to the large amounts of capital flight from these countries. Somehow, Latin America has proved incapable of retaining the surpluses it creates during boom periods for domestic investment. Even gross underestimates[4] of capital flight, would show that capital flight from Latin American countries, particularly during periods of recessions have often been in excess of, or comparable to all capital inflows. This means that despite the relatively high level of development of the economy (as indicated by the sectoral occupational patterns), the unambiguous breakthrough into an advanced capitalist economy is thwarted. Capital flight in these countries takes place as the very rich in these countries have consistently chosen to transfer their earnings abroad to spend and save, since their racial and cultural affinity with Europeans and Americans makes this possible. Other countries in Asia (Japan, Korea, Singapore) and Europe (Italy, Spain, Portugal), besides the 'socialist' countries have come from behind to overtake them. The Indian elite in sharp contrast, but quite like the Asian elites in Korea, Japan, Thailand, and China would hardly find it possible to integrate with the advanced west (since racial and cultural differences stand in the way), so that capital flight from India could never reach the same order of magnitude as from the Latin American countries. It would tend to be strongly correlated with the economic policy and situation, and can potentially be reversed[5] with suitable growth promoting policies. It is quite relevant here, to note that the Chinese bourgeoisie based in south and east Asia, is a principal if not dominant source of foreign capital (including FDI) for mainland China now that China itself is growing very fast under liberalisation.

Currency depreciation and terms of trade losses: Fund/Bank prescriptions to devalue have rightly been criticised for their neglect of the (compositional) effect of simultaneous devaluation in a number of countries at the same time leading to a competitive collapse of natural resource product prices, leading to large terms of trade losses. Yet India with little (or negative) net exports of natural products[6] may perhaps not face the same situation under devaluation as the LDCs in Africa and many in Latin America which are large exporters of natural resources. Indeed when the potential for manufactured exports (given the wide diffusion of modern technology through much of Indian industry, and the low costs), is high, currency depreciation may very well be vital to economic performance and faster growth. Beyond the rhetoric there is little evidence to show that currency depreciation (more correctly correcting the bias against exports, and creating a positive bias for exports) does not work to increase manufactured exports.[7] The recent experience would, to even a casual observer show that manufactured exports have indeed responded to currency depreciation in dollar terms at a time when

demand factors have acted adversely against Indian exports.[8] LDC's exports, more so the manufactured exports of the NICs, have suffered significant terms of trade losses,[9] but on that basis to argue that manufactured exports are either irrelevant or not desirable in the process of industrial transformation, would be invalid. Historically, all LDCs (and late industrialisers via the capitalist mode) do show declining relative prices for exports particularly when they are directed at the already industrialised nations. This is the inevitable 'tribute' that the late industrialising countries pay to the already industrialised for access to the latter's markets. Manufactured exports have a vital role because they help to overcome the demand constraint, and provide for scale and scope economies through which technological upgradation and productivity growth takes place. This means that successful industrialisation via a dependence on manufactured exports, is accompanied by barter terms of trade losses while there are income terms of trade gains.[10]

Manufactured exports and land man ratios: Land (and resource) rich countries—e g, the US, Canada, Australia, Brazil, Indonesia—can afford to make do with little or no surplus on manufactured goods, but not India for which Korea and Japan holds the mirror in which we may see her future on this score. Japan exports five to six times as much manufactures as it imports, Korea four times, against the UK and the US which today export less or only about as much as they import. India in the 60s (at levels of income about fifty to a hundred times less than that of the US) was already exporting about as much manufactured goods as it was importing.[11] Since the Mahalanobis period had brought about a diversification of the economy by the mid-60s, India unlike most low income LDCs was a net importer of raw materials and natural products, and in certian years a net exporter of manufactures. It is only India's very low levels of income that has kept its demand for natural resources rather modest. For the continuance of even the moderate growth of the 80s, manufactured exports are necessary, not so much for capital goods imports but for raw materials including energy.

State direction vs *laissez-faire*: The Fund/Bank thesis that 'open' economies have generally grown faster has been criticised on conceptual, methodological and empirical grounds.[12] Others have argued that the east Asian economies show that it is high quality state intervention in all aspects of economic development including an active intervention on the trade front that underlie their success. Despite these criticisms the Fund/Bank have continued to be guided by such *laissez-faire* thesis. Indeed the Fund has increasingly become 'monetarist' in its approach. Its critics while always calling attention to the extent of state intervention in Korea and other better performers such as China have not generally recognised that the nature of state in India would impose limitations in terms of the quality and the extent of its intervention, and hence of what is feasible.

Employment growth, wage rates and equity: Since the mid-60s employment growth in industry has been tardy.[13] And even in the 80s despite good growth in output it is apparent that employment growth in the organised sector (excluding the public sector) has been woefully inadequate. Employment growth in the public sector seems to be a dysfunctionally autonomous process with little bearing on either output and productivity growth, or on capital formation in the sector. Suitable policies, that can retard real wages growth in the organised sector while increasing public and private investment, could possibly increase employment and lower the capital intensity of that sector. The unorganised sector, where the wages are low and militancy entirely absent, despite capital and policy constraints, has absorbed labour at a rate that has exceeded 4 per cent per annum.[14] This fact points to a potentially complex relationship between liberalisation (with its possible wage reducing effects in the organised sector, particularly under Fund/Bank auspicious) and employment growth. In the context of transformation, static equity considerations are devoid of meaning. Equity in the Indian context of large disguised, unemployment becomes largely equivalent to employment growth. Successful 20th century industrialisation whether of the dynamic NICs or the 'socialist' economies has been based on low wage rates, until such time as the disguised unemployment is overcome.[15]

Poor performance of India: Many of the south-east Asian economies whether well-endowed with natural resources (e g, Malaysia, Indonesia), or not (South Korea, Taiwan, Singapore, Hong Kong), and others (the Philippines, Thailand) in a more intermediate position have been better growth and employment performers than India. They may well be better performers even in equity—certainly true of south Korea, Taiwan and Singapore—than India, despite their authoritarian regimes fully wedded to capitalist growth. Even Sri Lanka has shown better growth performance than India. All of them have done far better than India in terms of physical quality of life indicators too.[16] India despite the notable achievements during the Second and Third Plan periods, and the rhetoric of 'socialistic pattern of society' has been a society with much inequality and low growth. (Inequality in India may be much worse than what is generally believed if the incomes, and the rents the very rich earn were truly included for the estimates.)[17] Only in comparison to war-torn Indo-China, obscure Burma, Nepal and Bangladesh does India's performance in Asia seem respectable. The need for change therefore can hardly be disputed, and so the debate about the content of the changes becomes very important.

Indian 'narodniks': The left and the Indian 'narodniks' (under which we might include Gandhians, Lohaites, alternative-development schools, many of the conservationists and environmentalists, non-Marxist radicals of various shades) have easily made the dichotomy between growth and equity: There is an enormous literature in India that sees growth as disturbing, as affecting the poor for the worse, and as bringing about social inequity. The widespread acceptance of such a thesis among intellectuals and activists alike is no doubt due to the slowness of Indian growth, which has made the beneficial effects of growth less observable, while the adverse effects on the poor marginalised sections (poor slum and pavement dwellers in the cities, tribals in areas subject to ecological and other dangers) glaring.[18]

'High speed growth': High speed growth (as in Korea, China, Thailand and Taiwan) has certainly meant that even the poor gain. With China having grown at a searing pace of about 8 per cent for now nearly a decade and a half, it is hardly possible to argue that large countries like India have to accept relatively slow growth. In Korea where investment rates have been very high, and disguised unemployment eliminated by the early 70s, the inequality of consumption expenditure (which is the relevant measure) has been less than of income. Even on the basis of income it is much less than in most other countries in Asia. Indeed if much of profits are invested to create employment opportunities, the notion that surplus value (profit) is at the cost of exploiting labour while quite true technically, may lose much of its political and social implications during the phase of high rate of capital formation.[19]

'Transformation' rates of growth: More importantly, we are led to the notion of transformation rates of growth. Countries which have industrialised late have grown at faster rates than the early industrialised to catch up with them. Does this mean that the LDCs when they are on their way to industrial transformation today, necessarily grow very fast? And therefore slowly growing LDCs (say below a certain empirically determined rate) are not really transforming themselves into industrial societies?

Demographic transition: From a population perspective, it is well known the birth rate declines when a certain level of income which is much above India's income today is reached. Economic growth at low rates (up to a per cent or a half above population growth rates) can postpone indefinitely or considerably slow down the demographic transition, keeping much of the Indian population very poor. Fast growth much above population growth rates on the other

hand, particularly when accompanied by an agrarian revolution (greatly increased agricultural production that follows type II land reforms),[20] in raising the modal income brings about the demographic transition, so that the poverty trap and all the ills that go with it are overcome once and for all. To put the argument in a nut-shell, the empirical evidence would indicate that the escape route from underdevelopment is to grow very fast on a sustained basis, and anything else may prove ephemeral.

Today when left refuses to be acutely aware of the vital differences between 'high speed' growth and the sluggish growth that characterises much of the LDC experience, they are denying the spirit of their own tradition which always argued for growth and the release of productive forces. Indeed the Marxist arguments for the transition from feudalism to capitalism, and from capitalism to socialism are essentially based on the need to break down the barriers that stand against productive forces and the proclivity of the system to do so. With the benefit of hindsight it is possible to conclude that the 'socialist' states of the USSR and eastern Europe were on the ascendancy until about 1970 or so, because of their essential functionality in bringing about high speed growth, that clearly was able to successfully transform these societies into industrial, whatever may have been the political and social costs, and without an essential dependence on external markets. When the same political and economic structures proved incapable or grossly inefficient in bringing about the further transformation to an advanced industrial society, they collapsed or had to be given up. Poor performance of the agricultural sector in the USSR, since the late-60s, while important is only a specific aspect of the system's failure. When the task of industrial transformation is still unfinished in China, the functional need for capital formation, at a high rate to make possible the continuance of 'high speed' growth, means, that the state's centralised direction, has relevance. To that extent Chinese 'socialism' is still 'acceptable'. Thus it would indeed be strange if the left were to come close to the 'narodniks' in arguing against "high speed" growth. Then they would have to live with the contradiction of pushing for social and political development without economic transformation.

Limitations of radical politics: Conceivably, the left could argue for radical political change of the type brought about by the October Revolution, in India, and to depend upon the new society to carry out capitalism's unfinished tasks. But its own experience (including that of the 'naxalites'), now for about 50 years would indicate that:

(1) The state still commands great legitimacy, and so the insurrectionist-putsch strategy of Lenin is only a remote possibility.

(2) The long-march strategy of Mao while seemingly feasible, given the wide disparities in rural India, may also not really be so, due the rather numerous class of 'rich' peasants (and even the leaders among the poor who have access to the state's bounty in the form of IRDP type grants and loans), who have gained under the present system; and the lack of a tangible equivalent to China's Japanese invaders.

(3) The growth of the 'middle' class[21] has been rapid, so that today their role in politics is quite important, and can be a crucial barrier to the success of radical politics.

(4) Its own performance has been very poor: The left's strategic blunders in supporting the British war effort during the second world war, its tendency to divide itself based on the ideological battles in the USSR and China, its petty bourgeois orientation which has prevented the dominant streams within it to organise the unorganised workers, have proved most damaging. The mainstream left has all along only competed for the organised workers' attention who have little potential for the kind of radical political action necessary for socialist revolution, since like the English workers commented upon by Marx and Engels (particularly), they do constitute a privileged section who may stand to lose a lot more than their 'chains' in the event of a radical transformation of state and polity. The large mass of the unorganised workers (whose interest could very well contradict with the organised workers), with revolutionary potential, remains a divided lot, easy victims of divisions along caste, religious, and communal lines. The few movements for change among them have been largely localised, so that the state has found it very easy to contain and manage them. It is only the agricultural labourers, and that too in a few areas with high growth (coastal Andhra, Punjab, Haryana), and in Kerala who have been organised, but their struggles have as yet to add up to anything worthwhile in national political terms. In contrast broad-based fronts of landlords, rich and middle peasants, have been quite successful in co-opting the small peasants, and have found national political expression as the following and success of peasant leaders like Charan Singh, Sharad Joshi, and others would indicate.

(5) The left as also centrists parties like the Congress have not been able to read the undercurrent of strong nationalism among the Indian people. Their attention has fallen short on the very visible quarrels along language, creed and caste lines. The result has been that Hindu chauvinist groups were left free to give their own interpretation, and perhaps even the form to this undercurrent.[22]

Revolutionary praxis and nationalism: It is understandable and not at all strange that left movements that have succeeded (ignore the 'revolutions' in eastern Europe that were to a large extent imposed upon by the Soviet state)—China, Cuba, Vietnam, Russia, were all based on the recognition of nationalism as an autonomous force; quite against the grain of the 'pure' left ideology. Abstract Marxist theory in not recognising nationalism as a force autonomous to class struggle is to that extent unreal and distanced from policy and praxis, in today's world of competing nation states, with vast differences in their level of well-being and development.

Only when the slogan workers of the world unite was *de facto* interpreted as workers(poor) of Vietnam or China unite did revolutions succeed. The quite obvious observation that the workers of say the US (however enlightened and educated in the correct ideology) have little in common with the vast masses of the poor and starving workers of say India, was denied systematically by Marxist theoreticians.[23] Growing evidence of racial attacks by white workers of non-white (immigrant and other) workers, and the fact that the workers from the advanced capitalist countries were at the forefront of protectionist campaigns against imports from the LDCs, never made it far into the cognisance of Marxist theoreticians. The thesis of dependent development, and the world systems approach suggests that the value theory in the form that Marx presented, can hardly be valid for open-economies[24] when there is surplus transfer across national boundaries. Hence there is the possibility that workers in the advanced capitalist countries benefit from the 'monopoly' position of their nations' capital. Emmanuel's work[25] points to the 'unequal' exchange between nations, but its implications for the praxis have not been widely recognised. Nor are its profound implications for the theory of exploitation widely recognised. This would mean that Marxists rethink their idea of a fundamental contradiction between capital and labour in the present context.

Liberals and high speed growth: Liberals, as also the state in India have shied away from consistently aiming for high speed growth. Good growth was achieved during the 'Mahalanobis period' i e, 1955 to 1965, and again in the 80s, when in several years growth in fact exceeded plan projections. The state in India has been particularly sensitive to the interests of the middle classes. It has always preferred to put the brakes on the economy, rather than allow inflation at levels higher than about 12 per cent to accompany growth. Most political parties are averse to inflation because it is claimed to hurt the poor But they may be more

concerned because inflation unambiguously hurt the 'middle' classes and the voice of the poor remains unarticulated except in terms provided by the middle classes. High speed growth even when accompanied by inflation (of the type seen in the transforming economies of south-east and east Asia), because they are accompanied by labour absorption and the dissipation of disguised unemployment can very well be pro-poor.

The above perspective would lead us to believe that the current liberalisation would be constrained by the balance of class forces and the nature of the state so that in all likelihood it would sacrifice growth for 'low' levels of inflation; public (and private) investment for public and private consumption expenditure. Already public investment has suffered more than consumption expenditure in the 'structural' adjustment.

The enchantment with the east Asian model on the part of the government pushing for change, and of liberal scholars has not yet translated to a systematic and consistent programme of action: While many would agree with them that the quality of state intervention in India has been poor and costly, and has increasingly tended to be dysfunctional, and therefore in need of an overhaul, the other vitally necessary conditions for a successful transformation, obtained in those very east-Asian societies, have been brushed aside: We would like to call attention to two very important social questions—land reforms and the behaviour of entrepreneurial capital.

Land reforms as a capitalist strategy: It is well recognised that type II land reforms were obtained in these rather densely populated societies, along with agricultural output expansion at about 5 per cent, while they moved on to high speed growth. It allowed the absorption (in Korea for example) or as much as 80 per cent of the increased industrial output between 1965 and 1979, during its so-called 'export-led-growth'. Can India really achieve high speed growth on a sustained basis without land reforms? Today we know that the Mahalanobis type of planning could not be pushed far because *inter alia* one of the necessary conditions for success viz, land reforms, and following from it increased agricultural output were not obtained.[26] The strategy had to be given up; with much slowness no doubt. We may characterise the period from 1965 right up to 1979 as one of anomie. Attempts at liberalisation during this period were feeble and had to be quickly reversed.[27] Two wars, the naxalite upheaval, a serious of poor harvests, emerging fissiparous tendencies, and the complex balance of class and regional interests that the Indian state represents, meant that it could hardly change direction as quickly as in Korea and Taiwan, or even in China, where the autocratic rule of the party means that a battle won within the party is a battle won nationally.

If liberalisation is about bringing the industrial transformation (at high speed growth), then liberal scholars, and the government would have to at least answer the question of how the home market is to grow. The left's criticism of the state in being only rhetorical about land reform remains its most valid critique. Thus far, the government of India has refused to see (beyond of course the rhetoric) type II land reforms as a necessary condition for the capitalist transformation of society. Instead it hopes for what has never happened: the external market providing the basis for growth.

The Indian state in contrast to the east-Asian state: Central to the east Asian model is discipline. It is by now well recognised that a disciplined labour force is vital to the pursuit of industrialisation, particularly in its external market orientation; and that the state's role in bringing about this discipline was crucial. What is less understood and appreciated is the state's role in disciplining the entrepreneurial classes and firms, which had the effect of ensuring that much of the surpluses were in fact invested leading to the virtuous circle of growth.[28] Terms of access to finance and more so its centralised allocation, the functionality of which was ensured by the discipline accepted by firms, was also vital to the success of the state's direction at very low cost.[29] There was little or no diversion of funds provided by the state to more privately remunerative activities, but with little potential to increase societal growth.

The Indian state is contrast has found direction of the economic effort far too costly. Only partly is the high cost attributable to the kind of instruments[30] it has chosen to use: direct and quantitative controls, and bureaucratic and administrative management, in contrast to working via the market and through incentives and prices. That these dysfunctional and/or costly instruments have to change is widely appreciated. Much of the higher cost apparently arises from the state's very nature—its inclusive rather than exclusive character. Thus while the public sector were closer to models of efficiency and effectiveness in Korea, in India, the emergence of the illegitimate need to serve many masters, has taken them far from their primary task of leading the society through its industrial transformation. Well designed institutions and methods for resource allocation, monitoring and direction have been 'corrupted' and rendered dysfunctional as hidden and not so hidden agenda, beyond growth and transformation, have emerged. This is the politics of accommodation. The efficiency of the bureaucracy is much attenuated and it can be a significant drag even when the politics unambiguously demands change. The Indian state's limited capacity to direct the market cannot simply be seen as one of widespread graft and corruption. A worthwhile policy in this context would have to recognise the limitations that emerge from the nature of the state, and build upon the unique spaces and opportunities that the state creates for action. There is no doubt danger here: If we interpret feasibility narrowly, then we may well end up supporting the status quo. It is here where a true understanding of the nature of the state, and of its potential for change, and of the spaces it creates, or could create with political leadership, vital.

As we said before the beginnings of liberalisation in the 80s found a nurturing environment in the growth during the period, but this was hardly based on a total consensus within the Congress. Yet the opposition to liberalisation as it has occurred so far, seems to have come only from rather small (but vociferous) sections of society. This does point to the possibility that of consensus being forged by the section of the elite pushing for change. Their success would depend upon their willingness to address national rather than sectarian interests, and the political will to arrest the eroding legitimacy of the state: and land reform would be the key ingredient for success.

Notes

1 The crisis of the Indian economy ever since it underwent a severe recession in the mid-60s has been a major topic of debate. The so-called 'stagnation debate' that followed (much of it in the *EPW*) brought forth competing theses about the nature of the Indian economy and the state, that ranged from a characterisation as semi-feudal to one no different from any other capitalist economy, which only awaited the right (liberal) policies for growth to take-off.

2 R Nagaraj (1990): 'Growth Rate of India's GDP, 1950-51 to 1987-88: Examination of Alternative Hypotheses', *Economic and Political Weekly*, June 30, pp 1396-1403.

3 R Nagaraj (1991): 'Increase in India's Growth Rate', *Economic and Political Weekly*, April 13.

4 Cf Table 1 of Manuel Pastor, Jr (1990): 'Capital Flight from Latin America', *World Development*, Vol 18, No 1, pp 1-18; or Table 2 in Dieter Duwendag (1988), 'Capital Flight from Developing Countries', *Economics*, Vol 38, pp 26-59.

5 The ratio of capital flight to foreign borrowing for India (Dieter Duwendag (1989)) for the period 1970-83 was very high (approximate 40 per cent) rivalling that of Latin America. This may seem to

belie the distinction between India and the Latin America drawn in the text. But we would still maintain that while the capital flight from India is essentially for economic reasons, that from Latin America has a social and cultural basis as argued in the text.

6 Ratio of exports of natural resources to their imports has averaged about 65 per cent, and has sometimes been as low as 40 per cent, since 1969.

7 The response of Indian exports to policies like currency depreciation or devaluation that seek to remove or lower the bias against exports would not come up against the limitations of the 'one-price' assumption pointed out by Lance Taylor and others. (Cf Lance Taylor (1983), *Structuralist Macroeconomics*, Basic Books, New York.) Given the great variety of Indian manufactures, there always is a set of products whose exports are constrained by the lack of remunerative prices abroad in relation to domestic market realisation

8 Dollar exports to the hard-currency areas in 1990-91 increased by over 10 per cent, even as the exports to the eastern block declined due to developments quite external to the economy. Their slow growth in the year 1991-92 can perhaps be related to the severe supply interruptions and constraints during the year.

9 See for instance Box Figure 5.5(b), *World Development Report*, 1991, World Bank, Washington.

10 Even developing countries as a whole have made large income terms of trade gains, since 1965 (ibid). And these are due largely to the dynamic NICs. China's purchasing power parity based income at about US $ 2,700 in 1987 is about six times its exchange rate based per capita income. For India it is only three times. See World Tables, 1987 and the World Penn Tables, Mark 5. This means that the yuan has been much more aggressively priced than the rupee. It also tells that China is willing to suffer the terms of trade losses that goes with the undervaluation of its manufactured exports for the advanced country market access, without which it would not have taken place in the first place. Korea too during its phase of transformation subsidised its exports in many ways including undervaluation of the won.

11 The World Tables 1989 of the World Bank shows this.

12 Cf Ross Levine and David Renelt (1991), 'Cross-Country Studies of Growth and Policy: Methodological, Conceptual and Statistical Problems', WPS, No 608, March, World Bank, mimeo for a critique of the large number of cross-country regression studies upon which much of the support for the Fund/Bank's thesis is based. A meaningful concept of 'openness' would have to adjust the trade/gdp ratio for the dependence of this ratio on structural factors of size, and stage of development. See Sebastian Morris (1993), 'Structural Determinants of Openness of Economies: The Conceptual Basis and Evidence', IIMA Working Paper, No 1086. Outward orientation in the sense of manufactured export promoting regimes (not *laissez-faire*) does show a positive relationship with growth, particularly in land-scarce economies.

13 Planning Commission, 'Employment Growth in the 80s', mimeo, 1990.

14 The 'middle sector', viz, the all non-household manufacturing employment (as per the Census data) minus the Census Sector of the ASI grew at this rate. Mridul Eapen and A Vaidyanathan (1984), 'Structure of Employment in Indian Industry: Some Findings from Census Data', Centre for Development Studies, Working Paper No 199.

15 Mahalanobis recognised this aspect to justify the use of wage and excise taxes to raise resources for investment. See P C Mahalanobis (1963), 'The Approach of Operational Research to Planning in India', *Indian Statistical Series*, No 18, June 29, Calcutta, India.

16 Cf Social Indicators of Development, 1991, World Bank.

17 There are various estimates of 'black money' in India. Whatever the correctness of these estimates, no one would deny its increasing size. Official NSS data, upon which ultimately all income inequality estimates are based totally misses out the really rich. Suraj B Gupta (1992), *Black Income in India*, New Delhi, Sage, has estimated that the national income is underestimated by as much as 50 per cent. This figure is quite likely to be on the high side, but even at half that level, the estimate would be consistent with the estimate of capital flight from the economy at a level of 1.5 to 2 per cent of GDP.

18 Ideas which originate in the west can and do find root among intellectuals in third world countries, a process that is not particularly dependent upon the relevance of those ideas to the economic and social situation in the host country. Sometimes this speeds up social and economic development as for instance the Bengal Renaissance, but at other times they could be dysfunctional.

19 Until the late 70s (real wages started rising in Korea in the mid-70s), most working class Koreans outside Korea were highly critical of the regime in South Korea, while being sympathetic or ambivalent towards the North. As the facts of the North have become better known, and as South Korea has continued to grow rapidly, while the North itself has stagnated, attitudes have changed. The current agitation for democracy in Korea is entirely political and does not question the basic logic of capitalist transformation that Korea has undergone.

20 Type I and type II land reforms were meaningful categories in the analyses of Japan's economic transition, and are relevant today in the case of densely populated Asian economies as well. Type I land reforms where the overlords on land (zamindars, feudal lords, etc) are overthrown have been found to be insufficient for the industrial transformation of these societies. Japan carried out such reforms as early as in the late 19th century. India, immediately after independence. Type II land reforms entail the transference of land to the actual tiller. This was carried out in Japan and Korea under the US occupation after WWII. India still awaits its type II land reforms. The categories of type I and II land reforms are from R P Dore (1965), 'Modernisation of Japan: Land Reform and Japan's Economic Development', *The Developing Economies*, Vol 3, No 4, December, pp 487-96.

21 The popular press has often assumed the present size of the middle class to be about 150 million. In a democratic society even at 100 million, and when the rest are wretchedly poor, they would exercise much influence, especially when the members of the class are widely dispersed in society.

22 The underlying reason for the BJP/RSS's ascendency is the recognition of this as yet unformed force. They have of course attempted to give an exclusive Hindu form to this, nationalism, which therefore excludes others. The point is if a centrist party like the Congress or even the left had recognised this strong undercurrent and addressed it on inclusive terms, the present enchantment of the people with the BJP and its allies could not have come to pass.

23 Cf Ernest Mandel, 'On the Revolutionary Potential of the Working Class', c 1976.

24 The further development of the Marxist model, as Marx himself envisaged (his method of successively introducing aspects of the reality and reworking to see if they fundamentally changed the 'laws of motion' based on the more abstract model), opening up his system to trade, to reconsider the law of value, and the law of the falling rate of profit.

25 A Emmanuel (1973), *Unequal Exchange*, Monthly Review Press.

26 Even a casual reading of Mahalanobis would draw one's attention to the importance given to land reform for the success of his strategy. P C Mahalanobis (1963), op cit.

27 These alternated with sharp swings to the left, which may not have been entirely rhetorical. With the nationalisation of the banks, the MRTP legislation and the nationalisation of the coal sector, and the abolition of privy purses, Indira Gandhi 'stole the thunder' from the left, just as much as Nehru did in the 50s with planning and the public sector.

28 Careful scholars like Mrinal Datta-Chaudhuri have made this point early, but it has taken its time to reach the cognisance of many others. For a recent comprehensive and eclectic study see Alice Amsden (1989), *Asia's Next Giant: South Korea and Late Industrialisation*, New York, Oxford, Oxford University Press. Mrinal Datta-Chaudhuri, 'Industrialisation and Foreign Trade: The Development Experiences of South Korea and the Philippines' in Eddy Lee (ed) (1981), *Export-Led Industrialisation and Development*, International Labour Organisation.

29 This is also true of Japan. For the case of Korea see Chung H Lee (1992), 'The Government, Financial System, and Large Private Enterprises in Economic Development of South Korea', *World Development*, Vol 20, No 2, pp 187-97.

30 The instruments of governmental control have been the focus of attention in many inquiry committees, and in the studies by concerned scholars.

بنـــك ابوظبـــي التجـــاري المحـــدود

Abu Dhabi Commercial Bank Limited

سأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH

BALANCE SHEET AS AT MARCH 31, 1994

(Rs. in thousands)

	Schedule	As on March 31, 1994	As on March 31, 1993
CAPITAL AND LIABILITIES			
Capital	1	2,000	2,000
Reserves and surplus	2	129,192	93,925
Deposits	3	2,788,140	2,078,610
Borrowings	4	NIL	NIL
Other liabilities and provisions	5	216,848	133,580
TOTAL		3,136,180	2,308,115
ASSETS			
Cash and balances with Reserve Bank of India	6	807,562	531,711
Balances with Banks and money at call and short notice	7	243,685	268,407
Investments	8	916,320	562,279
Advances	9	1,016,070	857,263
Fixed Assets	10	18,386	19,223
Other Assets	11	134,157	69,232
TOTAL		3,136,180	2,308,115
Contingent Liabilities	12	903,568	143,045
Bills for collection		69,644	22,165
Notes on Accounts	17		

The Schedules referred to above form an integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

(Rs. in thousands)

	Schedule	Year Ended March 31, 1994	Year Ended March 31, 1993
I. INCOME			
Interest earned	13	256,700	212,563
Other income	14	23,319	13,056
TOTAL		280,019	225,619
II. EXPENDITURE			
Interest expended	15	152,923	113,631
Operating expenses	16	26,815	20,323
Provisions and contingencies		65,014	46,013
TOTAL		244,752	179,967
III. PROFIT/(LOSS)			
Net profit for the year		35,267	45,652
Profit brought forward		37,691	2,201
TOTAL		72,958	47,853
IV. APPROPRIATIONS			
Transfer to statutory reserves		7,054	9,131
Transfer to Other reserves		NIL	1,031
Balance carried over to Balance Sheet		65,904	37,691
TOTAL		72,958	47,853

The Schedules referred to above form an integral part of the Profit and Loss Account

Per our attached report
For DALAL DESAI & KUMANA
Chartered Accountants
Sd/-
MAHESH ASRANI
Partner

Bombay, June 28, 1994

ABU DHABI COMMERCIAL BANK LIMITED
Bombay Branch
Sd/-
AHMED SALEH AL BANNA
Chief Executive – India

Bombay: June 28, 1994

بنك ابوظبي التجاري المحدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1994

(Rs. in thousands)

	As on March 31, 1994	As on March 31, 1993
Schedule 1—Capital		
(A) Capital		
Amount brought into India by way of start-up Capital	2,000	2,000
TOTAL	2,000	2,000
(B) Amount of Deposit kept with the Reserve Bank of India u/s 11 (2) of the Banking Regulation Act, 1949	32,100	12,100
Schedule 2—Reserves and Surplus		
I. Statutory Reserves (Reserve under Sec 11(2)(b)(ii) of Banking Regulation Act,1949)		
i) Opening Balance	14,271	5,140
ii) Additions during the year	7,054	9,131
	21,325	14,271
II Capital Reserves		
i) Opening Balance	1,200	1,200
ii) Additions during the year	NIL	NIL
	1,200	1,200
III. Revenue and Other Reserves [See note III]		
i) Opening Balance	40,763	30,451
ii) Additions during the year	NIL	10,875
iii) Deletions during the year	NIL	(563)
	40,763	40,763
IV. Balance in Profit and Loss Account	65,904	37,691
TOTAL	129,192	93,925
Schedule 3—Deposits		
A) I. Demand Deposits		
i) From banks	8,553	1,337
ii) From others	387,651	394,965
	396,204	396,302
II. Savings Bank Deposits	218,714	96,388
III. Term Deposits		
i) From banks	76,500	119,850
ii) From others	2,096,722	1,466,070
	2,173,222	1,585,920
TOTAL	2,788,140	2,078,610
B) I. Deposits of branches in India	2,788,140	2,078,610

(Rs. in thousands)

	As on March 31, 1994	As on March 31, 1993
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	NIL	NIL
ii) Other banks	NIL	NIL
iii) Other institutions and agencies	NIL	NIL
II Borrowings from outside India	NIL	NIL
TOTAL	NIL	NIL
III. Secured borrowings included in I and II above	NIL	NIL
Schedule 5—Other Liabilities and Provisions		
I. Bills payable	7,218	7,527
II Inter-office adjustments (net)	13,566	9,444
III Interest accrued	159,793	89,721
IV. Others (including provisions)	36,271	26,888
TOTAL	216,848	133,580
Schedule 6—Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	2,128	787
II. Balances with Reserve Bank of India		
i) in Current Account	805,434	530,924
TOTAL	807,562	531,711
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balances with banks		
a) in Current Accounts	47,271	56,710
b) in Deposit Accounts	152,000	NIL
ii) Money at call and short notice		
a) With banks	NIL	190,000
b) With other institutions	NIL	NIL
TOTAL	199,271	246,710
II. Outside India		
i) In Current Accounts	44,414	12,772
ii) In other Deposit Accounts	NIL	8,925
iii) Money at call and short notice	NIL	NIL
TOTAL	44,414	21,697
GRAND TOTAL (I + II)	243,685	268,407

بنـــك ابوظبـــي التجـــاري المحـــدود

Abu Dhabi Commercial Bank Limited

مساهمة عامة محدودة - دولة الإمارات العربية المتحدة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1994

(Rs. in thousands)

	As on March 31, 1994	As on March 31, 1993
Schedule 8—Investments		
I Investments in India		
i) Government securities	768,486	524,540
ii) Other approved securities	54,739	37,739
iii) Shares	NIL	NIL
iv) Debentures and bonds	93,095	NIL
v) In subsidiaries and/or joint ventures	NIL	NIL
TOTAL	916,320	562,279
Schedule 9—Advances		
A) i) Bills purchased and discounted	379,244	379,325
ii) Cash credits, overdrafts and loans repayable on demand	608,440	465,522
iii) Term loans	28,386	12,416
TOTAL	1,016,070	857,263
B) i) Secured by tangible assets	458,435	159,518
ii) Covered by Bank/Government guarantees	229,217	NIL
iii) Unsecured	328,418	697,745
TOTAL	1,016,070	857,263
C) I. Advances in India		
i) Priority Sectors	181,533	60,308
ii) Public Sector	50,000	49,500
iii) Banks	229,217	NIL
iv) Others	555,320	747,455
TOTAL	1,016,070	857,263
Schedule 10—Fixed Assets		
I. Premises		
i) At cost beginning of the year	12,621	12,621
ii) Additions during the year	269	NIL
iii) Deductions during the year	NIL	NIL
iv) Depreciation to date	(2,098)	(1,706)
TOTAL	10,792	10,915

(Rs. in thousands)

	As on March 31, 1994	As on March 31, 1993
II. Other Fixed Assets (including Furniture and Fixtures)		
i) At cost beginning of the year	17,022	13,024
ii) Additions during the year	1,485	4,310
iii) Deductions during the year	(263)	(312)
iv) Depreciation to date	(10,650)	(8,714)
TOTAL	7,594	8,308
GRAND TOTAL (I+II)	18,386	19,223
Schedule 11—Other Assets		
I. Inter-office adjustments (net)	NIL	NIL
II. Interest accrued	50,396	37,206
III. Tax paid in advance/tax deducted at source	27,857	27,428
IV. Stationery and stamps	7	5
V. Others	55,897	4,593
TOTAL	134,157	69 232
Schedule 12—Contingent Liabilities		
I. Liability on account of outstanding forward exchange contracts	459,673	25,188
II. Guarantees given on behalf of constituents:		
a) In India	102,856	15,327
b) Outside India	134,210	52,100
III. Acceptances, endorsements and other obligations	177,293	24,130
IV. Other items for which the bank is contingently liable:		
a) Bills of Exchange Rediscounted	NIL	NIL
b) Income/Interest tax disputed and in appeal not provided (including the effect on pending assessments) is estimated at:	29,536	26,300
TOTAL	903,568	143,045

بنـــك ابوظبـــي التجـــاري المحـــدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1994

(Rs in thousands)

	Year Ended March 31, 1994	Year Ended March 31, 1993
Schedule 13—Interest Earned		
I. Interest/discount on advances/bills	128,327	104,670
II. Income on investments	103,938	82,785
III. Interest on balances with Reserve Bank of India and other inter-bank funds	21,143	24,529
IV Others	3,292	579
TOTAL	256,700	212,563
Schedule 14—Other Income		
I. Commission, exchange and brokerage	4,761	3,363
II Net profit on sale of investments	15,210	792
III. Net profit on sale of land, buildings and other assets	18	(108)
IV. Net profit on exchange transactions	3,330	9,009
TOTAL	23,319	13,056
Schedule 15—Interest Expended		
I. Interest on deposits	152,574	112,453
II. Interest on Reserve Bank of India/Inter-bank borrowings	281	722
III. Others	68	456
TOTAL	152,923	113,631

(Rs. in thousands)

	Year Ended March 31, 1994	Year Ended March 31, 1993
Schedule 16—Operating Expenses		
I Payments to and provisions for employees	7,749	6,191
II. Rent, taxes and lighting	3,255	3,080
III. Printing and stationery	1,681	1,097
IV. Advertisement and publicity	716	359
V Depreciation on bank's property	2,569	1,813
VI. Directors' fees, allowances and expenses	137	33
VII. Auditors' fees and expenses	120	90
VIII Law charges	30	188
IX. Postages, Telegrams, Telephones, etc	3,037	1,852
X Repairs and maintenance	2,469	2,022
XI. Insurance	1,457	853
XII Other expenditure	3,595	2,745
TOTAL	26,815	20,323

BOMBAY BRANCH

Schedule 17—Notes on Accounts

I. Principal Accounting Policies

1 General:
The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country..

2. Transactions involving Foreign Exchange:
- i Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year except foreign currency deposits under certain schemes which are translated at notional rates Non-monetary assets have been carried in the books at the contracted rates
- ii. Income and expenditure items have been translated at the exchange rates ruling on the date of the transactions.
- iii Outstanding forward contracts have been revalued at the forward exchange rates prevailing at the close of the year.

3. Investments:
- i. The investments in approved securities are classified into "Permanent" and "Current" investments in terms of guidelines of Reserve Bank of India.
- ii. Permanent investments are valued at cost
- iii. Current investments have been valued at lower of cost or market value. For the purpose of valuation Reserve Bank of India/Stock Exchange quotations where available have been taken as market rates, and where the rates are not available, the same have been valued as per norms laid down by Reserve Bank of India as under:

a Government Securities and PSU Bonds	Valued on yield to maturities (YTM) basis
b Treasury Bills	Valued at carrying cost

- iv The broken period interest on purchase/sale of securities is treated as capital outlay/receipt.

4. Advances.
- i. Provision for bad/doubtful advances is made on the basis of the asset classification and provisioning requirement thereof under the prudential norms laid down by the Reserve Bank of India in respect of all non performing assets including those with outstanding balance of less than Rs 25,000/- per borrower. Advances secured by Financial Guarantees of public sector banks are not considered "Non Performing Assets"
- ii. Further provision is made for doubtful advances in respect of other advances based on Management's estimate of potential exposure
- iii. Provisions in respect of doubtful advances have been deducted from advances to the extent necessary and the excess has been included under "Other Liabilities and Provisions".
- iv. In consortium advances, the accounts are classified as per the decision of the lead bank.
- v. Advances are shown net of bills discounted with the Financial Institutions.
- vi. Interest on non-performing advances is accounted as per the guidelines of Reserve Bank of India with reference to realisation

5 Fixed Assets.
- i. Fixed assets are accounted for at their historical cost
- ii. Depreciation is provided for on the written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956

6. Staff Benefits:
The liability for gratuity to staff has been computed on actuarial basis and paid to the approved Gratuity Fund of the Bank

7. Net Profit:
The net profit disclosed in the Profit and Loss Account is after-
- i. Provision for taxes on income in accordance with statutory requirements
- ii. Provision for non-performing advances.
- iii. Provision for Head Office administration expenses
- iv. Other usual and necessary provisions.

II. Changes in Accounting Policies.
1. Provision for advances with individual outstanding of less than Rs. 25,000/- has been made this year at 5% of the aggregate amount outstanding as per the prudential norms laid down by the Reserve Bank of India as against 2.5% in the preceding year.
2. Income on non-performing assets with individual outstanding of less than Rs. 25,000/- has not been recognised in view of the prudential norms laid down by the Reserve Bank of India.
3. Identification of Non-performing assets has been done as per the revised guidelines of Reserve Bank of India.
4 The impact of these changes on operational results for the year is not material

III. Revenue and Other Reserves.
1. Include Head Office Reserves of Rs 33,255 (000's) which represents funds remitted by Head Office/retained from repatriable profits to meet the cost of acquisition of residential premises, deposit/advance licence fee of Bank premises at Bombay, etc. as per guidelines of Reserve Bank of India.

IV The previous year's figures have been regrouped/rearranged wherever necessary.

Sd/-
AHMED SALEH AL BANNA
Chief Executive - India

Bombay, June 28, 1994

بنك ابوظبي التجاري المحدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH

Auditors' Report on the Accounts of the Bombay Branch of Abu Dhabi Commercial Bank Limited

We have audited the attached Balance Sheet of the Bombay Branch of Abu Dhabi Commercial Bank Limited (incorporated in the United Arab Emirates with Limited Liability), as at 31st March 1994 and the Profit and Loss Account of the Bombay Branch of the Bank for the year ended 31st March 1994 annexed thereto.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of Section 211 and Sub Section (5) of Section 227 of the Companies Act, 1956.

We report that:

(1) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit and have found them to be satisfactory;

(2) the transactions which have come to our notice have been, in our opinion, within the powers of the Bombay Branch of the Bank;

(3) in our opinion, proper books of account as required by law have been kept by the Bombay Branch of the Bank so far as appears from our examination of these books;

(4) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

(5) in our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, read with notes there on, particularly Note II regarding changes in accounting policies give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and give a true and fair view of the state of affairs of the Ihdian Branch of the Bank as at 31st March 1994 and of its profit for the year ended on that date.

For DALAL DESAI & KUMANA
Chartered Accountants
Sd/-
MAHESH ASRANI
Partner

Bombay: June 28, 1994

Beyond the Law and the Lord

Quality of Private Health Care

Sunil Nandraj

Although the private sector in health care is large and growing, it is poorly regulated with hardly any regard to quality of care.

THE World Bank paper on 'Health Financing in India' and the 'World Development Report 1993' advocated privatisation and liberalisation of the health sector. How relevant are these policy prescriptions for the Indian context? What exactly is the nature of the private health sector in India? What are the regulatory and monitoring mechanisms and their implementation in this sector?

The private health sector is a large and important constituent in the country's health care delivery system. The share of the private health sector in India is between 4 and 5 per cent of the gross domestic product. This share at today's prices works out to between Rs 16,000 crore and Rs 20,000 crore per year. India probably has the largest private health sector in the world [Duggal and Nandraj 1991]. This sector has enlarged greatly in the post-independence period, especially in the 80s. A substantial financial burden of households is for meeting health care needs.[1] This gains significance when we realise that nearly half the country's population does not have enough resources to meet its food requirements. Compared to state expenditure on health the private household expenditure is nearly four to five times more than that of the state [Duggal and Amin 1989].

Extent of Private Practice

Data on sectoral distribution of doctors is not easily available because many states do not file the required information in the ministry of health. A study conducted in 1963-64 by the Institute of Applied Manpower Research showed that out of a total of 1,00,189 doctors 39 per cent of them were in government service and 61 per cent doctors in the private sector of the allopathic system of medicine. Out of those in private sector 88.4 per cent were self-employed and 11.4 per cent were employed in the private health establishments [Jesani and Ananthraman 1993]. A study in Ahmednagar district, Maharashtra identified a total of 3,060 doctors belonging to all systems of medicine in the district, of whom 92 per cent were in the private sector (including a very small percentage in the voluntary sector). Of the 3,060 identified doctors, 91.5 per cent were general practitioners and 8.5 per cent were specialists, information not being available for 10 per cent of the doctors. Of the total doctors identified 51 per cent were in urban areas and the rest in rural areas. In urban areas, GPs constituted 77 per cent and specialists 13 per cent while the degrees and specialisations of 9 per cent of the doctors were not known. In rural areas, 85.5 per cent were GPs, specialists constituted only 1.8 per cent and the information on 11.9 per cent was not available. Further with regard to a break up of specialists out of a total of 234 specialists, 22 per cent were gynaecologists, 20.5 per cent were surgeons, 12 per cent were physicians, 10 per cent were pediatricians, 7 per cent were ophthalmologists, 6 per cent were anaesthetists, 5 per cent each were dermatologists and orthopaedics, 4 per cent were ear, nose and throat (ENT) specialists, 2 per cent were psychiatrists, 6.5 per cent fall in the category of others (includes radiologists, pathologists, cardiologists, plastic surgeons, physiotherapists) [FRCH (a) 1993].

Practitioners also consist of those having dubious qualifications and degrees or having no qualifications at all such as those who have worked as helpers, compounders or assistants for other doctors for a period of time and have picked up the skill in the process. In this category sometimes spouses of doctors are also included, who sit in the clinic when the doctor is away. Also included in certain cases are the sons/daughters who 'inherit' the practice of their parents. A study conducted in Madhya Pradesh showed that of all those treated by private facility, 52.24 per cent of the illness episodes in rural areas, 17.83 per cent in urban areas were treated by licentiates/RMPs [George, Shah and Nandraj 1993]. The extent of quackery can be gauged from the advertisements which appear regularly in leading newspapers of the country for cure of various illnesses. The decay is so bad that posters are displayed openly at local railway stations of Bombay urging people to become a doctor.[2] In Maharashtra the government appointed a committee to look into the matter of quacks and take action against them. With the help of the public health machinery at various levels, 4,971 bogus doctors were identified and the list sent to the state and police authorities for further action *Sampark*, August 1993. Till date no action has been taken on the report.

In India, during 1974, 16 per cent of the hospitals and 21.5 per cent of the hospital beds were in the private sector and rest were in the public sector. This proportion increased in 1990 to 57.95 per cent of the hospitals and 29.12 per cent hospital beds in the private sector. There are reasons to believe that the number of hospitals in the private sector is much larger than what the available data suggests. According to data in *Health Information of India* 1992, there were only 1,319 private and voluntary hospitals in Maharashtra, and the *Directory of Hospitals* brought out by the ministry of health listed 1,174 hospitals in Maharashtra. But the Bombay Municipal Corporation listed 907 private hospitals and nursing homes in Bombay city alone (excluding Thane), on the basis of its registration data which again is an underestimate. Another instance of under reporting of data is brought out by a survey undertaken by Andhra Pradesh Vaidya Vidhana Parishad, which found the existence of 2,802 private hospitals and 42,192 private hospital beds in Andhra Pradesh in 1993.

According to data available with GOI as on January 1, 1991, however Andhra Pradesh had only 266 private and voluntary hospitals and 11,103 private hospital beds (*Health Information of India* 1991). The survey also showed that 67.60 per cent of the private hospitals were located in urban areas (which were state capital, divisional HQ, district HQ and taluka HQ). The bed: population ratio in the private sector was 6.37 beds per 10,000 population and in public sector 5.12 per 10,000. Ahmednagar district, Maharashtra had 274 hospitals and nursing homes in the district, of which 82 per cent were privately owned, 7 per cent by the public sector and 4 per cent by voluntary-missionary agencies and 7 per cent not known. The response to the mailed questionnaire from 90 hospitals showed that there were a total of 2,241 beds and the private hospitals accounted for 1,050 beds [FRCH (a) 1993].

The above data suggests that the size of private hospitals is much larger than official data brought out by the government. Secondly, that indoor care provided by private hospitals is much larger than public hospitals and this growth has taken place mainly in urban areas. The increase has occurred not so much because private hospitals are better equipped, more efficient and manned by better qualified and more humane staff as because public hospitals have simply failed to keep pace with the demand and have been starved of funds, are

neglected and run down.

A recent development in private health sector has been the growth of corporate hospitals, rightly termed 'medical industrial complex' [Relman 1988]. In 1983, the first corporate hospital in India was set up in Madras. It was established by Apollo Hospitals Enterprise (AHEL), which within five years had recorded a turnover of Rs 11.48 crore and a net profit of Rs 1.66 crore. Many corporate houses and non-resident Indians have recently joined this enterprise, e g, Hindujas, Escorts group, Standard Organic group, Surlux Diagnostic centres, United Breweries group, Goenkas, Birlas and the Modis. In a span of two years, 1984 to 1986, over 60 diagnostic centres have entered the market with an investment of over Rs 200 crore in sophisticated equipment. Today Bombay has 13 body scanners, Delhi 11, Madras eight, Calcutta three, Hyderabad two, Pune three and Ahmedabad three [Jesani and Ananthraman 1993]. Each of these cost Rs 6 crore a piece. The United Group owns over 32 body scanners and 14 brain scanners in the country (*Indian Express*, May 18, 1989). Suffice to say that with the rise of the corporate sector, the cycle in health care does not start with a trained medical person and a sick person in search of each other, but with an investor in the share market in search of a profitable investment: the availability of newer medical technology and a market in medical care being merely an attractive form of investment [Phadke 1993].

Most of the big corporate and trust hospitals are concentrated in metropolitan cities. Many of them register themselves as trust hospitals with a view to getting various benefits from the state and escape various taxes.

Quality of Private Care

Only recently has attention been focused on the serious anomalies with regard to the functioning and quality of care being provided by private practitioners. This was possible because a number of cases of medical malpractice and negligence filed in the court of law by the victims and their relatives as well as due to the role played by the media and different consumer organisations.

For specialised treatment like hospitalisation and investigations, the GP usually refers the patient elsewhere. Informal discussions and meetings with private doctors revealed that in metropolitan cities like Bombay, Delhi, Calcutta, etc, and also in smaller urban areas like Ahmednagar, Nasik, Pune there is a form of 'cut-practice' operating. For referrals made, a part of the fee charged to the patient is given to the referring doctor. A GP/consultant gets a cut if s/he refers a patient to a consultant, hospital/nursing home, laboratory, diagnostic centre, etc. In Bombay, the cut-ratio is as high as 30 to 40 per cent of the fees charged. As per a new system which has started operating, if a consultant wants to start practice, s/he should deposit a certain amount of money with the local GP for referrals to be made by him/her. In some towns of Maharashtra informal associations of doctors have standardised the ratios of cuts to be given. Recently in a suburb of Bombay the GPs exerted pressure on the owners of private hospitals/nursing homes to increase the ratio of the 'cuts'. Cut-practice operates with everybody's knowledge but there has been no documentation or study of this aspect. Cut-practice inevitably leads to unethical and unnecessary investigations, referrals, hospitalisation, high costs, etc. For those doctors who want to practice ethically and rationally survival in this atmosphere is difficult.

The technical/medical knowledge of doctors regarding treatment being provided to the people needs to be examined. Two studies on knowledge and awareness among doctors regarding tuberculosis and leprosy were conducted in Bombay. It was found that for treating tuberculosis patients, 100 private doctors prescribed 80 different regimens, most of which were inappropriate and expensive [Uplekar and Shepard 1991]. With regard to leprosy, it was found that there was a gross lack of knowledge and awareness among private doctors about the disease and about the National Leprosy Control Programme [Uplekar and Cash 1991]. The medicines and injections which the doctors use are either samples given by the medical representatives or those bought from the open market. Usually the doctor gives those medicines and injections received as samples or sells at a higher rate those bought. This is unethical since the doctor infringes on the pharmacists trade. Some of the doctors also give medicines in loose paper packets or bottles. This practice is incorrect since the patient does not know what the packets/bottles actually contain. There is rampant use of irrational medicines and injections by the doctors in the private health sector. In Jalgaon district, Maharashtra, for illness episodes of diarrhoea, 72.5 per cent received injections, for cough and cold, 66.7 per cent received injections; for malaria, 87.5 per cent received injections; for measles, 61.1 per cent received injections and for heart diseases 76.5 per cent received injections [Duggal and Amin 1989]. Irrational practices are common among doctors in the public as well as private health sectors. But it is on the higher side in the private sector. In Madhya Pradesh it was further found that out of 884 illness episodes which received medicines along with injections, 86.09 per cent of them received it from the private health facility [George, Shah and Nandraj 1993].

Further, preliminary results of a study being conducted in a typical district of Maharashtra showed that unnecessary use of injections, irrational drug combinations, hazardous drugs and unnecessary drugs were prescribed more in the private sector. Out of a total of 633 prescriptions analysed from 27 private clinics it was found that 28.9 per cent were of irrational drug combinations, 9.6 per cent were for hazardous drugs, 45.7 per cent were unnecessary drugs and 26.5 per cent were unnecessary injections. Compared to 591 prescriptions from 17 public clinics, it was found that 2 per cent were irrational drug combinations, 0.5 per cent were for hazardous drugs, 28.4 per cent were for unnecessary drugs and 24.2 per cent were for unnecessary injections [FRCH (b) 1993]. The main source of continuing education for doctors are the medical representatives. Medical representatives of the pharmaceutical industry, including those from the renowned multinationals, in their race for fulfilling targets, approach those not having proper or dubious qualifications. In this manner, they also encourage quackery.

The time spent with patients for diagnosing and explaining would depend on the load of patients, the doctor has per day/hour and or demand for the services. A public opinion study conducted by Medico Friend Circle (MFC) showed that out of 208 respondents 61 per cent felt that the waiting period to see a doctor was highly unreasonable: that is, beyond 20 minutes [MFC, Bombay Group, 1993]. Besides, many of the doctors while dispensing medicines and injections or recommending investigations, do not provide information to the patient regarding the diagnosis and side effects. In fact, many of them get angry when questioned about the side effects of the drugs prescribed, the investigative procedures recommended or regarding the diagnosis. The MFC study found that 41 per cent of the doctors did not give information about the diagnosis and among those who gave information only half gave complete information. Only 16 per cent of the respondents were given information on the side effects of drugs. About 48 per cent of the respondents were completely satisfied with the behaviour of the doctors, 27 per cent partially and 17 per cent not at all.

Doctors' charges are more often than not exorbitant and irrational. The charges levied are arbitrary, irrational and without any proper basis. The question of fees and charges raises ethical issues, the important one being the basis on which the price of skills in a profession which is meant to be caring are computed. There are no restrictions or guidelines for the fees charged by the practitioners or consultants in the country. There is no standardisation of fees in the country. In the MFC study, in answer to the question regarding standardisation of fees charged by the doctor, it was found that 65 per cent of them felt that there should be some form of standardisation of fees. The study also found that nearly 76 per cent of

the doctors did not give a receipt for the payments made, only 24 per cent of them gave receipts after being asked for it.

The earnings of doctors have been studied only recently. A study undertaken in Bombay city found that a GP's net income, on an average, works out to Rs 16,560 per month [George 1991]. Another study conducted in Delhi found that on an average the net income of a GP practising in a clinic or residence was Rs 24,290 p m, and a graduate gynaecologists income was found to be Rs 28,910 p m. With regard to those having postgraduate qualifications in medicine, the average income was found to be Rs 27,880 p m, for general surgery Rs 37,870 p m; and for gynaecology Rs 53,870 p m [Kansal 1992].

The fees of the doctors has grown apace with private health care. The NCAER study showed that 55 per cent of the household expenditure on health care was spent on private doctors and only 39 per cent on public institution. Many patients and their family members have been pauperised during the course of treatment from the private health facilities.

Figures regarding cases treated, diagnosis, type of treatment provided, amount charged, etc, are not easily obtainable from private hospitals and nursing homes. Only recently due to the demands made by the judiciary, various facts have come out. In Calcutta a petition was filed by an advocate in the Calcutta High Court regarding the conditions of private hospitals and nursing homes. In response to this a committee was appointed by the speaker of the West Bengal legislative assembly in 1985 to prepare a report. This report found that the nursing homes lacked adequate floor. This report found that the nursing homes lacked adequate floor space, ventilation, lighting, water, bathroom facilities and qualified doctors and nursing staff (*The Telegraph*, July 2, 1989).

In 1991 the chief justice of the Bombay High Court directed the Bombay Municipal Corporation (BMC), to set up a permanent committee to oversee and supervise the implementation of the Bombay Nursing Home Registration Act (BNHRA), 1949, and make recommendations. This judgment came about due to a public interest litigation filed by a victim's daughter and the activists of MFC (Bombay Group). In this case a homeopath doctor administered a wrong blood type during transfusion to the patient in an allopathic hospital. The case raised questions regarding standards of medical practice in private hospitals and nursing homes, quality of staff employed and treatment offered, equipment used, the general administration of these hospitals and their accountability to the people at large. The case also further highlighted the role of the implementation agencies.

The committee decided to look at the functioning of existing hospitals and nursing homes in the city of Bombay. As part of this exercise, 24 hospitals and nursing homes in the eastern zone of Bombay were studied [Nandraj 1992]. The findings from the study are used here to throw light on the various broader issues with regard to private hospitals and nursing homes.

In India the contrasts in the private health sector with regard to hospitals is vast. While there are the huge corporate hospitals the majority are those having 10 to 30 beds, with the average number of beds in Bombay being around 10. As it is quite well known very few hospitals function from an independent building. The study in Bombay found that 62.5 per cent of the hospitals were located in residential premises, and 12.5 per cent were run from sheds which had roofs of asbestos, tin, etc, and only 8.33 per cent had functioned in independent buildings. The study further found that 50 per cent of the hospitals were located in poorly maintained buildings or were in a dilapidated condition. Hospitals functioning from residential premises pose various difficulties. Residents staying in the premises are put to a lot of hardship. Secondly, a residential premise is not suitable for a hospital or nursing home with its narrow passages and small doors. The urban development department of the BMC specifies that the hospital if run from a residential building, should be located on the ground floor or the first floor only and that they should have a separate entrance. In rural areas, a practising GP generally keeps one or two beds in the clinic for the exclusive use of his/her patients since the facilities for indoor care are quite distant. These could also be considered as hospitals since they provide indoor care.

The study in Bombay found that out of 22 hospitals and nursing homes supposed to have operation theatres (OT), only 15 had an OT, and in seven, the labour room was combined with the OT. The average area of the OT was less than 100 sq ft. It was generally observed that some of the OTs and labour rooms were in the kitchen; leakages were to be found in the OT and labour room with paint from the ceiling and walls peeling off; and 17 hospitals and nursing homes did not have a scrubbing room. As for emergency services there were no supportive services like ambulance services, blood, oxygen cylinders, generators, etc. Many of the hospitals and nursing homes were ill-equipped, especially those providing maternal health services, for instance many of them did not have resuscitation sets in the labour room for new-born babies. Many nursing homes claim to provide ICCU services but most do not have or able to afford the necessary equipment. They do not have doctors round the clock. And even those that do rarely have an allopathic doctor trained in cardiology.

Private hospitals and nursing homes fall very short of the requirement of trained personnel. Majority of them employ unqualified staff. In Bombay out of 24 hospitals and nursing homes only one hospital had employed a postgraduate doctor, whereas 10 had doctors trained in other systems. Few hospitals had provision for the doctors to be present round the clock. Majority of the nursing homes utilised the services of visiting consultants. Many private hospitals are staffed or run by doctors employed in public hospitals. It is quite common for such doctors to lure patients to their private hospitals, while misusing public facilities.

Only seven institutions employed qualified nurses and that too one nurse each. Most of them employ unqualified nurses who were either trained by the doctor or had received training for three to six months from various private training institutes which have also sprung up to meet the needs of private hospitals. These nurses are paid measly salaries and their working conditions are pathetic. During informal discussions with the nurses we found that they were paid around Rs 500 to Rs 700 per month in Bombay. In another study in Delhi it was found that the condition of those employed in private health establishments, were working in extremely grim conditions. For almost all of the categories of personnel, the maximum salaries drawn by private medical employees was lower than that of the government employees in the same category. This apparently is an exploitation of lower staff by high income private practitioners [Kansal 1992].

The sanitary conditions of private hospitals and nursing homes leaves a lot to be desired. The Bombay study found that many of the hospitals were congested, lacked adequate space: passages and entrances were narrow and crowded. There was not enough space for easy movement of a trolley or a stretcher. The study in Bombay found that in 37.50 per cent of cases, the hospital premises were dirty as were the beds, especially in the general ward. More than 60 per cent of institutions did not have a minimum required 50 sq ft space for each bed. Lighting facilities were found to be inadequate in 10 of the hospitals and nursing homes.

The area surrounding the hospital plays an important role in the treatment of a patient. During the study it was observed that one of the hospitals was situated near a factory and the entire atmosphere was visibly polluted. Noise emanating from the factory was well over prescribed limits. Many of the nursing homes were found to be situated close to busy traffic areas. Our findings with regard to waste disposal, were shocking. All the hospitals studied, disposed of their waste in the common garbage dump. This form of disposal has serious implications, because of

the increased risk of spreading infectious diseases, including AIDS. Secondly, waste disposed thus may be recycled for further use as reports from Delhi have shown.

The number of toilets and bathrooms were not in adequate proportion to the number of beds provided in the hospital and also, the area provided for such facilities are very small. During visits to one of the hospitals, blood-stained linen was being washed in the common bathroom and being dried in the passages. It was quite shocking to note that many of the hospitals did not have continuous supply of water, and in some it was being provided through tankers and other means.

In the recent past care provided in private hospitals has come in for closer examination. Private hospitals tend to perform unnecessary investigations, tests, consultations and surgeries. Doctors in private hospitals more often do not reveal the diagnosis and keep recommending tests to 'diagnose' the ailment whereas in the public hospitals, doctors are required to at least write the diagnosis on the case paper. Due to the fact that surgeries are 'profitable' many private hospitals are found to be conducting unnecessary surgeries. The KSS survey revealed that 31 per cent of deliveries were by caesarean section. More significantly 70 per cent of the hospitals where caesareans were routine were privately owned [Kannan et al 1991]. In Maharashtra the Mangudkar committee found that the average rate of caesarean childbirth in government hospitals was 5 per cent while in the private sector it was nearly 30 per cent. According to a member of the committee private clinics charge between Rs 2,000 and Rs 5,000 for caesarean delivery while normal delivery fetches them Rs 300 to Rs 700. Ultrasound investigation, amniocentesis, epidural anaesthesia, etc, are done unnecessarily, particularly in private nursing homes. One of the doctors in Bombay commented "Very often endoscopy is done just because the hospital has the facility" (*The Week*, January 5, 1992). In bigger hospitals there is pressure on the doctors to ensure that all the beds are occupied at all times and equipment available in the hospital are used fully. Many hospitals fix the amount of 'business' a physician/surgeon has to bring.

The majority of private hospitals and nursing homes across the country generally refer patients who develop complications to public hospitals so that they are not liable for cases of death. Most of these hospitals refuse admission to accident cases and those involving medico legal work, even when patients are in a very serious condition. Many institutions refuse admission to patients unless a certain amount of money is paid beforehand. Public hospitals in most cases do not refuse admission to serious patients, if they have the facilities. In public hospials one can still demand services while in private hospitals they can turn patients away at their will.

Most private hospitals are run by 'medical entrepreneurs'. Many do not maintain proper books of accounts. The charges are different for diverse kinds of nursing homes. The charges include consultation fees and charges for bed, nursing, operation, operation theatre, various investigations and disposables used, for medicines, etc. These charges are levied by different entities—for instance the doctor conducting the operation is often different from the one who owns the nursing home, the anaesthetists charges are again separate. We found that the accounts in only one paediatric baby care nursing were maintained properly. There it was found that the total gross income for one month was Rs 2,20,000 [Nandraj 1992]. A study undertaken in Delhi of the earnings of the private practitioners and that of the ones running nursing homes with graduate (MBBS) qualifications found their net income per month was Rs 73,650 and for those with postgraduate degrees the earnings were up to Rs 79,960 p m [Kansal 1992]. In Delhi an amendment under discussion is seeking to get the charges levied by the hospital, displayed in a prominent place.

Private hospitals are known to have an unhealthy nexus with the pharmaceutical industry. Six patients who had every chance of survival died in a prestigious private hospital in Bombay due to the administration of a substandard drug during operation. Reports alleged that three doctors attached to the hospital were connected with the ownership of the company which had supplied the drug. Private hospitals are less accountable to the people than government hospitals. If they have not had as much bad publicity as public hospitals, it is primarily because of patients' reluctance to name names, or reveal information and because of the inaccessibility of reliable information.

Regulatory Bodies

The rules and regulation framed for practitioners broadly fall under the respective state council acts and the Indian Medical Council Act for various systems of medicine. The practitioners are also governed by the Drugs and Pharmaceutical Act of 1950. Recently private practitioners and hospitals have been brought under the purview of the Consumer Protection Act. Medical councils are statutory bodies that set the standard of medical practice, 'discipline' the profession, monitor their activities and check any malpractice. The certificate of registration issued by the council has to be displayed in a conspicuous place in the place of practice. The council has to maintain a register of the doctors and this has to be updated regularly. Renewal of registration has to be made periodically. Those not registered with the medical council cannot practise. Although the bulk of the practitioners in the country are trained in other systems of medicine like homeopathy, ayurveda, unani, siddha, etc, most of them practise allopathy.

The medical councils regulating the conduct of doctors have failed in their duties miserably. They have even failed in their basic duty of maintaining and updating the register of doctors. This is reflected in the data brought out by *Health Information of India* where many state medical councils have not sent in the required information to the central government for years together. In the Maharashtra Medical Council (MMC) the register of doctors is outdated and full of errors. Secondly, there have been very few instances of doctors being penalised for negligence or violating the code of ethics. The enquiries are held in secrecy. The Maharashtra Medical Council (MMC) was unable to produce even a single record of action taken against erring doctors. The medical councils in the country are in a mess. They have given permission to private medical colleges which are substandard, understaffed, those not meeting the minimum prescribed standards, like having their own hospitals, etc, and have failed to resist the pressure from politicians for opening of new medical colleges.

The recent elections to the MMC clearly brought out the way things are managed in the council. Elections are held through the postal ballot method. The registers of the council were not updated: so in a few instances ballot papers were sent to doctors who had long expired. The names of doctors who had registered with the council were not found in the register: doctors who were indicted in law courts and with dubious degrees were candidates in the fray. There was massive rigging in the election process. A panel of doctors who were in the fray paid money to the postal department and intercepted ballot papers which were not meant for doctors who were absent or dead, etc, and stamped them. Blank ballot papers were collected in an organised manner from doctors across the state and stamped. In an open forum some of the doctors in fact endorsed this practice, saying that there was nothing wrong with this procedure. Clearly, there is something seriously wrong. Politicians doing the same thing would have been accused of fraud. Do doctors expect patients to believe that a council elected in this manner is capable of disciplining unscrupulous practitioners? [Pandya S 1993].

A study undertaken on behalf of the MFC (Bombay group) on rules, acts, regulatory and monitoring mechanisms for hospitals in various states of India came out with disturbing findings. A mailed questionnaire was sent to all the health departments of the state governments and union territories in India. Tamil Nadu, Punjab, Andhra Pradesh, Kerala, Goa, Daman and Diu, Mizoram, Gujarat, Orissa, Sikkim and Manipur responded to the questionnaire. None of these

states have any rules, laws, regulations of even data for private hospitals and nursing homes. Government of Kerala specifically wrote back "This state government has no control over private hospitals/nursing homes functioning in this state at present, as there is no legislation now for this purpose". Added to these are Madhya Pradesh and Rajasthan. This was found out through visits and discussions with government officials of the respective state governments. To our knowledge only in Maharashtra and Delhi is there a legislation for private hospitals/nursing homes. In Delhi there is the Delhi Nursing Home Registration Act (DNHRA), 1993. One of the largest private health sector in the world, providing 70 per cent of care in India, functions practically unregulated!

The broad features of the BNHRA and DNHRA Acts are somewhat similar. The objectives of these acts are to provide for registration and inspection of nursing homes. The acts stipulate that every year the nursing home and hospitals are required to make an application for registration or renewal for registration to the local supervising authority, which could be the municipal corporation, municipal body, district board, district panchayat, etc. During the time of application detailed information should be provided in terms of qualification of staff, adequacy of staff, sufficient and proper equipment, adequate accommodation facilities and space, and regarding sanitary conditions. Maternity homes have to specify whether they have on their staff a qualified midwife. The Maharashtra Act provides for the local authority to formulate bye-laws. On receipt of application for registration the local authority may refuse to register the application if any person employed in the nursing home is found unfit, whether by reason of age or otherwise or if the nursing home or hospital is not under the management of a qualified medical practitioner or a qualified nurse, or does not have adequate space, equipment, etc. Failure to register under the BNHRA could mean a fine of Rs 500 for the first offence and imprisonment for three months.

There are other regulations that are also applicable to hospitals and nursing homes such as those referring to or related to buildings, drainage and sanitary facilities; laws regarding Employees Provident Fund, minimum wages, maternity, working conditions among others. In addition to these hospitals registered as trusts or public societies have to follow the legislation formed for the trusts and public societies. These laws make it essential to file returns periodically to the appropriate authority.

During the proceedings of the public interest litigation referred earlier, it was found that the municipal corporation, the authority for registration in the city of Bombay, was not enforcing the act. The municipal corporation started registering the hospitals and nursing homes after the case was filed. The judges in their order observed that "The writ petition has served the purpose of activising the concerned authorities, who seem to have woken up and taken certain steps in the direction of implementation of the various provisions of the law." The municipal corporation during the hearings admitted that in several wards of the city, the officials had not visited the hospitals for the past two to three years. Many of the nursing homes were not registered with the local ward office as per requirement. In fact, one out of four hospitals were functioning without proper registration. It admitted that for the last three years it had not taken action against any hospital or nursing home nor collected fines. It has not prosecuted a single nursing home up to now. The municipal corporation was unable to submit a complete list of private hospitals and nursing homes functioning in Bombay to the court. In Delhi, the administration admitted that only 134 out of 545 nursing homes were registered. The BNHRA Act is applicable to all of Maharashtra, however its implementation was found to be restricted to the cities of Bombay, Pune, Nagpur and Sholapur. During the hearing of the case, the state government issued a directive to all the municipal corporations, councils and municipalities in Maharashtra urging them to implement the provision of the said act. However, during field work we found that the directive was not implemented as the local bodies did not have enough information regarding the act (one of them did not even have a copy of the act), and also, the bye-laws were not yet

formulated by these bodies. Both the acts are very deficient. The use of the words like 'adequate' makes the provisions ambiguous. They do not spell out what 'adequate' means with regard to the provision of the acts. There are no minimum requirement and guidelines regarding space, sanitary conditions, personnel, equipment, fees to be charged, etc, to be followed by the hospital and nursing home authorities.

The judges in the Bombay High Court recognising the inadequacy of the existing act and also its poor implementation directed the Bombay Municipal Corporation (BMC) to appoint an apex committee and three zonal committees to look into the implementation of the act and make recommendations. The committees were overwhelmingly filled with bureaucrats of BMC, who in the first place were supposed to implement the act. Right from the inception bureaucrats in the committees started placing obstacles in the committees functioning. And very little progress has been made on the matter.

Corrective action needs to be taken to bring about reforms in this sector. As a first step people should be made aware of their rights and duties *vis-a-vis* the health care system, specifically the private health sector. There should be adequate representation of the people and consumer organisations on the various regulating and monitoring bodies functioning at various levels. Legislation should be enacted where there is none and the various existing laws should be implemented. The state should ban and take strong action against the private practice of doctors employed in government institutions. One of the main reason behind the non-functioning of the public health system is due to the private practice of the government doctors and other functionaries. With regard to private practitioners, the state and medical councils should ensure that only properly qualified persons practice. Through licensing and other means the proper geographical distribution of practitioners and hospitals should be ensured in the country to prevent over-concentration in certain areas. There should be regular medical and prescription audits and the renewal of licence and registration should be dependent on it. Records should be maintained properly and patients should have access as a matter of right. Minimum standards and requirement for various types and kinds of hospitals and nursing homes should be laid down. With regard to charges and fees there should be standardisation of fees charged by the practitioners and fixation of reasonable charges by hospitals and nursing homes for services provided. These should be displayed prominently in a conspicuous place. There is a need to overhaul the medical councils in the country. They should make provision for registers to be maintained properly and keep them open for public scrutiny. There should be provision for continuing medical education on a periodic basis with renewal of registration dependent on it.

Notes

[The support of friends and colleagues at MFC, CEHAT and FRCH underlies this article, in particular the author has greatly benefited from Ravi Duggal and Amar Jesani of CEHAT who have encouraged the author in carrying out the above-mentioned studies. Thanks are also due to Alex George for his helpful comments.]

1 In 1986-87, 42nd round of National Sample Survey organisation (NSSO) found that for hospitalised cases 36.85 per cent episodes in rural and 36.59 per cent episodes in urban areas used private hospitals and nursing homes. With regard to OPD, 53.01 per cent cases in rural and 51.83 per cent cases in urban areas utilised the private doctor. Private hospitals and nursing homes accounted for 15.88 per cent cases in rural areas and 17.33 per cent in urban areas. The per capita expenditure on health per year by the household was Rs 56.18 [NSSO 1989]. NSSO data are gross underestimates when compared to micro-level studies conducted by other organisations. During the same period the Foundation for Research in Community Health (FRCH) conducted a study in Jalgaon district of Maharashtra. This study brought out that in 83.45 per cent of acute illness episodes private practitioners and hospitals and only in 9.07 per cent public health facilities were utilised. The per capita expenditure on health was found to be Rs 182.49 per year. Households reported that 7.64 per cent of total consumption expenditure and 9.78 per cent of income were spent on health care [Duggal and Amin 1989]. Kerala Shastra Sahitya Parishad (KSSP) which undertook a study in rural Kerala in 1987 found that in 66 per cent of illness episodes approached private health facilities. The per capita cost per year incurred by the household on health was Rs 178.33. The percentage of the reported income spent on health was found to be around 7 per cent. [Kannan, Thankappan, Raman Kutty and Aravindan, 1991]. The National Council of Applied Economic Research (NCAER) conducted an all-India study in 1990 which brought out that the private doctor was utilised in 54.75 per cent of illness episodes in urban areas and 55.46 per cent of episodes in rural areas. The average household expenditure for treatment worked out to Rs 142.60 per illness episode in urban areas and Rs 151.81 per episode in rural areas [NCAER 1992]. During 1991, the per capita expenditure incurred by the state was Rs 58 [Duggal Nandraj and Shetty 1992]. Another study conducted in two backward districts of Madhya Pradesh, Morena and Sagar by the above organisation in 1991 showed that out of 1,932 illness episodes reported, 69.05 per cent were treated by private health facilities. The per capita expenditure incurred by the household on health worked out to Rs 299.16 per year [George Shah and Nandraj 1993]. The per capita expenditure incurred by the state during 1991 on health was Rs 45.

2 'Become a Doctor, Join Bachelor of Electropathy Medicine and Surgery (BEMS), Minimum qualifications 10th/12th std/ equivalent, 3 years course'

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DISCUSSION

Sociology, Gender, Family Studies

Regressive Incorporations

Patricia Uberoi

THE past year has seen the publication in *EPW* of a number of articles discussing—and for the most part deploring—the current state of research and teaching in sociology [see Das 1993; Giri 1993; Deshpande 1994]. The latest of these, by Sharmila Rege (*EPW*, May 7, 1994), speaking especially of the situation in western India, endorses the view that sociology in India has become a rather lacklustre discipline, its leading concepts presented through outdated mass-market American texts, and notably devoid of engagement with the social world outside the classroom. Rege's solution to this malaise of pedagogic routinisation is a novel one: opening sociology to the critical challenge of women's studies. Women's studies, she writes, "initiates a critical dialogue...arising out of the realisation that one is at once immersed in and alienated from one's discipline" (1994: 1155). It poses a challenge both to the content and to the methods of conventional sociology.

Those of us who have been involved in teaching women's studies courses can testify that this is indeed an area that invites an unusual degree of student engagement [Uberoi 1989-90], and not only from the women students. In fact, the problem is not that the subject matter is abstract and remote from the lived experience of teachers and taught, as Rege alleges sociological concepts in their present pedagogic packaging usually are, but on the contrary that disciplining, 'sociologising' and critically interrogating this experiential knowledge is a pedagogic challenge in itself.

All the same, it is interesting that Rege should have proffered this particular solution to the problem of the crisis in sociology, for she simultaneously concedes that the potential intellectual challenge of women's studies is still only a potential. In practice, challenge has been contained by the mode of accommodation of women's studies programmes within the academy: for the most part in separate (and thereby marginalised) women's studies centres, or in the 'optional' courses of academic curricula, leaving core disciplinary areas untouched. She also concedes that much of the current production in women's studies is of such indifferent quality that it could hardly be expected to restore life and vigour to the ailing body of Indian sociology.

Rege's complaint regarding the indifferent standard of much of the research and publication in the field of women's studies was obviously made in a spirit of constructive self-criticism. Others, however, have been quick to seize on the early signs of disease to diagnose a terminal condition. Citing the authority of global trends, they assert that the feminist movement—the intellectual and political impetus behind women's studies—has now virtually played itself out, and been overwhelmed by a backlash of its own creation. Nearer home, too, an impression has been created that women's studies is both academically and institutionally in a state of irreversible decline, almost before it has got off the ground. Substantiating this gloomy prognostication are reports that a good number of the 22 UGC-sponsored women's studies centres are slated for closure, following an adverse review committee report on their functioning.

In a recent seminar in New Delhi held to deliberate on an Action Plan for the current International Year of the Family,[1] it was suggested in the panel on 'Family Research, Education and Training' that it might be a good idea if the existing women's studies centres could be converted into family studies centres. Such a move, it was argued, would simultaneously serve to revive the flagging fortunes of women's studies, and provide an established institutional framework for the development of family studies.[2]

Practically speaking, there is little danger of such recommendations being accepted and speedily implemented. As the secretary to the ministry of welfare himself assured the seminar participants, reports and action plans are meant to "sit on the shelf", unless or until the government decides to take the initiative further. Nonetheless, it needs to be remarked that the proposal to revive women's studies by accommodating it within programmes of family studies is not entirely innocuous. Though casually made along with a host of other suggestions, and presumably well-intentioned, it demands critical interrogation as revealing a mind-set that seriously misrepresents the aims and aspirations of the project of women's studies.

To begin with it assumes that women's studies programmes were merely the product of international and national bureaucratic initiatives, co-ordinating with the beginning of the decade for women but since then overtaken by many other programmes—the year of the handicapped, of indigenous peoples, etc.—and now the year of the family. This assumption completely discounts the catalytic role of the women's movement in bringing women's issues to the forefront of consciousness, and sustaining them there.

Secondly, to seek to incorporate women's studies within family studies is immediately to circumscribe its wider and more critical agenda. Most certainly, women's studies has a special interest in the institution of the family, but it aspires, beyond this, to establish a critical feminist perspective on the totality of social life—on the political system, the economy, the environment, science and technology, literature and the arts, etc, and not merely on the domestic sphere. In fact, an important (if not uncontested) strand in feminist thinking has been the attribution of women's subordination to the symbolic divide between the public and the private domains, the legitimate world of male activity, and the proper place of women. In this light, to seek to return the women's question to the domestic sphere is a politically retrograde, if not intentionally mischievous, gesture.

Thirdly, at both the transnational and the national levels, there is something inherently conservative in the project for the year of the family. Or rather, there is real tension evident between the idea(l) of the family as the foundational core of society and its values, the source of social stability and, in the rhetoric of the seminar, an 'agency' for human, social and economic development; and the quite contrary view, which owes much to (radical and Marxist) feminist thinking, that the family is a basic source of domination and oppression: of old over young; of men over women and children; even of the young over the aged. The former view emphasises that the family is (or could or should be) the source of important social values—of love and caring, of sacrifice, of respect for elders, and of discipline—that 'healthy' families are the basis of a 'healthy' society. The latter insists that mystifying the family in this way quarantines it against interrogation, criticism and intervention, and works to restrict individual rights and freedom.[3] It has been increasingly recognised that the family is also the site of many forms of violence and abuse which, for one reason and another, rarely come into the public light of the law. And while feminists are not agreed among themselves on the desirability of state intervention in the private domain—as when they insist on women's right to reproductive choice and abortion, yet seek to legislate against amniocentesis[4]—the picture that emerges is of the family as a ground of contestation and struggle over values and resources, as well as a source of love and sharing, care and nurture, beyond the operation of market relations. Such incompatible views are not easily reconciled.

is well known, too, that conservative regimes are typically self-proclaimed upholders of family values; so too, usually, are fundamentalist religious groups. What is not so well-recognised is the fact that the rhetoric of upholding the family may also have an important role in the project of economic liberalisation, rationalising the state's abdication of social welfare responsibilities for the delivery of medical care, education, health and nutrition, the care of vulnerable categories like the aged, the handicapped, the chronically ill, etc.[5] These welfare functions and services can be left to families—especially the women of families—to provide, on the grounds that they provide them so well! In other words, the celebration of the caring functions of the family also masks the retreat of state responsibility.

Participants in the seminar were not altogether unaware of the contradictions inherent in the rhetoric of discourse on the family, as allusions to those paragons of Indian wifely virtue, Sita and Savitri, and to the excellence of the Indian (joint) family system in comparison with the western family[6] jostled with pleas to initiate the systematic study of child abuse, domestic violence, incest, the neglect of the aged, etc. Several of the participants, responding no doubt to the IYF slogan, "Building the smallest democracy at the heart of society", alluded to the need to 'democratise' family functioning, though without spelling out very clearly the forms and mechanisms that such democratisation might take.[7] Others asserted the optimistic belief that the family has the potential to be an agency of social and economic development, while conceding that it was often, in reality, a site of inequality, exploitation and violence. But such gestures still fell far short of a really tough-minded grappling with the conceptual and practical issues at stake.[8]

Personally, I do not believe that women's studies (or its intellectual back-up, feminist theory) is in a terminal condition, though institutionally it may not be faring too well. I would also go along with Rege's argument that women's studies still has much to contribute to mainstream sociology—and to other disciplines as well. And I certainly have no wish to denigrate the challenge of family studies, which is all the more challenging for the intractable conceptual problems at its core. The dismissive attitude of many present-day sociologists to the study of the family (leave it to the anthropologists who study primitive kin-based societies, or to the social workers who specialise in studying 'families with problems' [Bharat and Desai 1993] can only leave sociology conceptually and substantively impoverished.

But I would also insist that family studies can no more encompass women's studies than women's studies can encompass family studies. To deny their basic incompatibility of orientation in the service of an institutional marriage of convenience is surely to embark on a union which can be neither fertile nor creative.

Notes

1 National Seminar on 'The International Year of the Family, 1994 Enhancing the Role of the Family as an Agency for Social and Economic Development', sponsored by the Ministry of Welfare, UNICEF, and the Tata Institute of Social Sciences, May 15-16, 1994.

2 The proposal was not in fact recorded in the draft Action Plan of the group, though the document did record the parallel bureaucratic proposal to convert the present department of women and child development into a department of family affairs. See Action Plan, Group V, pp 5, 7.

3 One is reminded here of the perennial question that is put to students of sociology regarding the difference between, and the possibility of reconciling, the so-called consensus and conflict models of society.

4 See Menon 1993.

5 The danger was, however, conceded in the IYF approach paper, p 9.

6 As the minister of state for welfare, K V Thangku Balu declared in his inaugural speech at the seminar: "India is proud of its ancient heritage of a united and stable family system. The Indian families have demonstrated a unique strength of keeping themselves together despite the growing stress and strain and external influence on Indian culture" (para 2).

7 See approach paper, pp 2, 7.

8 An instructive exception here was the presentation by psychologist S Anandalakshmy who sought to address the tricky conceptual implications of the IYF slogan: "The term democracy", she said, "will have to be redefined for its use in this context" (1994: 1).

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BARCLAYS BANK PLC

INDIAN BRANCH

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BALANCE SHEET AS AT 31ST MARCH, 1994

	Schedule	31st March, 1994 Rs. in 000's	31st March, 1993 Rs. in 000's
CAPITAL AND LIABILITIES			
Capital	1	150,000	150,000
Reserves and Surplus	2	86,594	34,094
Deposits	3	832,959	512,165
Borrowings	4	956,861	701,083
Other liabilities and provisions	5	193,406	77,122
TOTAL		2,219,820	1,474,464
ASSETS			
Cash and balances with Reserve Bank of India	6	23,369	109,550
Balances with Banks and money at call and short notice	7	24,720	24,067
Investments	8	456,815	157,528
Advances	9	1,550,886	1,008,429
Fixed Assets	10	27,510	23,724
Other Assets	11	136,520	151,166
TOTAL		2,219,820	1,474,464
Contingent Liabilities	12	5,504,596	3,997,212
Bills for Collection		187,914	298,105

Notes on Accounts 17

The schedules referred to herein form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1994

	Schedule	Year ended 31st March, 1994 Rs. in 000's	Year ended 31st March, 1993 Rs. in 000's
I. INCOME			
Interest earned	13	442,691	289,663
Other income	14	47,162	23,962
TOTAL		489,853	313,625
II. EXPENDITURE			
Interest expended	15	285,569	205,370
Operating expenses	16	35,847	27,792
Provisions and contingencies		115,937	56,415
TOTAL		437,353	289,577
III. PROFIT/LOSS			
Net profit for the year		52,500	24,048
Profit brought forward		25,655	6,417
TOTAL		78,155	30,465
IV. APPROPRIATIONS			
Transfer to statutory reserves		10,528	4,810
Balance carried over to Balance Sheet		67,627	25,655
TOTAL		78,155	30,465

Notes on Accounts 17

The schedules referred to herein form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

For Sharp & Tannan
Chartered Accountants
By the hand of

Sd/-
M.P. Narsang
Partner

For Barclays Bank PLC, Indian Branch

Sd/-
Stephen Barnes
Chief Manager – India

Sd/-
Nakul Madhavji
Asst Manager – Operations

Sd/-
Vikas Kulkarni
Financial Controller

Bombay
Dated: 29th June, 1994

BARCLAYS BANK PLC

INDIAN BRANCH

(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1994

		31st March, 1994 Rs. in 000's	31st March, 1993 Rs. in 000's
Schedule 1—Capital			
Start up Capital as prescribed by Reserve Bank of India (Of this Rs. 13,000,000 is deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949.)		150,000	150,000
TOTAL		150,000	150,000
Schedule 2—Reserves and Surplus			
I. Statutory Reserves			
Opening Balance	8,439		
Additions during the year	10,528		
		18,967	8,439
II. Balance in Profit and Loss Account		67,627	25,655
TOTAL		86,594	34,094
Schedule 3—Deposits			
I. Demand Deposits			
i) From Banks	766		
ii) From Others	59,820		
		60,586	41,172
II. Savings Bank Deposits		8,296	6,996
III. Term Deposits from others		764,077	463,997
TOTAL		832,959	512,165

	31st March, 1994 Rs. in 000's	31st March, 1993 Rs. in 000's
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	0	113,200
ii) Other Banks	956,861	515,383
iii) Other institutions and agencies	0	72,500
TOTAL	956,861	701,083
Secured borrowings included above NIL		
Schedule 5—Other Liabilities and Provisions		
I. Bills Payable	11,126	8,679
II. Interest accrued	115,643	61,352
III. Others (including provisions)	66,637	7,091
TOTAL	193,406	77,122
Schedule 6—Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	201	133
II. Balances with Reserve Bank of India		
i) In Current Account	23,168	109,417
TOTAL	23,369	109,550

BARCLAYS BANK PLC

INDIAN BRANCH

(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1994

	31st March, 1994 Rs. in 000's	31st March, 1993 Rs. in 000's
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balances with banks in Current Account	24,720	24,067
TOTAL	24,720	24,067
Schedule 8—Investments		
I. Investments in India in		
i) Government securities	429,315	137,528
ii) Other approved securities	27,500	20,000
TOTAL	456,815	157,528
Schedule 9—Advances		
A. i) Bills purchased and discounted	770,222	242,911
ii) Cash credits, overdrafts and loans repayable on demand	462,142	244,025
iii) Term loans	318,522	521,493
TOTAL	1,550,886	1,008,429
B. i) Secured by tangible assets	673,130	275,766
ii) Unsecured	877,756	732,663
TOTAL	1,550,886	1,008,429
C. Advances in India		
i) Priority sectors	289,974	45,000
ii) Others	1,260,912	963,429
TOTAL	1,550,886	1,008,429

	31st March, 1994 Rs. in 000's	31st March, 1993 Rs. in 000's
Schedule 10—Fixed Assets		
I. Premises		
At cost as at the beginning of the year	16,819	15,111
Additions during the year	0	1,708
Depreciation to date	(884)	(548)
TOTAL	15,935	16,271
II. Other fixed assets (including furniture and fixtures)		
At cost as at the beginning of the year	12,754	11,615
Additions during the year	7,628	1,438
Deductions during the year	(30)	(299)
Depreciation to date	(8,777)	(5,301)
	11,575	7,453
TOTAL	27,510	23,724
Schedule 11—Other Assets		
I. Inter-Office balances (foreign branches)	14,286	67,219
II. Interest accrued	44,905	19,580
III. Tax paid in advance/ tax deducted at source	0	1,583
IV. Others	77,329	62,784
TOTAL	136,520	151,166
Schedule 12—Contingent Liabilities		
I. Liability on account of outstanding forward exchange contracts	3,339,718	1,757,238
II. Guarantees given on behalf of constituents in India	502,831	527,033
III. Acceptances, endorsements and other obligations	696,047	614,241
IV. Liability on account of bills of exchange rediscounted	966,000	1,098,700
TOTAL	5,504,596	3,997,212

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(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1994

	Year ended 31st March, 1994 Rs. in 000's	Year ended 31st March, 1993 Rs. in 000's
Schedule 13—Interest Earned		
I. Interest/discount on advances/bills	357,851	223,788
II. Income on investments	27,498	13,049
III. Interest on balances with Reserve Bank of India and other inter-bank funds	57,141	52,539
IV. Others	201	287
TOTAL	442,691	289,663
Schedule 14—Other Income		
I. Commission, exchange and brokerage	15,057	11,055
II. Profit on sale of investments (net)	194	273
III. Profit/(Loss) on sale of assets	7	(91)
IV. Profit on exchange transactions (net)	31,893	12,685
V. Miscellaneous income	11	40
TOTAL	47,162	23,962
Schedule 15—Interest Expended		
I. Interest on deposits	69,627	44,403
II. Interest on Reserve Bank of India/inter-bank borrowings	136,637	158,401
III. Others	79,305	2,566
TOTAL	285,569	205,370

	Year ended 31st March, 1994 Rs. in 000's	Year ended 31st March, 1993 Rs. in 000's
Schedule 16—Operating Expenses		
I. Payments to and provisions for employees	10,774	9,073
II. Rent, taxes and lighting	3,257	2,651
III. Printing and stationery	457	515
IV. Advertisement and publicity	433	155
V. Depreciation on Bank's property	3,829	2,751
VI. Director's and Local Advisory Board member's fees expenses	37	15
VII. Auditor's fees and expenses	63	52
VIII. Postage, Telegrams, Telephones	6,256	3,986
IX. Repairs and maintenance	1,179	963
X. Insurance	807	357
XI. Other expenditure	8,755	7,274
TOTAL	35,847	27,792

BARCLAYS BANK PLC

INDIAN BRANCH

(Incorporated in the United Kingdom with Limited Liability)

Schedule 17—Notes Forming Part of the Accounts for the year ended 31st March, 1994

1. Principal Accounting Policies
   (a) General
   The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.
   (b) Transactions involving foreign exchange
   (i) Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year. Non-monetary assets have been carried in the books at the contracted rates.
   (ii) Income and expenditure items have been translated at the exchange rates ruling on the date of the transaction.
   (iii) Outstanding forward contracts have been revalued at the exchange rates prevailing at the close of the year.
   (c) Investments
   (i) Investments categorised as permanent are valued at cost.
   (ii) Investments categorised as current are valued as follows:
   a) Where quotations are available, on cost or market value, whichever is lower.
   b) Where quotations are not available, values have been determined using the yield to maturity basis.
   (d) Fixed Assets
   (i) Premises and other fixed assets have been accounted for at their historical costs.
   (ii) Depreciation has been provided on the straightline method at the rates specified by Barclays Bank PLC. In respect of subsequent additions depreciation is provided with effect from the quarter in which the additions are made.
   (e) Staff benefits
   Contribution to the Gratuity Fund has been made as per actuarial valuation.
   (f) Net profit
   The net profit disclosed in the profit and loss account is after:
   (i) Provisions for taxes on income in accordance with statutory requirements.
   (ii) Other usual or necessary provisions.
2. A demand raised in relation to prior year's tax amounting to Rs. 18,843,986 which is, as advised, considered unsustainable in appeal, has accordingly not been provided for in the accounts.
3. At 31st March, 1994 the bank's risk weighted capital ratio was 9.5%.
4. The previous year's figures have been regrouped wherever necessary.

Auditors' Report on the Indian Branch of Barclays Bank PLC.

We have audited the attached Balance Sheet of the Indian Branch of Barclays Bank Plc. as at 31st March, 1994 and also the annexed Profit and Loss Account of the Indian Branch of the Bank for the year ended on that date.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and the Profit and Loss Account, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

We report that in accordance with sub-section (3) of Section 30 of the Banking Regulations Act, 1949.

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.

b) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branch of the Bank.

c) In our opinion, proper books of account, as required by law have been kept by the Indian Branch so far as appears from our examination of those books.

d) The Balance Sheet and Profit and Loss Account of the Indian Branch of the Bank dealt with by this report are in agreement with the books of account.

e) In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and give a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31st March, 1994 and of its profit for the year ended on that date.

SHARP & TANNAN
Chartered Accountants
By the hand of
Sd/-
M.P. NARSANG
Partner

Bombay
Dated: 29th June, 1994

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ECONOMIC AND POLITICAL WEEKLY

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- TOWARDS A NEW DEBATE ON WEST BENGAL
- FERTILITY RATE DECLINE IN TAMIL NADU: SOME ISSUES
- ESTIMATES FOR PRIVATE CORPORATE SECTOR
- 'THE KINGDOME OF DARKNESSE' OR THE PROBLEM OF CULTURE
- CENTRALISED DECENTRALISATION: HARYANA'S PANCHAYATI RAJ ACT
- JAWAHAR ROZGAR YOJANA IN UTTAR PRADESH
- COMPLEXITIES OF THE QUESTION OF SIKH NATIONALITY

ISSUE OPENS ON 25th JULY, 1994

Firm Allotments

LIC Mutual Fund	Rs. 20.00 Lacs
GIC Mutual Fund	Rs. 20.00 Lacs
Indbank Mutual Fund	Rs. 10.00 Lacs
NRIs/OBC's	Rs. 72.00 Lacs

Export tie-up with ICD Group BV, Netherlands

Term Loan Assistance by IDBI

Public Issue of 30,00,000 Equity Shares of Rs. 10/- each for cash at par aggregating Rs. 300.00 Lakhs.

ISSUE HIGHLIGHTS

- The Project cost was estimated at Rs 825.00 Lakhs in October 1992 by IDBI for the term loan assistance and sanctioned term loan of Rs. 260.00 Lakhs.
- Foreign Exchange Earner - Marketing arranagement with ICD Group BV, Netherlands, for 5 years
- Export earnings fully exempt from Income-tax
- Promoted by qualified and experienced professionals.
- Equity participation of Rs 35.00 lacs by APIDC, Hyderabad, a Development Financial Institution
- For over 40% of the Issue, Firm Allotments made to LIC, GIC & Indbank Mutual Funds and NRIs/OBCs.
- Company operating in high growth Industry with versatile Plant & Machinery - can manufacture other bulk pharmaceuticals also.
- Low gestation period-commercial production to commence from July, 94.
- Easy liquidity - Listing at Hyderabad, Madras and Bombay Stock Exchanges.

The investors may note that, in case of over subscription, the allotment shall be on proportionate basis and a SEBI nominated public representative shall be associated in the process of finalisation of basis of allotment.

RISKS AS PERCEIVED BY THE MANAGEMENT

INTERNAL TO THE COMPANY

1. Import content constitutes 61.72% of raw material cost. The landed cost of these imports is subject to exchange rate fluctuations.
2. The working capital requirements of the Company for the first year are estimated at Rs 358.00 lacs, out of which Rs 94.00 lacs was provided in the project cost. The Company has obtained in principle approval from State Bank of India, Industrial Finance Branch, Hyderabad for the balance Rs.264.00 lacs.
3. Approval of Chief Inspector of Boilers, Andhra Pradesh for installation of coal fired Boilers for steam has not been obtained.
4. Though the Company was incorporated in 1990, the project is yet to be fully implemented and commercial production is now scheduled to commerce in July, 1994.
5. The permission for manufacture of Terfenadine is yet to be obtained.
6. The project implementation may be affected by time and cost overrun.

EXTERNAL TO THE COMPANY

1. The Company may face competition from existing and new units as is normal and prevalent in any industry.
2. The selling prices of bulk pharmaceuticals have been fluctuating in the last couple of years.
3. Being export targetted and dependent on imports for raw materials, the Company's working could be influenced by Government's Export-Import policies.

PERCEPTIONS OF MANAGEMENT ON RISKS

INTERNAL TO THE COMPANY

1. The Foreign Exchange earned on exports will be a hedge against these possible fluctuations.
2. The Company is confident of getting final sanction for the required working capital limits.
3. The approval of Chief Inspector of Boilers, Andhra Pradesh will be given only after installation of the Boiler plant and the Company is confident of obtaining the same.
4. Though the Commercial Production was scheduled to commence in April, 1994, due to non-reciept of Government approval for land conversion, project implementation was delayed by three months.
5. The Company has made an application to the SIA, seeking the required permission and is confident of obtaining the same.
6. Based on the progress made so far, the Management is confident of implementing the project as scheduled and within the estimated cost. Further, adequate provision for contingenecies has also been made. In case of cost over - run, if any, the same will be met from promoters own resources.

EXTERNAL TO THE COMPANY

1. The Company has entered into a marketing arrangement with M/s ICD Group BV, Netherlands (ICD) whereby ICD shall purchase 48 Tpa (61.54% of instaled capacity) of the Company's production at prevailing international prices. The remaining production will be sold in domestic market, which has sufficient demand-supply gap.
2. As the Plant and Machinary being installed by the Company are versatile and capable of changing the product-mix and/or manufacturing new and more remunerative bulk pharmaceuticals, the Company is confident of achieving better sales realisation.
3. Given the pro-liberalisation policies advocated by Government of India and also with the Drugs & Pharmaceuticals Industry identified as 'Extreme Focus Area'., the Company doesn't envisage any adverse policies from Government.

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S S ORGANICS LIMITED

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Phone No : 310701, 318940, Fax : 310701

Rs. 5/- on Application

If the Company does not receive the minimum subscription of 90% of the issue including accepted devolvement of the underwriters where the issue is underwritten, within 60 days from the date of closure of the issue the entire subscription will be refunded to the applicants. For delay beyond 78 days, if any from the closure of the issue, interest shall be paid as per Section 73 of the Act..

Sobhagya

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Vol XXIX No 29 July 16, 1994

Agriculture under GATT

What is the likely impact of the various commitments India has made under GATT, especially with reference to market access, domestic support and export competition in the area of agriculture? Do these commitments imply a threat to Indian agriculture? 1857

Understanding Indian Culture

Indian culture is an organic and historically determined unity which has escaped us over a period of time, almost parallelly and simultaneously with the slow but hopefully, not yet certain destruction of India. 1864

Tamil Nadu 'Model'

Tamil Nadu's achievement of registering a decline in fertility rates without the expected pre-conditions, such as, decline in infant mortality rates, improvement in literacy rates and the bettering of women's status needs to be better understood before being promoted as a 'model' of demographic success. 1850

Complex Question

While some Sikh religio-political organisations such as the Akali Dal and the SGPC view Sikhs as a nationality, Hindu chauvinists hold that they are only a part of the larger Hindu community. 1877

Towards New Initiatives

While the panchayat system and the process of rural reforms in West Bengal have indeed been successful under the Left Front, it is necessary now to think creatively about new initiatives. 1835

Not Decentralised

Haryana's new Panchayati Raj Act promises a lot more than it will be able to deliver, because it makes little effort to do away with the involvement of centralised authority at the local level. 1842

The Jawahar Rozgar Yojana, in Uttar Pradesh at least, has failed to generate adequate or relevant employment, or dissociate itself from the clutches of local bureaucracy. 1845

Assessing Corporate Sector

Existing data sources are far too insufficient and inadequate to give a reliable picture of the private corporate sector. Are there alternative sources of data? 1874

Three Years After

Narasimha Rao's three years in office have been characterised by authoritarian rule which has sidelined democratic institutions. 1839

No to Tobacco

Controlling the use of tobacco is possible only with a comprehensive and well-planned effort touching several areas of the economy. 1841

Changing Patterns

The confrontation between the Indonesian army and Muslim fundamentalists has pushed president Suharto into a corner. 1849

The Indian economy has wavered eclectically between alternative and opposed models of development and the rise of communalism as a political force has shaken earlier assumption. 1853

LETTERS TO EDITOR

On Bhutan

THERE is confusion regarding the total population of Bhutan ('Bhutan—Pushing out Nepalese', *EPW*, June 25). The Seventh Plan (Vol I) document (1991-92 to 1996-97) gives a figure of 6 million whereas the *Statistical Year Book of Bhutan* 1990 (published by the Planning Commission) mentions a figure of 14.56 million. A census is currently on. A significant drawback of the Nepalis' agitation was that it was premature and was looked upon as a fight against the native population (and the king) which are scattered throughout the country especially in the central Himalayan valleys. The Nepali population is primarily concentrated in the south, bordering India. The king, Jigme Singye Wangchuk, is highly respected in the country and is looked upon as a liberal minded personality. But he is supposed to be surrounded by hard liners.

Apart from physical force to 'cleanse' the society of Nepalis, there are several measures being implemented in Bhutan which are less known outside and which have serious negative implications for the Nepali-speaking population in the long run. The Dzongkha language, spoken by the Drukpas, is being made compulsory in the schools, gradually depriving the Nepali-speaking students of choosing their language, Lhotsam, as an optional. Dzongkha is compulsory at higher levels of education. Dzongkha is also being increasingly used in the administration, including judiciary, by replacing English. A more serious and obnoxious rule was introduced four years ago to gradually prevent the Nepali-speaking students from taking admission into the institutions of higher learning. After passing X and Inter, every student has to get an NOC (no objection certificate) from police to be eligible for admission. It is the Nepali-speaking students who end up not getting the NOC. During my two-year stay at Sherubtse College, Kanglung (affiliated to India's Delhi University and the only degree college in Bhutan) as a lecturer during 1991-93, I was a witness to a substantial decline in the in-take of Nepali-speaking students due to this stipulation. There were several students who were summoned, in the middle of the academic year or during exams, by the census authorities and told to leave the country. The discrimination is much worse in giving the jobs.

Though the Bhutanese national dress gives a distinct identity to its citizens and is very comfortable for mountainous living, it is extremely difficult to wear in the south (especially during summers) which experiences a subtropical hot and humid climate. While the wards of the rich people violate the dress norms right in the national capital Thimpu (a fact which was admitted in Bhutan's national English weekly, *Kuensel*), any tampering with the dress in the south, especially by the Nepali-speaking, would invite severe penal measures.

It is true that Bhutan forms an important part of the security zone for India. Because of Bhutan's strategic location, western countries are also showing keen interest in 'assisting' Bhutan's development. There are more than 30 international organisations (including UN) working inside Bhutan. The First and Second Five-Year Plans of Bhutan were completely financed by India. India's contribution has been very high for the subsequent plans also. For the ongoing Seventh Plan India has promised an amount of Rs 750 crore. A similar amount, if also spent, on north-east India would solve many problems. Huge amounts of money are spent on the military inside Bhutan. One should only see to appreciate with what enormous cost, in terms of men, money and material, India's Border Roads Organisation has constructed those roads in the lofty Himalayas. India also offers 100 scholarships annually to Bhutanese students for studies in various professional and degree courses in India. There are about 13 lecturers on deputation from Delhi University under the Colombo Plan at Sherubtse College. India's 'high profile presence' and its business community which trades with, and inside, Bhutan are also responsible, along with increasing western influence, for the growing anti-India feelings in the Bhutanese middle classes.

If one has to judge the respect Indians receive in Bhutan, then Sherubtse College is a good example. They are humiliated in everyday life. The only time when Indian teachers asserted some measure of self-respect in Sherubtse College was when a good number of them (including those on contract) boycotted a farewell function (for departing Indian colleagues) on June 14, 1993 because the principal, known for his anti-India attitude, messed it up with a VIP function. Recently, the king of Bhutan has conferred a high civilian honour, Dasho with a Red Scarf, on the principal. So much for the 'warm and friendly' relations between India and Bhutan!

C RAMACHANDRAIAH

Hyderabad

ECONOMIC AND POLITICAL WEEKLY

Fifty Years After

THE 50th anniversary of the Bretton Woods Conference of July 1944 at which negotiations were completed for the establishment of the International Monetary Fund (IMF) and the World Bank (which began operations in early 1945) may be an occasion for governments of the developed and developing countries alike to celebrate and rejoice, but to discerning observers of the present world economic order, it is a sombre occasion. These institutions have long lost sight of the objectives which shaped their creation and have become instruments used to presssurise third world governments to impose inappropriate, undemocratic and unjust policies on their own people. The distortions that have appeared in the world economy, are in a way, a reflection of the twists and turns of the Bretton Woods institutions.

These institutions were the product of a historical period when the post-war Anglo-Saxon hegemony ruled the roost. The developing world was represented by 19 Latin American countries but only three African and four Asian countries including India, none of which enjoyed any freedom of action. The withdrawal of the Soviet and the Chinese governments made the institutions truncated and biased. The 30-year history of these institutions has been sordid: the advanced countries have systematically shot down any suggestion of reform emanating from the UN agencies, and have instead, used the cloistered boards of the IMF and the World Bank to impose, with crumbs of assistance for the LDCs, their own narrow perspectives of stabilisation and structural adjustment on the entire developing world, now including the so-called transition economies of the erstwhile communist regimes.

The current course these institutions are pursuing is likely to lead to even more distortions than before for two reasons. First, the industrial countries have opted for narrow monetarist and globalisation policies and free markets instead of structural changes of their economies aimed at broad-basing employment and income growth. These have resulted in unprecedented levels of unemployment and even rising poverty and social inequalities in their own societies. Second, the ruling classes of the major developing countries have caved in at every stage without holding a minimal negotiating position, whether in matters relating to the reform of the international monetary system or those concerning the Uruguay Round of GATT negotiations The blatant double standards of the industrial countries is to be seen in their contrasting attitude, on the one hand, denying UNCTAD the right to exercise its own mandate to discuss international monetary issues in relation to trade and development, while on the other, encouraging the World Bank to seek liberalisation of foreign trade regimes in all the indebted countries.

After the Bretton Woods system of par values collapsed, most international efforts to produce a more equitable system were scuttled by the industrial countries including the efforts by the Committee of Twenty (C-20) appointed by the IMF in July 1972. Though the C-20's initial efforts focused on the restoration of the par value system with flexibility for changing par values in an equitable and symmetrical adjustment process, the developed countries took advantage of the first oil crisis and emerging payments imbalances, usurped the initiative in the forum of the G-10, and presented the floating exchange rate system to the IMF's Interim Committee as a *fait accompli*. When the floating system was found to be considerably destabilising after it had functioned for a decade, the G-7 and G-10 summits of 1983 agreed to an international monetary conference, but the biased attitudes to multilateral institutions emanating from the Reagonomics and Thatcherite policies killed such initiatives even before they took shape. Besides, one of the most glaring failures of the international monetary system has been the asymmetrical surveillance as between the debtor and surplus countries; the IMF's plea of being helpless in this aspect is attributable to the recalcitrance of the major industrial countries. The same attitudes have worked against the augmentation of reserves through the creation of additional SDRs after the second allocation period of 1979-1981, leave alone linking the creation of additional reserves to development finance for poor countries.

New lending arrangements such as the oil facility, compensatory financing facility, the trust fund loan, the structural adjustment facility (SAF), the enhanced structural adjustment facility (ESAF) and the extended fund facility (EFF), have been introduced. But the bulk of them, as their names imply, seek structural adjustments of poor economies with sharpened conditionalities invariably in collaboration with the World Bank under its own structural adjustment loans (SALs). The introduction in April 1980 of this system of structural adjustment lendings for macro-economic policy reforms as against specific project lendings has changed the character of the World Bank's association with the borrowing countries. An internal review of the World Bank has raised significant misgivings regarding the effectiveness of SALs in low-income countries.

Even though the IMF and the World Bank have distinct, and independent mandates and cross-conditionalities have had to be eschewed by them, the result, in fact, has been precisely that and quite blatantly, as has been admitted in literature. Also, it is the uniform application of performance criteria—stabilisation policies of monetary control, fiscal compression, exchange rate depreciation, and structural policies of industrial and trade liberalisation including elimination of protection rates, tax reductions, global linkages and withdrawal of public sector activities—irrespective of the countries' stages of development, the initial conditions, and the social priorities, which has produced domestic imbalances and even social upheaval A more damaging aspect of the international economic environment for the developing countries arises because of the cross-connections that the multinational companies, banks and other financial institutions

have cultivated with multilateral agencies as a result of which private capital flows in favour of specific countries are linked to the satisfaction of the IMF and World Bank conditionalities.

What has been the impact of the working of the Bretton Woods system and its philosophy? Except for the establishment of an open and multilateral system of payments and exchange without very many multiple currency practices and discriminatory currency arrangements, all the ills arising out of the pre-war trading and financial relationships persist even now. Studies have shown how exchange rate fluctuations and their destabilising influences on the economies of developing countries have been sizeable. The LDCs have been compelled to observe successively competitive devaluations and extract export surpluses to the detriment of their domestic economies. Terms of trade have remained adverse to the commodity-producing countries in particular, and to the LDCs in general. The latest UNCTAD report for 1993 has repeatedly emphasised that even as developing countries and transition economies liberalise trade, protectionist threats and strategies of managed trade persist in developed countries. The combined package of devaluation and deflation has contributed to a catastrophic fall in living standards in a large chunk of Latin American, African and Asian economies, as also in the erstwhile communist countries. Moreover, due to the limited nature of multilateral and bilateral aid flows, net transfers in terms of long-term lendings to the LDCs have been negative now for more than a decade, suggesting reverse flow of resources. Debt flows, it has been claimed, will be replaced by non-debt flows like portfolio and direct foreign investment; but such flows are more expensive and destabilising as the bulk of them take place through portfolio investment. Dependence on direct foreign investment without it being linked to transfer of appropriate technologies has its own drawbacks. Excessive concern with the safety of MNCs' investment in the developing countries has made the World Bank set up the Multilateral Investment Guarantee Agency (MIGA). But the Bank has made no move to help LDCs prevent the supply of outmoded technologies from the developed market economies.

Have the LDCs really benefited from multilateral trade? For a fact, in the direction of world trade, imports of developed market economies from their own group have risen from 66.7 per cent during 1980 to 77.3 per cent during 1991. Likewise, the imports by the disrupted centrally-planned economies from the developed countries have risen from 22.0 per cent in 1985 to 42.9 per cent in 1991. Even in the overall world GDP, the share of developed market economies has improved from 72.6 per cent in 1982 to 74.4 per cent in 1992 which has been at the cost of the transition economies. The improvement in the share of the developing countries has, however, been only fractional.

Admittedly the newly-industrialising economies (NIEs) in south-east Asia have experienced remarkable progress during the past decade or so but their success has been due to a complex set of social, economic and political processes. Their historical and initial conditions were conducive for capital accumulation, improved labour productivity and easy absorption of the shocks of adjustment; they assigned the state a dynamic role in socio-economic development; and, they adopted progressive import substitution policies. More importantly, the NIEs and China have refused to follow the IMF-World Bank route for structural transformation of their economies. There are lessons here for the Bretton Woods institutions. But it is unlikely that 50 years of a blinkered approach will allow these multilateral institutions to even recognise these truths, leave alone learn from experience.

HUMAN RIGHTS

'First World' Records

GIVEN the record of the US and of its first world allies in overlooking the violations of the human rights by their client regimes in the third world, in actively conniving with some of these regimes in such violations, and, at places even indirectly perpetrating these violations if it served their economic, political or strategic interests, the Clinton government's concern for human rights was regarded with suspicion. Not only do gross violations of human rights continue to occur under the protected third, and now also the former second, world regimes, the issue of the human rights goes on to be selectively evoked and applied by the US and its first world allies, justifying the allegation that their apparent concern for these rights is nothing more than a foreign policy instrument, exercised to manipulate and browbeat recalcitrant regimes.

The record of the first world governments on the human rights front in the domestic sphere throws up little counter-evidence to take away the sting of such criticism. Here too, the violations are routine (though not as numerous and frequent as in certain third world societies); government action against these violations is highly selective; the perpetrators are mostly governments themselves or officials belonging to the dominant communities; and the victims, in a majority of cases, hail from the politically, economically, socially and culturally marginal groups and sections of society. In the US, for instance, in 1993, the death penalty, the most barbarous of the official infringements of the rights of the human beings, which the Amnesty International recommends be abolished and has in fact been shelved in almost half the countries in the world, claimed 38 victims, four of whom were juvenile offenders. Two of the four juvenile offenders executed were black, one had a Latin American origin, and all four came from extremely poor families. Further, both the black juvenile victims were tried before all-white juries where the prosecution had used provisions in the existing law to remove prospective black jurors; and one black and the Latino victims were assigned lawyers who had never handled a death penalty case before. Moreover, one of the black juveniles was executed despite an amendment in law, in 1991, to allow a broad range of mitigating factors to be considered, including a defendant's youth, because the amendment did not apply retroactively to prisoners, like the one in this case, who had been sentenced earlier.

This bias in law against the victims of the state violation of human rights becomes further evident from a couple of other instances from the US. Leonel Herrera, who was alleged to have murdered a police officer, was executed in May 1993. He had appealed to the Supreme Court, on the basis of new evidence presented by his lawyers subsequent to the trial in which he was sentenced to death, that he was innocent. Dismissing his appeal, the Supreme Court held that there was no constitutional right of appeal based on newly discovered evidence of innocence where the original trial was free from procedural error. In 1993, several other prisoners too were similarly murdered by the US administration despite evidence, which could not be presented at the original trial, that they were mentally impaired or retarded. At the end of the year, there were in all 2,750 prisoners under sentence of death in the US, a staggering number, especially for a country which claims to be the champion of human rights worldwide.

Similar instances of the violations of human rights and of the disregard of international covenants on protection of these rights by governments can be cited from the other first world countries. From only one source, the Amnesty International's Report for 1994, it becomes clear that the method of 'encounter' killings, or its variations, so common in the third world countries like India, is resorted to by the police and security forces of the first world countries too, and is quietly ignored by the governments. For example, in England last year an inquest into the 1991 death of Omasese Lumumba, a Zairian asylum seeker, and another into the 1986 death of Seamus McEwaine found that they had been "unlawfully killed", by London prison officials in the case of the former, and by the soldiers of the Special Air Service (SAS) in

that of the latter. In both cases, legal action against the offenders was yet be initiated by the end of the year. Another inquest, into the deaths, in 1990, of three persons killed by secret service agents, was postponed because the government attempted to exclude certain evidence from oral testimony by issuing public interest immunity certificates, which were then challenged in the court. In Germany, in June 1993, Wolfgang Grams, a suspected Red Army Faction activist, was shot dead by the police at point-blank range as he lay motionless on the ground after a police operation. In France, several unarmed people were killed by the police while in custody or during interrogation. Most of them were petty criminals or third world immigrants seeking work in France.

While such examples can be multiplied with cases from these and the other first world countries—nor, indeed, should it be expected that all such cases have been recorded and reported—mention needs to be made of the racist ill-treatment of foreign nationals, mainly of the third world countries and especially by the police. Abetted by right wing political parties and politicians and tolerated by others, due mainly to political-electoral reasons, ill-treatment of mostly poor third world immigrants has of late become endemic in all first world countries. However, Germany, France and England can be particularly singled out in this respect. It has been recorded that the perpetrators of these violations of human rights in the first world countries, mainly the police, other civil, and military officials, rarely received the requisite punishment.

This brings us to the point that needs most to be emphasised here. While the promotion of human rights as a matter of state policy in international relations cannot in itself be decried, such attempts should be viewed with the seriousness that they deserve if they are not reduced to a blatant manipulation of foreign governments for *realpolitik* interests. These attempts may even come to be appreciated if they are accompanied by a sincere attempt at promoting human rights of domestic populations, especially those among them who are weak or are otherwise on the margins of societies. Given their penchant for raising the issue of human rights in their dealings with certain third world regimes at the first opportunity, these remarks have a particular relevance for the governments in the first world.

INDIA-RUSSIA

Unreasonable Proposal?

INDIA had undertaken to repay its outstanding rouble debt at the rate of Rs 3,000 crore annually over the coming 12 years. Russia has been slow in making use of the rupee credit extended under this arrangement. The credit has to be used for the purchase of traditional items of export from India to Russia, be it tea or tobacco. In order to accelerate the utilisation of the rupee credit, the Russians propose to auction part of this credit.

It is worthwhile recalling that the original arrangements, with regard to the settlement of India's rouble debt were objected to in several quarters within India as being overly generous. The main argument was that when it suited Soviet Union it chose to denominate the debt in rouble. Then the rouble's exchange rate had been pegged rather high. Later, when the rouble lost its international exchange value it was allowed to get the rouble debt of India to be converted into a rupee debt at the exchange rate which was rather high. The requirement that under the changed arrangements for the newly denominated debt, the rupee credit has to be spent for the purchase of traditional export items was not new at all. In fact, this was only an extension of the old bilateral payments arrangement between India and the Soviet Union.

The question now is whether the Russian proposal to auction part of its rupee credit will, in any way, violate the arrangements under which the credit has been opened. There is no suggestion on Russia's part that the credit thus released through auction can be utilised in India for purchases other than the traditional export items covered under the arrangement. As for the argument that the credit thus released could fall into hands which would otherwise have had to make such purchases with convertible currencies, is such fear not being overstated? After all, even during the Soviet era, there were complaints that the Soviet purchases from India trickled to other countries. Even if there were no auction of rupee credit and all purchases in India made out of the credit were by Russia's public sector units, is there any way we can prevent such purchases being resold to other countries?

There is also another fear, namely, that the auction of rupee credit at a discount will mean effective devaluation of the rupee, even though it is only for the limited purpose of Russian purchase out of the special credit facility. However, the situation right now is of the rupee being kept artificially below the international value it would otherwise command, pegged as it virtually is, to the US dollar, through the accumulation of dollar holdings. At least for now, there is little to fear on this score.

All that Russia is proposing to do through the medium of auctioning its rupee credit is to overcome its own internal organisation problems in the utilisation of its credit. Of course, we have to be watchful that the credit thus released is used for the purposes provided for.

PHARMACEUTICALS

Cosmetic Gesture

IN July 1983 the government of India banned by a gazette notification 21 categories of drugs. This list, formulated after great deliberations included drugs which were hazardous (such as amidopyrene, phenacetin, fixed dose combinations of atropine/belladona/homotropine, etc. in analgesics and antipyretics, syrychnine and caffeine in tonics, etc) as well as irrational combinations such as vitamins with anti-TB drugs and irrational formulations like, liquid tetracycline. This list, it is well to remember, came after a long process of examination. A subcommittee of the Drug Consultative Committee had, in 1980, recommended for weeding out immediately, a list of 16 drugs, with seven others to be withdrawn over a period of time. On the basis of this, the Drug Technical Advisory Board (DTAB) in 1982 had, advised the banning of only 12 drugs with immediate effect, with four others to be banned in the course of time. The gazette notification of 1983 went mostly by the recommendations of the DTAB, but added some others.

In short, it took three years for the government of India to issue a notification banning drugs which were known to be hazardous or irrational. Since then, seven more drugs have been officially banned. But other than issuing gazette notification, there is little, clearly, that the government has done to ensure that the banned drugs have indeed been withdrawn and their manufacture has been discontinued. For, a recent writ petition filed in the Supreme Court has drawn attention to the fact that these drugs continue to be available, and quite easily and openly, in many parts of the country.

This state of affairs exposes the various interest groups at work within the concerned ministries. Clearly, there is a section which sees the necessity of bringing some semblance of rationality to the proliferating drug market. Such institutional requirements as experts committee reports and the recommendations of the drug technical advisory board are sought to be given due weightage. However, it is equally obvious that the concerned ministries have neither a mechanism to inform the public about the banned drugs, nor even an efficient machinery at the states level to enforce the ban at the manufacturers and dealers end. The result is that the ban notifications become cosmetic gestures, which are known only to the drug control authority, the manufacturers and the dealers. Since the manufacturers' concern is not with the health and well-being or safety of people, in the first place—for, if it had been so, they would not have

been manufacturing the drugs at all—they circumvent the ban in various ways: by changing the packaging, the market areas, etc, or by challenging the order in court on flimsy grounds (such as loss of returns on investment, etc).

In February, the drug controller recommended a list of six anti-diarrhoeals to be banned. This came after many years of pleading from experts in the field who pointed out that the large number of anti-diarrhoeals available were not only unnecessary but could prove to be dangerous. As a result of this ban order, 36 formulations now stand banned. However, unless the drug controller makes an effort to publicise the ban as well as enforcing it, these drugs too will continue to be available, exposing people, especially children, to drugs which have been proven to be harmful.

WORLD BANK-IMF

Celebrating Non-Achievements

THIS is the year when the World Bank/IMF twins complete 50 years of existence, and it is certain that these institutions and their promoters will try to have them evaluated in the most glowing terms and to project for them an even more glorious future. The fact remains that neither body has come anywhere close to what it was supposed to achieve originally. The IMF was supposed to perform as the central bank of the world, as not only the lender of last resort for the national level central banks but also a sort of custodian of the exchange rate regime, exercising what was called 'term surveillance' over the exchange rates of the national currencies of the world. The World Bank was supposed to be the supreme international development bank, the lender of medium- and long-term finance all the world over. Would Keynes, one of the principal players when these twin institutions were on the anvil, feel like congratulating himself on their performance today?

As is well known, the ultimate shape these institutions took on was nowhere near what Keynes would have liked them to be. Keynes' primary concern was to see that the institutional movement of finance should be subject to some control and regulation and not left to the market, which he found to be totally fickle and unreliable. With this objective in mind he proposed that generation of international liquidity should be entrusted only to an international organisation. He did not succeed in getting the Americans to agree to that; they would simply not agree to a supernational body taking over the role what they thought was their country's birthright! Not even when the US was given the veto over decisions in such a body. So, what could be agreed upon was an institution with the task of surveillance over exchange rate movements. The underlying assumption was that exchange rate movements reflected the movement of funds across frontiers and therefore, surveillance of exchange rate movements meant indirectly overseeing movements of international finance.

As it has turned out, with the devise of the fixed exchange rate system by the early 70s and the subsequent spurt in the movement of funds across frontiers, the IMF has been reduced to extending payments support to only the developing countries, playing virtually the role of a mere spectator in the arena of international finance. The World Bank has lost its relevance in regard to meeting international requirement of longer term finance of the industrial countries. These countries could tap other sources, sources of finance which would not oblige them to be subjected to the sort of policy these international institutions tried to impose.

That World Bank/IMF support to member countries, or rather, the developing member countries only, has been coming down in absolute terms, and that too unadjusted for price changes, is the least important of factors behind the marginalisation of these twins. The really important factors are, firstly, that in the generation of international liquidity the IMF has virtually no role—what little opening it had been allowed through the issue of SDRs, the major portion of which accrued to the developed member countries, was also slummed shut—and, secondly, that in their effort to augment their own resources these institutions were blocked at every stage.

Today the World Bank/IMF are reduced to institutions lording over the developing countries at the bidding of the US and other industrial countries which control their decision-making. These so-called multilateral institutions are today sought to be controlled by the dominating cabal with far greater impunity than ever before in these past 50 years. This is in line with the open attack on the concept of multilateral institutions that started during the years of the Reagan presidency in the US.

While making an assessment of the 50 years of the Bretton Woods institutions one should not ignore the future, particularly since a new institution, the World Trade Organisation, is about to be installed, replacing GATT. Will this new institution, multilateral on paper no doubt, be sufficiently impervious to the sort of pressures that the World Bank/IMF are constantly exposed to? Or will it just function to keep the developing member countries on a leash while allowing the developed countries, especially the US, to go their non-merry way?

TWENTY YEARS AGO

EPW, July 20, 1974

The Planning Commission wants no part of the onus for creating a 'revolutionary situation'. The country's economic prospects being what they are, children sent to school would, at the end of their schooling, find no jobs; as a consequence, they might be up to all kinds of mischief, including, for all one can surmise, the creation of 'revolutionary situations'. The commission as a responsible body, must put its foot down against schemes and proposals which have such dangerous possibilities. It is not given to it to plan and implement the generation of additional employment opportunities; it can, however, certainly recommend drastic reduction in the financial outlay for school-level education, so that the problem of the unemployed educated turning revolutionaries can be nipped in the bud.

The Planning Commission has applied itself to this task with great zest. The Approach to the Fifth Plan had talked of 75 per cent enrolment in the age-group of 11 to 14 during the Plan. The draft Plan pruned this target to 47 per cent. But as awareness about the functional relationship between education with no jobs at the end of it and germination of revolutionary situations has further sunk in, the target has been even more severely slashed: in the age-group of 11-14, only 31 per cent, it has now been decided, need be enrolled in schools during the Fifth Plan—in case there is to be such a thing. This need not be the end of the narration· wait for the subsequent bulletins and it is possible that some more cuts are in the offing.

The story is repeated in regard to primary education. The Approach paper had set a breathtaking target of 100 per cent enrolment in the age-group of 6 to 11. The Draft Plan scaled it down to 97 per cent. The target has now been further reduced to 90 per cent. Going by the drift of things, very soon one might expect a tacit admission that no expansion of primary education beyond what obtains at present is feasible in the Fifth Plan!

Perhaps there is a method in this Planning Commission madness. The children of the poor millions, once they attain maturity, are in any event bound to discover that, with the country's social and economic progress at a dead halt, the prospect of joblessness and meagre earnings continues to stare them in the face. They might begin to think on their own, read on their own, and appreciate the relevance of class analysis for explaining the nature of the crisis confronting the nation. This must seem a most perilous thing, affecting the stability of the system, to those handful who receive the special bounties of it. On the other hand, if the overwhelming majority of the children of the nation's poor are denied all education, while they would still remain discontented, it could be easier to channel their discontent along 'desirable' lines: the wrath of the uneducated unemployed, for instance, could be mobilised not against the system and those few who enormously profit from it, but against the organised working class. The Planning Commission, one almost begins to suspect, knows what is what; it has a charter to create *lumpen* elements in society, and it is going about the job with considerable gusto and acumen.

S S Organics

S S ORGANICS which was setting up a new unit for manufacturing 48 mtpa of mebandazole, 36 mtpa of norfloxacin and 12 mtpa of atenolol in addition to various other intermediates has decided to go in for manufacture of a more remunerative product mix comprising 18 mtpa of terfenadine, 48 mtpa of mebandazole and 12 mtpa of atenolol due to the fluctuation in the prices of bulk pharmaceuticals. The project costing Rs 8.25 crore is to be partly financed through a public issue of 30,00,000 equity shares of Rs 10 each at par which will open for subscription on July 25 and will be lead managed by SBI Capital Markets and Merbanc India. The project which is located about 76 kms from Hyderabad in the Medak district is expected to commence commercial production in July this year. The company has entered a marketing arrangement with the ICD group BV, Netherlands whereby ICD will purchase 36 mtpa mebendazole and 12 mtpa of atenolol for a period of five years.

JK Dairy

JK Dairy and Foods which has been promoted by Straw Products and JK Industries, is setting up an international standard plant for manufacturing ghee, dairy whitener and whey powder. Located at Gajraula, a surplus milk belt area in Uttar Pradesh, the project is being set up at a total outlay of Rs 30 crore and was expected to commence commercial production in June this year. To part finance the project the company will enter the capital market with two simultaneous and unlinked public issues of 17,60,000 equity shares of Rs 10 each at par aggregating Rs 176 lakh and 32,50,000 15 per cent secured redeemable partly convertible debentures (PCDs) of Rs 25 each for cash at par aggregating Rs 812.5 lakh. The convertible part of Rs 10 of each PCD will be converted into one equity share at par on allotment while the non-convertible part of Rs 15 will be redeemed in three equal annual instalments beginning from the expiry of the sixth year from the date of allotment. For those interested in selling off the khoka portion the company has made arrangements with HMG Financial Services Company for buying it at Rs 12.

East West Travel

India's largest private airlines and travel agency, East West Travel and Trade Links plans to enter the capital market with a Rs 55.2 crore public issue on July 28. The issue consisting of 1,38,00,000 equity shares of Rs 10 each which are being offered at a premium of Rs 30 per share will be lead managed by IDBI, SBI Capital Markets and Indbank Merchant Banking Services. The company is an established profit-making member of the International Air Transport Association (IATA) and has long-standing relationships with several international airlines. It has a wide network of offices and agents all over the country for ticketing and allied services and presently operates to more than 25 destinations on major trunk routes, feeder routes and tourist destinations all over India. The airline which was awarded 'Best Inflight Service and Inflight Entertainment' award by the JD Institute of Fashion Technology has established maintenance facilities, trained manpower, training and upgrading facilities in addition to an engineering set-up for maintenance facilities up to 'C' check and has interline agreements for carrying international passengers on domestic routes with Air India and 17 other major international airlines. The proceeds of the company's public issue will go towards financing the acquisition of fixed assets for its airline division (Rs 16 crore): repayment of bridge loans with accrued interest (Rs 21.9 crore); margin money for working capital (Rs 13.8 crore); and public issue expenses (Rs 3.5 crore).

Narmada Chematur

Narmada Chematur Petrochemicals (NCP), a joint venture between Gujarat Narmada Valley Fertilisers Company (GNFC) and Chematur AB of Sweden with equity contribution up to Rs 77.1 crore (62.5 per cent of the project cost), is entering the capital market with a public issue of 2,31,15,000 equity shares of Rs 10 each which are being offered at a premium of Rs 10 per share. The issue is to part finance NCP's Rs 308.2 crore project for the manufacture of aniline and toluene di-isocyanate (TDI) which is being set up at Narmadanagar in the Bharuch district of Gujarat, within the existing premises of GNFC. TDI is a 100 per cent import substitute product while aniline has good export potential. The first phase of the project which involves setting up the aniline and offsites projects is expected to go into production in October this year while the second phase consisting of the TDI project is expected to be commissioned by December 1996. The public issue which will open for subscription on August 1 will be lead managed by IDBI and J M Financial and Investment Consultancy Services.

Alufluoride

Alufluoride which has been promoted by V S Prasad and K Ramachandra Reddy is setting up a plant for the manufacture of 4,500 tpa of aluminium fluoride at Visakhapatnam in Andhra Pradesh. The project will source its raw material, fluorine pollutants, from the phosphoric acid plant of Coromandel Fertilisers and will use technology supplied by Navin Fluorine Industries, a division of Mafatlal Fine Spinning and Manufacturing Company. The project which is estimated to cost Rs 17.5 crore is to be part finance through a public issue of equity shares of Rs 10 each at par aggregating Rs 2.6 crore and is expected to commence commercial production this month. The issue will open for subscription on July 20.

Ashima Syntex

Ashima Syntex which has been co-promoted by Anagram Finance, Chintan N Parikh and Sanjay S Lalbhai, is entering the capital market with a public issue of equity shares which will be offered at a premium of Rs 40 per share. The issue is to part finance the company's diversification programme envisaging the setting up of a composite denim plant for the manufacture of indigo-dyed, pre-shrunk, 100 per cent cotton 14.5 Oz classical denim fabric. In addition to this project which will have an installed capacity of 10.6 million metres per annum the company has also finalised an agreement with Mihir Textiles to increase its licensed capacity to 56,528 spindles and 472 looms. The project which is estimated to cost Rs 71.5 crore is expected to commence commercial production by October 1994. The company's public issue aggregating Rs 32.8 crore will open for public subscription on July 19.

Vardhman Polytex

Vardhman Polytex plans to come out with a rights issue of equity shares in the ratio of one share at a premium of Rs 60 for every share held and non-convertible debentures (NCDs) of Rs 250 each in the ratio of two NCDs for every five shares held. The issue is to part finance the company's project for expanding its existing spinning capacity at Bhatinda; the setting up of a 100 per cent export-oriented unit with a capacity of 25,000 spindles at Bhatinda; other normal capital expenditure and additional margin requirements. The expansion project will be implemented in two phases, the first involving the installation of spindles is partly complete and is expected to be fully commissioned by October, while the second phase is expected to be completed by the first quarter of the next financial year. Each NCD will carry two detachable warrants which will be converted into two equity shares, one after the second year and the other after the fourth year at a price of Rs 30 each including face value of Rs 10 and a premium of Rs 20.

Equity prices in the Indian stock markets have improved with the BSE Sensitive and National Indices rising by over 90 per cent over the year. Net investment by FIIs are continuing at about $ 200 million a month. Foreign exchange assets (other than gold) have crossed US $ 16.4 billion. While bank deposits have grown at an accelerated rate of 4.3 per cent during the current fiscal year, non-food advances have registered an absolute fall. Amongst major industries, automobiles sector has done well; food processing industries have suffered a set back as have some of the metal industries.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	June 25, 1994	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
All Commodities	100.0	265.4	0.7	10.2	7.1	2.7	3.3	10.8	7.0	13.6	12.1
Primary Articles	32.3	271 0	0 5	11.1	4.0	4 6	5.0	11.5	3.0	15.3	17.1
Food Articles	17.4	298.1	0.5	6.6	2.5	6.3	4.2	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	286.0	-0.1	22.2	3.7	2.1	4.3	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	280.1	0.8	10.1	18 8	0.8	3.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	259 5	0.8	9.7	6 9	2.1	2.3	9.9	7.9	12.6	8.9
Food Products	10 1	269.7	1.2	10.3	9.8	7 0	9.0	12 3	6.8	10.2	13.2
Food Index (computed)	27 5	287.7	0.8	7.8	4.8	6 6	5.7	7.0	5.8	17.2	16.8
All Commodities (Average Basis) (April-June 25, 1994)	100 0	263.2	–	9.3	6.5	11 0	6.9	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Industrial Workers (1982=100)	269[4]	0.7	9.8	6 1	0 7	0 8	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	222[2]	0.5	8.3	7.3		8.3		6 8	13 6	13.4
Agri Lab (July 60 to June 61=100)	1165[4]	-0.9	12.1	-0.7	-0 9	-1.3	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	June 10, 1994	Variation: Over Month	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92
Money Supply (M3)	457306	3616 (0 8)	23740 (5.5)	15939 (4 3)	65827 (17 9)	49344 (15.5)	51653 (19 4)
Currency with the Public	93035	1074 (1.2)	10837 (13.2)	8933 (13 1)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	362552	2883 (0.8)	13712 (3.9)	7157 (2 4)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	216123	1971 (0.9)	12337 (6.1)	11599 (6.6)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	238140	-2453 (-1.0)	937 (0.4)	2726 (1 2)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Reserve Money (June 17, 1994)	152765	3225 (2.2)	14143 (10.2)	3616 (3.3)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre (June 17, 1994)	100144	270 (0.3)	3361 (3.5)	10047 (10.4)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks (June 24, 1994)							
Deposits	327179	305 (0.1)	13365 (4.3)	9817 (3.7)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	164584	-2720 (-1.6)	962 (0.6)	2703 (1.8)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food advances	152438	-2693 (-1.7)	-277 (-0.2)	-130 (-0.1)	7476 (5.1)	24317 (20 1)	120922 (8 4)
Investments	145350	1643 (1.1)	12957 (9 8)	6544 (6.2)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Feb 1994	Average for Fiscal Year So Far: 1993-94	Average for Fiscal Year So Far: 1992-93	Variation (Per Cent): Fiscal Year Averages: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	240.0	222.0 (3.5)	214.5 (2.4)	1.6	-0.2	8 4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	258 0	222.4 (2.4)	216.6 (-0.4)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77 1	230 3	212.3 (2.9)	206.3 (2.4)	0.9	1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11 4	287.1	266.5 (6.9)	267.7 (5.1)	4 9	8.5	7.8	10.8	9.5	7.7	10.3

Capital Market	July 15, 1994	Month Ago	Year Ago	1994-95 So Far: Trough	1994-95 So Far: Peak	1993-94: Trough	1993-94: Peak	End of Fiscal Year: 1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	4121 (90.9)	4124	2159 (-25.9)	3600	4333	2037	4286	3779 (65.7)	2281 (-46.8)	4285 (266.9)
National Index (1983-84=100)	1957 (92.2)	1972	1018 (-21.5)	1765	2041	934	2055	1830 (79.2)	1021 (-48.1)	1968 (234.1)

External Sector	May 1994	Cumulative for Fiscal Year So Far: 1994-95	Cumulative for Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Exports Rs crore	5661	11898 (9.8)	10832 (41.4)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1805	3793 (9.7)	3459 (29.7)	22173 (20.4)	18421 (3.1)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	6037	12181 (12.2)	10852 (4.6)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)
US $ mn	1924	3883 (12.1)	3465 (-4.1)	23212 (6.8)	21726 (11.9)	19411 (-19.4)	24073 (13.2)
Non-POL US $ mn	–	–	–	17559 (14.6)	15319 (9.1)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-376	-283	-21	-3259	-9,572	-3,809	-10,640
US $ mn	-119	-90	-6	-1039	-3,305	-1,545	-5,930

Foreign Exchange Reserves	July 1, 1994	Mar 31 1994	Mar 31, 1993	Variation Over: Month	Year	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Rs crore	51570	47626	20196	2941	30884	3944	490	27430	5385	10223	-1383
US $ mn	16427	15176	6452	944	9820	1251	155	8724	731	3383	-1137

Industrial Production

Selected Industries	April 94	Variation Over: Month	Variation Over: Year	Cumulative for Fiscal Year So Far: 1994-95	Cumulative for Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92
Sugar (lakh tonnes)	6.4	–8.5 (–57.0)	–3.6 (–36.6)	6.4 (–36.6)	10.0 (–45.1)	101 (–19.8)	126 (–5.3)	133 (10.8)
Tea (mn kg)	78.0	54.5 (231.9)	18.7 (31.5)	78.0 (31.5)	59.3 (9.0)	754 (4 6)	721 (–3.0)	743 (5.4)
Vanaspati (000 tns)	72.8*	–10.3 (–12.4)	–8.1 (–10.0)	–	738.9 (1.2)	–	895 (6.5)	840 (–1.8)
Cotton Yarn (mn kg)	169.6	–1.0 (–0.6)	–0.1 (–0.1)	169.6 (–0.1)	169.7 (22.5)	2061 (12.4)	1833 (26.4)	1450 (–4.0)
Cotton Fabrics (mn mtrs)	167.0	5.5 (3.4)	–0.8 (–0.5)	167.0 (–0.5)	167.8 (2.6)	1918 (1.6)	1888 (14.4)	1651 (–11.2)
Jute Goods (000 tns)	94.2	6.4 (6.4)	–10.4 (–9.9)	94.2 (–9.9)	104.6 (17.3)	1201 (9.6)	1096 (–15.0)	1290 (9.8)
Natural Rubber (000 tns)	26.8**	–26.6 (–49.8)	0.6 (2.3)	–	456.4 (7.8)	–	452 (22.2)	366.7 (11.3)
Fertilisers (N) (000 tns)	603	–113 (–15.8)	84 16.2)	603 (16.2)	519	7274 (–2.1)	7430 (1.8)	7300 (4.4)
Fertilisers (P) (000 tns)	182	–38 (–17.1)	97 (111.6)	182 (111.6)	86	1810 (–21.5)	2306 (–10.0)	2560 (24.9)
Saleable steel (000 tns)	902	–352 (–28.1)	–23 (–2.5)	902 (–2.5)	925	11981 (5.7)	11333 (12.6)	10570 (–4.1)
Aluminium (tns)	34152.0	–5160 (–13.1)	–2281 (6.3)	34152 (–6.3)	36433 (–9.9)	465487 (–3.9)	484230 (–5.8)	514200 (14.5)
Lead (tns)	2036.0	–854 (–28.7)	1027 (101.8)	2036 (101.8)	1009 (–)	24524 (–36.5)	38650 (21 9)	35700 (15 7)
Zinc (tns)	1893.0	–5233 (–39.3)	–1877 (–18.8)	8093 (–18.8)	9970 (4.7)	146126 (15 3)	126748 (24.3)	102000 (39.5)
Cement (000 tns)	5049	–861 (–14,6)	259 (5.4)	5049 (5.4)	4790	57833 (6.8)	54133 (0.2)	57100 (4.0)
Coal (mn tns)	16.56	–13.5 (–44.8)	–0.3 (–1.5)	16.56 (–1.5)	16.82	246 (3.2)	238 (3.9)	229 (8.3)
Crude Petroleum (000 tns)	2635	–	389 (17.3)	2635 (17.3)	2246	27015 (0.2)	26950 (–11.2)	30340 (–8.2)
Petroleum products (000 tns)	4851	–	362 (8.1)	4851 (8.1)	4489	54344 (1.6)	53482 (4 0)	48350 (–0 4)

* January 94 ** February 94

Automobiles

Production (number)	April-May 1994	April-May 1993	April-May 1992	Full Fiscal Year: 1993-94	1992-93	1991-92	1990-91	1989-90
Medium and heavy commercial vehicles	13082 (137.3)	5512 (–55.1)	12278	65975 (–13.2)	76051 (–15.1)	89544 (3.2)	86807 (13.3)	76594 (9.2)
Light commercial vehicles	14048 (57 0)	8949 (17 7)	7601	75461 (43.7)	52529 (–2.2)	53710 (–7.0)	57746 (19.2)	48457 (4.7)
Passenger cars	36173 (22 7)	29476 (15.8)	19419	209695 (28.6)	163100 (–2.0)	166383 (–7.7)	180333 (0.6)	179278 (8 1)
Jeeps	7718 (51.5)	5095 (–17.9)	6206	49896 (27.0)	39276 (24.7)	31501 (–15.7)	37369 (–15.7)	44309 (23 9)
Two-wheelers	317601 (24.7)	254793 (1.6)	250851	1756095 (17.0)	1500541 (–6.4)	1603067(–12.0)	1821286 (5.2)	1731686 (5.8)
Three-wheelers	18107 (59.6)	10391 (–10 2)	11573	91608 (40.6)	65166 (–15.0)	76652 (–14.0)	89162 (6 5)	83752 (5 5)
Sales (number)								
Medium and heavy commercial vehicles	9545 (43.5)	6652 (17.1)	5681	76245 (12.2)	67981 (–20.2)	85143 (–1.9)	86831 (13 4)	76572
Light commercial vehicles	10673 (23.5)	8644 (70.0)	5084	74534 (41.7)	52592 (–0.1)	52637 (–8.9)	57768 (21.3)	47621
Passenger cars	36305 (25.1)	29023 (47.7)	19655	210672 (27.8)	164819 (–1.4)	167244 (–7.8)	181416 (1.5)	178669
Jeeps	8477 (33.4)	6353 (5.4)	6030	49478 (29.4)	38230 (9.6)	34871 (–6 7)	37369 (–13.5)	43196
Two-wheelers	315423 (23.5)	255387 (5 4)	242189	1763210 (17.5)	1500313 (–6.7)	1608738(–11 7)	1821635 (5 0)	1735379
Three-wheelers	16839 (48.4)	11348 (23.4)	9195	90704 (42.2)	63790 (–16 7)	76551 (–14 5)	89488 (6 8)	83752

Employment

Employment Exchange Statistics (000)	Cumulative for Fiscal Year 1993-94: Q4	Q3	Q2	Q1	Cumulative for Fiscal Year 1992-93: Q4	Q3	Q2	Q1	1991-92	1990-91	1989-90
Number of live registers (end-period)	36039	36276	36499	36309	36306	36758	37171	36931	36551	34890	33249
Number of registrations	5704	4480	3192	1365	5098	4047	2923	1319	5583	6404	6823
Number of vacancies notified	383	297	207	104	403	315	210	113	415	497	581
Number of placements	223	175	121	59	229	172	112	56	258	253	294
Vacancies as % of registrations	7 2	6.6	6.5	7.6	9 1	7.8	7 2	8.5	7 4	7 8	8.5

Employment and Other Data for Sample of 51 Large Cos in Private Sector	Employment: 1993	1992	1991	1990	Net Sales*: 1992-93	1991-92	Fixed Assets*: 1992-93	1991-92	Total Assets*: 1992-93	1991-92
Total workers (no)	123567 (–2.4)	126659 (1 7)	124527 (2.0)	122037						
Regular Employees	89931 (–3.0)	92726 (–0.3)	92998 (3.0)	90320	849285 (16.5)	728754	686730 (22.9)	558719	1110143 (30 2)	852398
Others (contract, piece-rated and part-time)	33636 (–0.9)	33933 (7.6)	31529 (–0.6)	31717						

* In lakh of rupees

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript ^{4} stands for April (ii) Unless otherwise specified, figures in brackets are percentage variations over the comparable previous period. (iii) — means not available/not relevant/zero.

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

BALANCE SHEET AS ON MARCH 31, 1994

(000s omitted)

	Schedule	As on March 31, 1994 Rupees	As on March 31, 1993 Rupees
CAPITAL AND LIABILITIES			
Capital	1	2,000	2,000
Reserves and Surplus	2	2,273,857	1,762,139
Deposits	3	17,540,070	15,560,497
Borrowings	4	1,201,722	1,019,322
Other Liabilities and Provisions	5	1,150,418	1,042,776
TOTAL		22,168,067	19,386,734
ASSETS			
Cash and balances with Reserve Bank of India	6	1,046,844	2,688,784
Balances with Banks and Money at Call and Short Notice	7	168,212	524,962
Investments	8	10,474,453	10,356,912
Advances	9	8,103,810	3,565,628
Fixed Assets	10	403,956	426,634
Other Assets	11	1,970,792	1,823,814
TOTAL		22,168,067	19,386,734
Contingent Liabilities	12	83,666,544	34,541,953
Bills for Collection		1,117,563	288,802
Notes to Accounts	17		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

(000s omitted)

	Schedule	Year Ended March 31, 1994 Rupees	Year Ended March 31, 1993 Rupees
1. INCOME			
Interest earned	13	2,214,583	3,018,196
Other income	14	783,333	642,088
TOTAL		2,997,916	3,660,284
2. EXPENDITURE			
Interest expended	15	1,122,388	1,769,629
Operating expenses	16	667,632	586,875
Provisions and contingencies		(1,315)	9,183
TOTAL		1,788,705	2,365,687
3. PROFIT BEFORE INCOME-TAX		1,209,211	1,294,598
Provision for Taxation		698,362	563,810
4. NET PROFIT FOR THE YEAR		510,849	730,788
5. APPROPRIATIONS			
Transfer to Statutory Reserves		102,170	146,158
Transfer to Revenue and Other Reserves		408,679	584,630
TOTAL		510,849	730,788
Notes to Accounts	17		

As per our report of even date

BORKAR & MUZUMDAR
CHARTERED ACCOUNTANTS

Sd/-
AMBI VENKATESWARAN
CHIEF EXECUTIVE OFFICER

Sd/-
DILIP M. MUZUMDAR
PARTNER

BOMBAY: June 7, 1994

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

SCHEDULES FORMING PART OF BALANCE SHEET AS ON MARCH 31, 1994

(000s omitted)

	As on March 31, 1994 Rupees	As on March 31, 1993 Rupees
SCHEDULE 1—CAPITAL		
1. Amount brought in as start-up capital	2,000	2,000
2. Deposit with Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949. Government Securities of the face value of Rs. 510,000 included in investments (previous year Rs. 350,000).	Nil	Nil
TOTAL	2,000	2,000
SCHEDULE 2—RESERVES AND SURPLUS		
1. Statutory Reserves		
Opening Balance	398,477	252,319
Add—Transfer from Profit and Loss Account	102,170	146,158
	500,647	398,477
2. Capital Reserves		
Opening Balance	568,777	64,377
Add—Transfer from Revenue Reserves	311,080	425,963
—Revaluation Reserve	Nil	78,437
	879,857	568,777
3. Revenue and Other Reserves		
Opening Balance	794,884	636,218
Add—Transfer from Profit and Loss Account	408,679	584,630
	1,203,563	1,220,848
Less—Transfer to Capital Reserves	311,080	425,963
Add—Prior Period Adjustment	870	Nil
	310,210	425,963
	893,353	794,884
TOTAL	2,273,857	1,762,139

(000s omitted)

	As on March 31, 1994 Rupees	As on March 31, 1993 Rupees
SCHEDULE 3—DEPOSITS		
A. I Demand Deposits		
i) From Banks	133,110	8,402
ii) From Others	2,542,650	2,055,414
II. Savings Bank Deposits	633,320	431,386
III. Term Deposits		
i) From Banks	25,335	25,336
ii) From Others	14,205,655	13,039,959
TOTAL	17,540,070	15,560,497
B. i) Deposits of Branches in India	17,540,070	15,560,497
ii) Deposits of Branches outside India	Nil	Nil
TOTAL	17,540,070	15,560,497
SCHEDULE 4—BORROWINGS		
A. Borrowings in India		
i) Reserve Bank of India	731,253	227,500
ii) Other Banks	460,652	470,191
iii) Other Institutions and Agencies	Nil	Nil
B Borrowings outside India	9,817	321,631
TOTAL	1,201,722	1,019,322
Secured borrowings in A and B above—Rs. Nil		
SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS		
1. Bills Payable	263,001	185,901
2. Interest Accrued	227,084	246,438
3. Inter-Office Adjustments (net)	466,442	Nil
4. Others (including provisions)	193,891	610,437
TOTAL	1,150,418	1,042,776

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

SCHEDULES FORMING PART OF BALANCE SHEET AS ON MARCH 31, 1994

(000s omitted)

	As on March 31, 1994 Rupees	As on March 31, 1993 Rupees
SCHEDULE 6—CASH AND BALANCES WITH RESERVE BANK OF INDIA		
1. Cash in hand (including foreign currency notes)	25,480	19,339
2. Balances with Reserve Bank of India		
a) In Current Accounts	1,021,364	2,669,445
b) In Other Accounts	Nil	Nil
TOTAL	1,046,844	2,688,784
SCHEDULE 7—BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. IN INDIA		
i) Balances with Banks		
a) in Current Accounts	165,580	123,554
b) in Other Deposit Accounts	Nil	Nil
ii) Money at Call and Short Notice		
a) with Banks	Nil	400,000
b) with Other Institutions	Nil	Nil
	165,580	523,554
II. OUTSIDE INDIA		
i) In Current Accounts	2,632	1,408
ii) In Other Deposit Accounts	Nil	Nil
iii) Money at Call and Short Notice	Nil	Nil
	2,632	1,408
TOTAL I & II	168,212	524,962
SCHEDULE 8—INVESTMENTS		
I. Investments in India		
1. Government Securities	5,202,843	4,380,516
2. Shares	600	600
3. Debentures and Bonds	3,266,349	4,729,627
4. Others	2,004,661	1,246,169
II Investments outside India	Nil	Nil
TOTAL	10,474,453	10,356,912

(000s omitted)

	As on March 31, 1994 Rupees	As on March 31, 1993 Rupees
SCHEDULE 9—ADVANCES		
A. 1. Bills purchased and discounted	1,961,423	859,190
2. Cash credits, Overdrafts and Loans repayable on demand	6,418,024	2,362,243
3. Term loans	979,022	387,544
	9,358,469	3,608,977
4. Less Bills Rediscounted	1,254,659	43,349
TOTAL	8,103,810	3,565,628
B. 1. Secured by tangible assets	4,779,852	2,594,447
2. Covered by Bank/ Government Guarantees	930,560	384,306
3. Unsecured	3,648,057	630,224
	9,358,469	3,608,977
4. Less Bills Rediscounted	1,254,659	43,349
TOTAL	8,103,810	3,565,628
C. I. Advances in India		
1. Priority Sector	1,018,872	32,659
2. Public Sector	833,461	1,544,222
3. Banks	117,243	340,693
4. Others	7,388,893	1,691,403
	9,358,469	3,608,977
Less Bills Rediscounted	1,254,659	43,349
	8,103,810	3,565,628
II. Advances outside India	Nil	Nil
TOTAL	8,103,810	3,565,628
SCHEDULE 10—FIXED ASSETS		
I. Premises		
Cost as at April 1, 1993	83,715	5,278
Additions during the year	Nil	Nil
Revaluation during the year	Nil	78,437
	83,715	83,715
Deductions during the year	Nil	Nil
	83,715	83,715
Accumulated depreciation to date	7,373	3,214
TOTAL	76,342	80,501

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

SCHEDULES FORMING PART OF BALANCE SHEET AS ON MARCH 31, 1994

(000s omitted)

	As on March 31, 1994 Rupees	As on March 31, 1993 Rupees
II. Other Fixed Assets		
Cost as at April 1, 1993	458,389	301,181
Additions during the year	97,274	168,576
	555,663	469,757
Deductions during the year	24,226	11,368
	531,437	458,389
Accumulated depreciation to date	235,219	172,746
	296,218	285,643
Add—Assets under installation	31,396	60,490
TOTAL	327,614	346,133
TOTAL I & II	403,956	426,634
SCHEDULE 11—OTHER ASSETS		
1. Inter-Office Adjustments (net)	Nil	573,996
2. Interest Accrued	291,457	157,557
3. Tax paid (net of liability)	198,960	135,561
4. Stationery and stamps	3,775	6,220
5. Others	1,476,600	950,480
TOTAL	1,970,792	1,823,814

(000s omitted)

	As on March 31, 1994 Rupees	As on March 31, 1993 Rupees
SCHEDULE 12—CONTINGENT LIABILITIES		
1. Liability on account of outstanding forward exchange contracts	78,679,387	32,647,144
2. Guarantees given on behalf of constituents		
a) In India	1,417,428	1,356,963
b) Outside India	Nil	Nil
3. Acceptances, endorsements and other obligations	2,335,194	492,133
4. Other items for which the Bank is contingently liable	1,234,535	45,713
TOTAL	83,666,544	34,541,953

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

(000s omitted)

	Year Ended March 31, 1994 Rupees	Year Ended March 31, 1993 Rupees
SCHEDULE 13—INTEREST EARNED		
1. Interest/discount on advances/bills	853,584	1,092,923
2. Income on Investments	1,233,764	1,481,768
3. Interest on balances with Reserve Bank of India and other inter-bank funds	105,520	429,987
4. Others	21,715	13,518
TOTAL	2,214,583	3,018,196
SCHEDULE 14—OTHER INCOME		
1. Commission, exchange and brokerage	110,458	121,897
2. Profit on sale of Investments	530,194	292,921
3. Profit/(Loss) on revaluation of Investments	Nil	193,093

(000s omitted)

	Year Ended March 31, 1994 Rupees	Year Ended March 31, 1993 Rupees
4. Profit on sale of land, buildings and other assets	2,239	1,375
5. Profit on exchange transactions	139,158	31,167
6. Miscellaneous income	1,284	1,635
TOTAL	783,333	642,088
SCHEDULE 15—INTEREST EXPENDED		
1. Interest on deposits	915,739	971,672
2. Interest on Reserve Bank of India/inter-bank borrowings	202,485	788,028
3. Others	4,164	9,929
TOTAL	1,122,388	1,769,629

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

	(000s omitted)			(000s omitted)	
	Year Ended March 31, 1994 Rupees	Year Ended March 31, 1993 Rupees		Year Ended March 31, 1994 Rupees	Year Ended March 31, 1993 Rupees
SCHEDULE 16—OPERATING EXPENSES			7. Auditors' fees, and expenses (including branch auditors)	1,432	920
1. Payments to and provisions for employees	287,073	153,394	8. Law charges	4,111	2,793
2. Rent, taxes and lighting	101,401	106,702	9. Postages, telegrams, telephones, etc	52,531	61,990
3. Printing and stationery	14,038	60,280	10. Repairs and maintenance	41,818	34,608
4. Advertisement and publicity	18,024	32,471	11. Insurance	844	1,023
5. Depreciation on bank's property	75,979	54,965	12. Other expenditure	70,364	77,665
6. Directors' fees, allowances and expenses	17	64	TOTAL	667,632	586,875

SCHEDULE 17—NOTES TO ACCOUNTS

1. ACCOUNTING POLICIES
   a) Accounting Conventions
   The Financial Statements are drawn up in accordance with historical cost convention except in case of Commission on Guarantees & Letters of Credit and Payments under the Early Voluntary Retirement Scheme of 1988, which are accounted on cash basis. Fees earned on Portfolio Management Scheme are accounted on the maturity of the Scheme in accordance with the directives of the Reserve Bank of India (RBI)
   b) Foreign Currencies
   Assets and Liabilities in foreign currencies, except for non resident deposits in FCNR (A) Accounts, are translated into Indian Rupees at rates current at Balance Sheet date as prescribed by FFDAI The net exchange difference arising thereon is charged or credited to profit and loss account
   c) Investments
   Investment Securities are valued at cost plus discount (if any) accreted till date.
   Trading Securities are valued at lower of cost and market value as prescribed by the RBI vide its circular DBOD No BP.BC.59/21 04.043/94 dated May 17, 1994 from the Financial Year 1993-94. Had this charge not been effected, profits for the year would have been higher by Rs 85,396,596 (net of tax Rs 34,158,638).
   d) Fixed Assets
   Fixed Assets other than Immovable Properties (refer Note 2), are stated at cost less accumulated depreciation. Depreciation is charged on the straight line method, at rates higher than those prescribed in Schedule XIV of the Companies Act, 1956, as per the global policy of the Bank
   e) Advances
   Provisions for doubtful advances have been made to the satisfaction of the auditors and in accordance with the norms prescribed by the RBI, based on a periodic review of advances, and after taking into account the portion of advance guaranteed by the Deposit Insurance and Credit Guarantee Corporation, the Export Credit and Guarantee Corporation and similar statutory bodies.
   f) Staff Benefits
   Provisions for gratuity/pension benefits to staff have been made on an accrual basis except for the liability mentioned in Note 3 Separate funds for gratuity/pension have been created.
2. Immovable properties were revalued on March 10, 1993, resulting in an increase of Rs. 78,437,153.
3. The liability pertaining to employees who retired under the Bank's Early Voluntary Retirement Scheme of 1988 is being accounted for as and when it falls due under the Scheme. The liability under the Scheme as on March 31, 1994 as actuarially determined is Rs. 7,226,000
4. Investments include:
   a) Bonds valued at Rs 19 44 million (face value Rs 21 35 million) which were misplaced in transit in 1990 and 1991. Necessary action in terms of lodging FIRs with the Police and notifying the issuers of the bonds has been taken. The Bank continues to hold valid legal title to the bonds as their registered owner

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

b) Bonds valued at Rs. 182.72 million (face value Rs. 220 million) currently registered in the name of a third party which has been notified under Section 3(1) of the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992

5. Claims aggregating to Rs. 561.45 million have been made on the Bank by another bank on account of securities that were allegedly not delivered. The Bank has disputed these claims and has been legally advised that they are not tenable.

6. A Claim of 37 million Units of Unit Trust of India (face value Rs. 10 each) has been made on the Bank by the custodian under the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992 on account of an alleged transaction with a notified party. The Bank has disputed this claim and has been legally advised that it is not tenable

7. The Bank has furnished explanations to the RBI in response to the Special Audit Report on the Bank's securities operations, under Section 30(1B) of the Banking Regulation Act, 1949. The financial impact, if any, will be provided for upon completion of action by the RBI.

8. Demands to the extent of Rs. 301.98 million, raised by the Income-Tax authorities in respect of Assessment Years 1990-91 and 1991-92, have not been provided since these are being contested in appeal

9. Previous year figures have been regrouped and reclassified wherever necessary.

As per our report of even date
BORKAR & MUZUMDAR
CHARTERED ACCOUNTANTS

Sd/-
AMBI VENKATESWARAN
CHIEF EXECUTIVE OFFICER

Sd/-
DILIP M MUZUMDAR
PARTNER

Date: June 7, 1994
Bombay

AUDITORS' REPORT

We have audited the attached Balance Sheet of the Indian branches of Bank of America National Trust and Savings Association as at 31st March, 1994 and also the Profit and Loss Account of the Indian branches of the Bank for the year ended on that date

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Sub-Section (1), (2) and (5) of Section 211 and Sub Section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, together with notes thereon, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

We report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit, and have found them to be satisfactory.
(b) The transactions which have come to our notice, have been in our opinion, within the powers of the Bank
(c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.
(d) The Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account.
(e) Reference is invited to Notes in Schedule 17 regarding investments (Note 4), claims made by other banks on account of securities allegedly not delivered (Note 5), claim made by Custodian under Special Court (Trial of Offences relating to Transactions in Securities) Act, 1992 (Note 6), and the financial implication arising out of Special Audit Report u/s. 30(1B) of the Banking Regulation Act, 1949 (Note 7).

Subject to the above, in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with other notes thereon give the information required by the Companies Act, 1956, in the manner so required for Banking Companies, and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian Branches of the Bank as at 31st March, 1994 and the Profit and Loss Account gives a true and fair view of the Profit of the Indian Branches for the year ended on that date.

For BORKAR & MUZUMDAR
CHARTERED ACCOUNTANTS

Sd/-
DILIP M MUZUMDAR
PARTNER

Date: June 7, 1994

GRASIM INDUSTRIES

Eco-Friendly Strategies

GRASIM INDUSTRIES, the flagship company of the Aditya Birla group with interests in such diverse fields such as viscose staple fibre (VSF), pulp, caustic soda, chlorine and other ancillary chemicals, textiles, engineering and cement saw a fall in its operating profit in 1992-93 with a sharp rise in operating expenses. Production remained stagnant or low in most of the company's divisions and the cement division, the only one to witness a rise in production from 14.9 lakh tonnes in 1991-92 to 19.2 lakh tonnes in 1992-93, saw poor offtake due to the sluggish demand by the government sector. The company managed to show a rise in net profit primarily due to the lower rise in interest burden and a fall in tax provision over the previous year.

Margins at the VSF division continued to be affected due to the exorbitantly high incidence of excise duty on VSF as compared to other major man-made fabrics and the marginal reduction of the said duty in the budget proved to be totally inadequate. Major overhauling and replacement work at the pulp division which involved equipment such as economiser and electrostatic precipitator in the recovery boiler affected production of rayon grade pulp. Production of caustic soda, chlorine and other ancillary chemicals also fell due to a major fire in the caustic soda unit no 1.

Meanwhile in response to the growing demand in both the domestic and international markets the company increased its production capacity for VSF during the year and has plans to undertake further expansion of its capacity. Its newly introduced 'Grasi-high' and 'Grasi-silk' varieties of VSF were reportedly well received by the users in the textile industry. The company received Indian Chemical Manufacturers Association's award for environmental control strategies and safety in chemical plants for 1991 following the successful introduction of a more innovative oxygen bleaching process (for the first time in the country) in the conventional chlorine-based system which helped reduce the cost of bleaching and improved pulp quality. The commissioning of a new captive power plant of 25 MW capacity at the chemicals division at Birlagram in Nagda is expected to reduce production losses due to frequent power cuts and also help in achieving self-sufficiency in power. A major modernisation programme involving the introduction of membrane cell technology was expected to be commissioned in the second quarter of 1994.

The company's US $ 90 million Euro-issue represented by global depository receipts evidencing global depository shares at a price of US $ 12.98 per share (inclusive of premium) during the year was well received. Meanwhile the company has notched a net profit of Rs 228 crore on net sales of Rs 2,202 crore for 1993-94 representing a 64.9 per cent and 52.8 per cent, respectively, over that in 1992-93.

JCT

Export Plans

A part of the Thapar group of companies, JCT was incorporated way back in 1946 for the manufacture of textiles. Through the merger of two smaller companies, JCT managed to diversify its product range to include polyester filament yarn and steel in addition to an exports division and its original textile division. The continued recessionary trends, heavy incidence of excise duty on filament yarn, increasing costs of inputs on account of the convertibility of the rupee, upward revisions of power tariffs in the state of Punjab and the scarce and expensive funds position in the market all took their toll on the companies operating profit. Consequently though net sales in 1992-93 improved by 11.5 per cent over the previous year, operating profit failed to keep pace and saw a rise of a mere 8.7 per cent. The higher non-operating income for the year coupled with the lower rise in depreciation charges however helped the company to shore up its bottomline by more than 100 per cent. The company maintained the dividend rate at 20 per cent though this entailed a higher dividend outgo following a sharp rise in the company's equity capital.

Production of yarn, cloth and polyester filament yarn improved from 12,616 mt, 523.7 lakh metres and 2,812 mt, respectively in the previous year to 13,922 mt, 634.5 lakh metres and 2,973 mt in 1992-93. On the other hand production of nylon filament yarn and synthetic and cotton fabrics fell from 3,550 mt and 80.7 lakh metres, respectively in 1991-92 to 3,292 mt and 58.6 lakh metres. Sale of cloth and polyester filament yarn was higher at 614.6 lakh metres and 3,057 mt, respectively as against 502.6 lakh metres and 2,705 mt sold last year. However, sale of yarn and nylon filament yarn fell from 2,045 mt and 3,543 mt, respectively, in the previous year to 1,505 mt and 3,208 mt.

Meanwhile with the government announcing major duty reliefs both in excise and customs in the budget, the textile and filament yarn industries showed signs of revival. The company has installed 29 sulzer weaving machines in addition to the latest machineries to make high quality fabrics both for the domestic and export markets. To cater to the export market the company plans to install additional sulzer machines. Further the textile division is being modernised in order to make value added cotton fabrics and the company has also undertaken expansion of its filament yarn capacity at Hoshiarpur. The expansion and modernisation programmes at the textile and filament yarn divisions which are to cost up to Rs 200 crore are to be implemented in a phased manner. The company's subsidiary, JCT Fibres which is engaged in the manufacture of polyester staple fibre has turned around in 1992-93 and has increased its share in the domestic market. JCT Fabrics which continues to operate at full capacity and is eligible for benefits of an export house proposes to expand its polymer capacity. With JCT's two rights issue of an aggregate value of Rs 221.5 crore, its equity capital has more than doubled to Rs 73.3 crore. Meanwhile the company has notched a net profit of Rs 37.6 crore on a net sale of Rs 444.6 crore for 1993-94.

HINDUSTAN CIBA-GEIGY

New Products

Hindustan Ciba-Geigy, a Rs 380-crore company which is engaged in the manufacture of such diverse products as pesticides, dyestuffs and chemicals, consumer health care products, pharmaceuticals, additives, polymers, pigments and composites saw a fall in its bottomline in 1992-93. Despite a 17.3 per cent rise in net sales and a 36.9 per cent rise in operating profit during the year, a sharp rise in interest charges and depreciation provision coupled with the burden of a VRS introduced at its plant in Bhandup took their toll on the company's profitability. Despite the fall in net profit the company has raised the dividend rate from 20 per cent in 1991-92 to 25 per cent.

The dyestuffs and chemicals (D and C) division and the additives, polymers, pigments and composites division which were the only divisions which showed an improvement in production over the previous year managed to shore up the company's value of production by 5.0 per cent during the year. While the former saw a 43 per cent rise in its business mainly due to a sharp rise in its exports, the latter's margins were under pressure due to the severe recession and the competition from cheap imports from south-east Asia. Notwithstanding the rise in exports of dyes and dye intermediates, the disintegration of

The Week's Companies

(Rs lakh)

Financial Indicators	Grasim Industries		JCT Limited		Hindustan Ciba		Eternit Everest		Bharat Bijlee	
	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992
Income/appropriations										
1 Net sales	144037	122810	34637	31065	38255	32615	10100	8688	8987	8083
2 Value of production	145854	123605	33887	32369	36728	35105	10380	8849	9332	8189
3 *Total income*	150300	127241	36133	33904	37199	35541	10426	9027	9392	8241
4 Raw materials/stores and spares consumed	70068	59190	19030	18175	9309	10564	5424	4639	5379	4490
5 Other manufacturing expenses	26762	21478	6016	5365	13939	13170	256	210	418	358
6 Remuneration to employees	10643	9548	3681	3473	3281	2731	1264	1188	1527	1402
7 Other expenses	16421	11062	6020	5616	4248	4385	1512	1352	1059	887
8 *Operating profit*	26406	25963	1386	1275	6422	4691	1970	1638	1009	1104
9 Interest	5993	5742	2972	2377	1202	835	64	42	468	411
10 *Gross profit*	22011	20825	4289	2630	4917	3868	1905	1445	616	705
11 Depreciation	6607	5450	1586	1528	1819	712	187	96	76	71
12 *Profit before tax*	15404	15375	2703	1102	3098	3156	1718	1349	540	634
13 Tax provision	1633	4775	0	0	1675	1571	890	670	270	320
14 *Profit after tax*	13771	10600	2703	1102	1423	1585	828	679	270	314
15 Dividends	2511	2291	923	557	664	537	148	148	67	40
16 Retained profit	11260	8309	1780	545	759	1048	680	531	203	274
Liabilities/assets										
17 Paid-up capital	6744	6050	7468	2838	2656	2656	493	493	313	171
18 Reserves and surplus	83619	47191	34935	14814	6551	5792	2745	2066	1219	1156
19 Long term loans	107809	93013	10548	12297	3426	4859	185	216	674	673
20 Short term loans	6048	5853	10825	13845	3768	1910	0	129	1732	1262
21 Of which bank borrowings	4868	4798	8060	8575	0	0	0	128	1426	967
22 Gross fixed assets	153296	123788	36224	29295	13179	11361	3069	2789	1632	1526
23 Accumulated depreciation	50135	43857	10073	8449	7709	6266	1564	1384	783	713
24 Inventories	28898	18759	10497	10930	6759	7771	2826	2369	2585	2416
25 Total assets/liabilities	224385	170574	73281	60978	23855	19861	6848	6328	7742	6604
Miscellaneous items										
26 Excise duty	30550	24292	5521	5600	930	798	441	2252	1765	1655
27 Gross value added	36809	33817	15475	11891	8888	7257	3251	2406	2731	2593
28 Total foreign exchange income	3996	3105	4684	5249	1365	2356	6	4	427	61
29 Total foreign exchange outgo	11736	8998	2042	1267	2138	1720	2116	1794	573	359
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	64.2	72.0	47.3	50.9	160.4	164.2	147.5	139.5	116.1	122.4
31 Sales to total net assets (%)	70.5	80.7	54.3	70.9	233.2	214.3	295.1	299.2	228.2	247.8
32 Gross value added to gross fixed assets (%)	24.0	27.3	42.7	40.6	67.4	63.9	105.9	86.3	167.3	169.9
33 Return on investment (gross profit to total assets) (%)	9.8	12.2	5.9	4.3	20.6	19.5	27.8	23.2	8.0	10.7
34 Gross profit to sales (gross margin) (%)	15.3	17.0	12.4	8.5	12.9	11.9	18.9	16.6	6.9	8.7
35 Operating profit to sales (%)	18.3	21.1	4.0	4.1	16.8	14.4	19.5	18.9	11.2	13.7
36 Profit before tax to sales (%)	10.7	12.5	7.8	3.5	8.1	9.7	17.0	15.5	6.0	7.8
37 Tax provision to profit before tax (%)	10.6	31.1	0.0	0.0	54.1	49.8	51.8	49.7	50.0	50.5
38 Profit after tax to net worth (return on equity) (%)	15.2	19.9	6.4	6.2	15.5	18.8	25.6	26.5	17.6	23.7
39 Dividend (%)	40.0	37.5	20.0	20.0	25.0	20.0	30.0	30.0	22.0	25.0
40 Earning per share (Rs)	20.42	17.52	3.62	3.88	53.58	59.68	16.80	13.77	93.64	219.15
41 Book value per share (Rs)	127.94	80.46	54.74	56.39	346.65	318.07	65.68	51.91	530.74	919.86
42 P/E ratio (based on latest and corresponding last year's price)	34.5	20.7	20.0	18.7	67.2	38.5	12.2	10.3	18.2	7.8
43 Debt-equity ratio (adjusted for revaluation) (%)	124.9	191.1	25.9	77.9	37.2	57.5	5.7	8.4	44.0	50.7
44 Short term bank borrowings to inventories (%)	16.8	25.6	76.8	78.5	0.0	0.0	0.0	5.4	55.2	40.0
45 Sundry creditors to sundry debtors (%)	57.1	55.7	82.4	79.1	31.8	63.7	522.4	402.4	80.7	112.1
46 Total remuneration to employees to gross value added (%)	28.9	28.2	23.8	29.2	36.9	37.6	38.9	49.4	55.9	54.1
47 Total remuneration to employees to value of production (%)	7.3	7.7	10.9	10.7	8.9	7.8	12.2	13.4	16.4	17.1
48 Gross fixed assets formation (%)	25.7	47.2	23.7		16.0	30.2	10.0	19.9	6.9	9.3
49 Growth in inventories (%)	54.0	5.5	-4.0		-13.0	40.8	19.3	24.9	7.0	17.4

the erstwhile USSR led to a fall in the company's exports (primarily that of pharmaceuticals) by more than 40 per cent. The healthcare division also saw a slow market growth and heavy competition.

The company commissioned its new 2,800 mtpa mononcrotophos plant at the Santa Monica works. The antioxidants project at Goa is to be implemented in phases from 1993-94 onwards and the company is also considering the introduction of new self-medication products and a new gel toothpaste. Meanwhile for the first six months of 1993-94 the company's profitability improved sharply and on a net sale of Rs 227 crore it earned a net profit of Rs 14.9 crore as compared to a net profit of Rs 12.9 crore and net sales of Rs 213.6 crore in the corresponding period last year.

ETERNIT EVEREST

Waste Reutilisation

A member of the Eternit group of Belgium which is a world leader in fibre cement products, Eternit Everest improved its performance in 1992-93 posting a 20.3 per cent higher operating profit on a 16.3 per cent larger net sales for the year. Despite a sharp rise in interest charges, depreciation provision and taxation the company managed to improve net profit by 22 per cent over that in 1991-92 primarily due to a lower non-operating loss as compared to last year. Despite the rise in profitability the company maintained the dividend rate at 30 per cent.

Production and sale of asbestos cement products during the year were lower at 1,45,268 mt and 1,38,195 mt as compared to 1,62,825 mt and 1,61,556 mt, respectively, in 1991-92. Despite the curtailment of production in tune with the lower demand and sale following the severe recession in the industry which actually deepened in the latter part of 1992-93 with the civil disturbance in the country, the company managed to improve profits and turnover mainly due to control on costs and optimum raw material mix utilisation. The use of specified waste materials in the production process helped the company to avail of certain fiscal incentives (linked with such use) under the government's environment policy.

The company's R and D centres at Bangalore and Kymore which are recognised by the department of science and technology plan to optimise raw material utilisation and are directing their efforts at material substitution, improvement of existing products and development of new products. These efforts seem to have paid off with the introduction of three new products—two in the roofing segment and one for interiors—in selective markets. The company plans to commence commercial marketing of these new products following the conclusion of test marketing. The company which pioneered the manufacture of fibre cement products in the country and has maintained its leadership position for over 50 years is now pursuing an aggressive diversification programme with technological support from its parent company. For the six months ended September 1993 the company earned net profit of Rs 4.1 crore on a net sale of Rs 54.7 crore as against a net profit of Rs 4.6 crore on a net sale of Rs 59.3 crore in the corresponding period last year.

BHARAT BIJLEE

Profitable Collaboration

After distributing bonus equity shares in a liberal ratio of one share for one held in 1991-92, Bharat Bijlee which is engaged in the manufacture of electric equipment such as motors, transformers and lifts saw a fall in profitability in 1992-93. While the company's net sales rose by 11.2 per cent over the previous year, operating profit fell by 8.6 per cent. A sharp rise in interest charges led to a 12.8 per cent fall in gross profit and a 14 per cent fall in net profit. Consequently the company has had to curtail the dividend rate to 22 per cent as against a dividend rate of 25 per cent last year. Despite this, dividend outgo has doubled following the company's bonus issue last year leading to lower retained earnings for the year.

Sale and production at the company's motors division fell to 2,29,000 (2,39,000) and 2,12,000 (2,37,000) motors, respectively, while sale realisation fell to Rs 29.2 crore (Rs 30.5 crore) with the persistent stagnant demand and pressure on margins. The lift division did not show a noticeable rise in sale with a fall in production from 337 lifts in 1991-92 to 314 lifts in 1992-93 while turnover at the project division was lower. Production and sale at the transformer division on the other hand improved to 1,493 transformers and 1,535 transformers, respectively, while sale realisation improved to Rs 56.3 crore as against Rs 45.8 crore in the previous year. The company's technical collaboration agreement with Siemens Ag of Germany for the manufacture of power transformers seems to have benefited the company with exports improving considerably and the company competing successfully in the international market for transformers. Exports accounted for about 5.0 per cent of net sales as against a mere 1.0 per cent last year. The company also has a technical collaboration agreement with Inventio Ag of Switzerland for lifts.

With lower average price realisation expected in 1993-94 margins are again expected to be under severe pressure at the transformer division. Turnover is expected to improve in 1993-94 with the lift division's increased proportions of high technology installations. Meanwhile for the first six months of 1993-94 the company suffered a net loss of Rs 83 lakh on a net sale of Rs 35.5 crore as against a net profit of Rs 1.2 crore on net sales of Rs 48.6 crore in the corresponding period last year.

For a New Debate on West Bengal

G K Lieten

Steering between the two extremes of contemptuous dismissal and unqualified acclaim, the neutral observer may readily admit that the panchayat system and the process of rural reforms in West Bengal have done reasonably well, and that this is the fountain-head of its success. After almost two decades of LDF sway, it is, however, important to do some creative thinking on new initiatives.

TO many observers, it remains surprising: the communist-dominated Left Front government in West Bengal has remained in power for almost two decades now. It has stood the test of numerous national, provincial and local elections. It has seemingly remained largely unaffected by the ever increasing churning in Indian politics. Steering between the two extremes of contemptuous dismissal and unqualified acclaim, the neutral observer may readily admit that the panchayat system in West Bengal has done reasonably well, and that this is the fountain-head of its success.

After the fourth panchayat elections, on May 30, 1993, the general impression has been created that the LFG was swiftly losing ground and tried to hit back by instigating violence against its opponents. The first newspaper reactions to the panchayat elections, however, were positive. *The Statesman*, for example on June 1 published an editorial 'The Colour is Red' which ended as follows: "Crocodile tears and accusations of unfair polls by the Opposition notwith-standing, the CPI(M) is entitled to be satisfied with its record". *The Telegraph* was of the opinion that the party "remains the best bet for representing rural interest and aspirations", and that accusations of unfair practices were 'a tearjerker'.

VIOLENCE

Soon afterwards, however, altogether different stories started to get into the limelight. The Mamata line of street bravado and the ghastly killings of opponents by CPI (M) supporters led to a collective change in the media. *The Telegraph* was quick to react. In an editorial on June 3 ('Power and Gory') it stated that S S Ray's terror in the early 70s helped the CPI(M) coming to power, but that "having untrammelled power, the CPI(M) may end coming up a full circle for it". Dipanker Bhattacharya (*EPW*, July 17, 1993: 1493) brought in a new dimension: since the CPI (M) had become a party of jotedars and rich peasants, its used intimidation, constant terror and ultimately the carnage near Memari in order to fight back the struggling alliance of poor people.

The most authoritative story on the 1993 panchayat elections appeared in *Mainstream* (June 26, 1993). It was written by D Bandopadhyay, the secretary in the West Bengal department of land reforms in the early 1970s, and recently co-author of a study on panchayats in West Bengal, commissioned by the state government [Nirmal Mukarji and Debabrata Bandopadhyay 1993].

Bandopadhyay starts his contribution with mentioning a number of positive points, which he repeatedly contributes to the credit of all the parties. When it comes to the performance of the Left Front and of the CPI(M) in particular, he turns very critical. Not only have many of its noble plans (land reforms and barga registration for example) not lived up to the promises made in 1977, the whole system has become fairly bureaucratised: "The elan and vitality with which the panchayats had started in 1978 got dissipated and it became in many a place a lifeless and sterile elected administrative structure" [Bandopadhyay 1993: 18]. He further argues that the contractors, usurers and middlemen have started waiving the red flag and have taken over the panchayat power: "That is why we find the Panchayats running out of steam in terms of ideas, innovativeness and emphatic response to major social and economic issues which confront the poor and the less affluent" (:20). In the last elections, Bandopadhyay argues, many of these middle class elements were dislodged from power; they felt threatened and took revenge in violent acts. The blame for all this "falls squarely on the shoulders of the leadership. They should do some sincere introspection...instead of resorting and mayhem of the poor" [Bandopadhyay 1993: 18].

Debabrata Bandopadhyay seems to have overlooked two basic facts: the level of violence, measured in terms of victims, was three times higher than the 1988 level which again was one-third of the 1983 level. On the basis of these fluctuating figures, it would be imprudent to rush to conclusions. In the second place, in the elections the CPI(M) has surely not done as badly as most analysts have argued. Yes, there has been a decline from the 1988 results, around 5 per cent in votes and 8.5 per cent in seats), but then again there was a 10 per cent upward swing in comparison with the 1991 assembly elections, and a 4 per cent increase in comparison with the 1983 panchayat elections.

We would therefore prefer not to follow Bandopadhyay in his analysis, and will look at some of the positive developments which have taken place in West Bengal, and which have culminated in seesaw changes again in the 1993 election. These seesaw changes appear to have been overlooked by most observers. One underlying process, only to be mentioned briefly but of paramount importance, has been the breach in the tenuous hold of landlords and rich peasants on rural politics and economics.

WOMEN AND POOR PEOPLE TO THE FORE

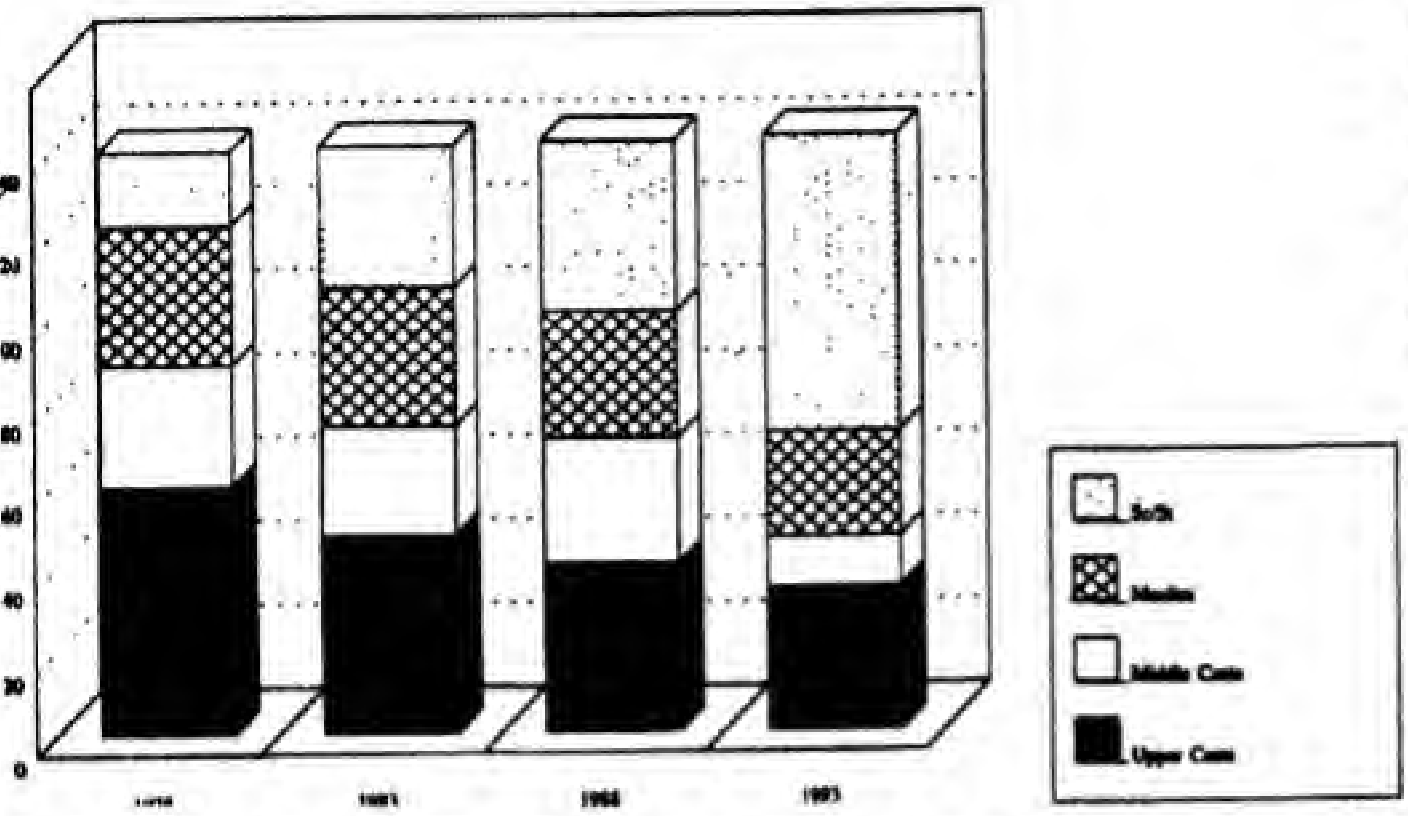
In the popularly elected village councils, as the graph on one block in Barddhaman district shows clearly, a more than proportionate number of the earlier marginalised castes and classes have taken their seats. The public space indeed has increasingly been occupied by poor peasants and agricultural labourers. Originally, it was argued that the low-caste and low-caste people had been kept out of the panchayat structure. Later it was argued that they had been elected in large numbers, but that the real power remained in the hands of the 'bhadrolok'. After the 1993 elections, this contention will have to be dropped.

It is indeed heartening to learn that the 1993 elections have furthered the process of progressively inducting more non-bhadrolok people into the panchayats. In my pre-1993 study on Memari II Block in Barddhaman, I concluded that the progress in the 1988 elections in comparison with the earlier elected bodies was 'remarkable': SC/ST presence in the panchayats was 30 per cent [Lieten 1992b]. I should have reserved my qualification 'remarkable' for the present panchayats: 51.1 per cent belong to SC/ST communities, well above their proportion in the population, and only 31.7 per cent hail from the so-called general Hindu castes.

Also, as another seesaw change, whereas previously women were virtually absent from the elected bodies, this time they represent 42.4 per cent, well above the statutory required minimum of one-third of the seats. The net consequence of this all is that in the block, male non-SC Hindus (forwards and backwards) have had their presence in the panchayats sliced to around 15 per cent.

It remains to be seen how the women will function. Newspapers have been generally pessimistic. On the eve of the elections, *The Statesman* (May 29, 1993:9) wrote that most of the candidates were village housewives, and that "They have grudgingly consented to be candidates for different parties under pressure of party leaders and the menfolk, who are more keen to use them as dummies."

Figure: Caste Composition of Panchayats
Memari, 1978-1993



Such viricentrist stories are common. They definitely reflect a male chauvinist bias. One may agree with the projection that women will not immediately start running the show, but in view of their mere numbers, the colour and the agenda of the panchayats is bound to change.

Till now, in terms of strategic power, the important functions all too often have remained with the male bhadrolok. This is neither surprising nor alarming for, after all, the process of passive as well as active enfranchisement takes time to develop. Moreover, many of the bhadrolok leaders have assumedly been declassed. But at the same time, their intellectual, cultural and managerial supremacy tends to prevent the lower class from rising. Especially in India, the phenomenon of the 'organic intellectual' is rare. The character of the public space has changed though and the question is whether the Left Front parties are consciously furthering this process.

The research findings do show that, by and large, the poor people in the villages feel that their power over village affairs has increased and that, partially because of the gram sabha, their knowledge of, and say in, rural development programmes has expanded. All too often, however, they still maintain that they are not learned enough to take part in the discussions and in management affairs [Webster 1992, Lieten 1992b, Ray and Mondal 1993].

Rural Development

The increasing visibility of women and hitherto marginalised subaltern castes is a commendable record in the political field. This feat had been pre-conditioned by a number of positive departures in the economic field.

The panchayats have channelled the state resources to the needy beneficiaries, and have prevented too much leakage towards non-target groups. The IRDP programme, for example, has generally found its way to the poorer sections of village society. Where it has not, the Left Front, and particularly the CPI(M) may have felt the reaction of an increasingly conscious and alert population in adverse election results.

The centrally initiated rural development programmes may have contributed to stimulate integrated development, but as C H Hanumantha Rao (1992) has rightly stressed in general terms, there exists a dichotomy, a lack of integration of special programmes with overall development. Even in West Bengal, the IRDP has rather lined the pockets of target group families, and has not substantially contributed as an instrument of rural development. One should add that the sub-optimal functioning is very much conditioned by the stringent guidelines laid down by New Delhi, and that lining the pockets of poorer people, rather than those of the powerful and wealthy, has definitely contributed to rural welfare.

The WB experiment nevertheless does show that rural development has taken place. Many indices may be used as references. (1) Out-migration from villages has virtually stopped. (2) Whereas in most Indian states, the percentage of rural non-workers between 1981 and 1991 has gone up, in WB it has come down. (3) Agrarian production between the mid-70s and the early 90s has virtually doubled, thereby neatly exceeding the all-India average. Output figures do suggest that during the Seventh Plan (1985-1990), West Bengal has come to occupy the first position among all the states in terms of growth of foodgrains production. Similarly, it occupies the first place in per capita increase in foodgrains consumption. (4) The process of polarisation and depeasantisation has been stopped. It is even possible that a process of repeasantisation has or had occurred. WB is the only state where the percentage of (male) agricultural labour in the workforce has declined between 1981 and 1991 [India: +2.35 per cent; W B:- 1.75 per cent]. (5) The process of polarisation and pauperisation also appears to have been reversed; poverty remains, but destitution is less apparent. Village studies confirm that agricultural labourers and poor peasants have fully profited from the improvement in agrarian production, although it should be added that this may vary between regions. The population below the poverty line has shrunk fast (to 27.7 per cent in 1991), but remains high in the neighbouring states of Orissa and Bihar (44.7 per cent and 40.8 per cent respectively).

Causal Factors

It remains to be seen whether the micro-variations between villages and blocks are caused by the differing quality and dedication of the panchayat leadership or by the more generally and ambivient environment. The data of my detailed village studies in any case may indicate the diametrically opposed picture of the spread of benefits in a commendable panchayat in Barddhaman, in a reasonably well functioning panchayat in Birbhum, and in a sick panchayat in the Contai region of Medinipur [Lieten 1992a, 1992b, 1993].

It also remains to be seen whether the positive departures can be traced to any of the initiatives which the Left Front government has taken from 1977 onwards: the panchayats, the land distribution and tenancy reforms, and the increasing financial allocation to agrarian inputs. It would be safe but too simplistic to suggest that the three ingredients have contributed their share. The crux of the matter may very well be that they are intrinsic elements of land reforms, at least if land reforms is comprehended comprehensively. Recently, John Harriss (1993) has dismissed the importance of land reforms, and has argued that the commendable performance of West Bengal is largely on account of its sound policy on minor irrigation facilities.

At stake seems to be a definitional problem: in essence land reforms/agrarian reforms include the whole gamut of intervention in the agrarian structure, both in the relations of production and in the forces of production as well as in the superstructural elements. The latter elements are not only 'thrown up' by the basis, but also function as the scaffolding structure, legitimising and/or coercing the social agents to accept the exploitative and basically undemocratic system. Mere land distribution then would certainly not deliver the goods. In addition, as a fleeting rejoinder to Harriss, we could add that the correlation land reforms/productivity increase is neither a linear one, nor a simple one. It is non-linear and multiple. Moreover, the irrigation argument does not

hold since the expenses on irrigation in the recent Five-Year Plans have been considerably higher (with a factor two to three) in Bihar, Orissa and Uttar Pradesh without effecting similar productivity increases.

Towards a New Intervention

The Left Front in 1977 has had a go at the rural political structure, relations of production and forces of production. The success has shown how important it is to intervene comprehensively and to continue to intervene comprehensively. After more than 15 years, and after four consecutive panchayat elections, one should ponder over the direction of that intervention. But one conclusion appears to impose itself as a road sign to success: the functioning of panchayats as people's democratic institution hinges on continuing mobilisation. It is probable that the panchayats which are doing well have generally experienced a drawn-out political battle, pitching poor peasants/agricultural labour against the landed elite. Barddhaman is the typical example to prove the case. Where mobilisation and agitation around class questions have been absent, as in post-independence alluvial Medinipur, panchayats have been less successful, floundering on the village 'key men' in a new reincarnation, clothed in a Marxist garb.

Personalised party politics, nepotism, and corruption tend to crop up if the mobilisation and constant check from below (or from outside) are not forthcoming. In a paper on some such panchayats, appropriately titled 'The pretender panchayats' [Lieten 1993], grass roots realities have turned out to be bleak and gloomy. In one block in Medinipur district (Ramnagar block), panchayats, rather than being a first step towards mobilisation for emancipation and enfranchisement, may as well have served as a dependence reinforcing structure. Rather than helping to wrest social power from the multidexterous dominant families, the new institution of delegated state power has rather helped to refurbish the class dominance of skilful and opportunist young males who have risen in status and power through access to economic opportunities offered by the rural development programmes. The vehicle of rural development, the panchayat, has been rendered rudderless and has lost its potential as a medium for mobilisation and conscientisation.

One important explanation for the deratlment is that the panchayats in Ramnagar have been tagged on to the prevailing social and economic matrix, and as such have virtually proved to be no-runners in the process of social renewal. Whatever social renewal has taken hold of the rural population, has apparently been more on account of 'the changing times' than of the functioning of the panchayats. This conclusion should be modified in the sense that enfranchisement and social renewal in Ramnagar are even less tangible in the Congress-dominated area than in the CPI(M) area. This suggests that, despite the low marks as compared to the credits of the comrades in other parts of Bengal, there still is a quantifiable difference between Congress and CPI(M).

The problems which have surfaced in the analysis of the panchayats in Ramnagar are many. They are not likely to be rectified at the local level. Neil Webster has been impressed by the "qualitative transformation in the material and political condition by a large section of the rural population previously missed, or ignored, by development programmes" [Webster 1992:124], but has also noticed a number of problems:

> These are problems that must be seen to lie in the continuing class character of agrarian relations in the villages and the political practice of the CPI(M) and Left Front government in the context of these class relations [Webster 1992:125].

This conclusion is in line with the lessons which we wish to draw from the studies in different districts. The panchayats will not do as a soft option. Class-based social movements, overhauling at least some of the economic pillars of the old class domination, are prerequisites for social and political change as well.

The struggle is a tedious one. It requires a constant checking from above and a movement from below. In addition to creating conditions for enfranchisement and mobilisation from below, it remains important that control from above puts a check on dysfunctioning and malfunctioning. The August 5, 1993 address by Jyoti Basu indicates that the (top leadership of the) CPI(M) is aware of the pitfalls associated with free wheeling local leaders.

In practice, action has often been taken against corrupt, inefficient and individualistic leaders. This has happened in the Ramanagar area, and although the CPI(M) lost the elections in the 'pretender panchayat', it goes to its credit that some of the corrupt elements had been taken out.

These and others are so many reasons to give high marks to the West Bengal panchayats and to the type of rural development. At the same time, one can be, and should be, critical of the many opportunities which have been missed and the lack of imaginative renewal.

A number of issues may be formulated, relating to interventions in different spheres and with different purposes. The purposes can be clubbed together under (1) efficiency, (2) development, and (3) social renewal.

Some of these issues have recently been discussed at a workshop of politicians, civil servants and academicians in Calcutta (see note). From the workshop, I have learned that most of the suggestions are already being addressed, and that some are even being implemented. From the address and the interventions by Asim Dasgupta, the minister of finance, I further learned that his government is seriously addressing the question of divisibility in the budget, which is basically the issue raised in A1 and A4 below and the generation of local savings and income (A3). From the concluding speech by Surya Kanto Mishra, the minister of panchayats and rural development, I learned that many lofty ideals and proposals cannot be put into practice: "I want to make it clear that devolution of power can be done to the extent that the state government possesses it. In India, there is only one government. The rest are local administrative bodies. The state government does not possess any state power, and therefore cannot decentralise state power and is circumscribed in the devolution of finances to the lower level"

Increasing the Efficiency

A1: An efficient system in the first place requires a planned and non-discretionary financial devolution. Financial allocations and disbursements remain hazardeous from Writers Building to ZP, from ZP to GP, and make any rational village planning and execution ephemeral. Hence local planning without financial autonomy has lost much of its meaning.

A2. Numerous improvements can be achieved without relying on the manna from the higher echelons. Local taxes can net considerable dividends. In addition the reliance on 'shramdan' and 'dhandan' will help to construct and reconstruct many local amenities, adding to improvement in the quality of life.

A3: Financial allocations require accounting. Numerous are the GPs which do not finalise their accounts and where accounts have not been audited. A cut in allocations, as is the practice in centre-administered programmes, will help to improve the financial soundness of the system, and will help to fulfil the targets. Such a punitive system, however, can only be instituted if the lower state levels are provided with technical staff, and, above all, have a guaranteed access to the financial allocations. The biggest defaulter in this respect remains the government of India.

A4: It has since long been agreed that the state departments (PWD, electricity, health, agricultural extension, education, etc), are inefficient, inert, over staffed and corruption-prone institutions. On the other hand, the local bodies would be interested in tackling the issues directly (both since they are directly effected and since the electorate expects them to act). A massive transfer of staff from the state to the local

structure is urgently called for. Social control on the way works are implemented will improve quality and speed, and will reduce corruption.

The budgets of the last couple of years have already introduced a number of changes, but the three-tier panchayat structure remains too much, as Mukarji and Bandopadhyay (1993: 9) call it, "horizontal interventions in a vertical jungle...At present, quite simply, the panchayats have the functions and the development departments the staff".

A5: Great stress should be put on work ethics, or, for that matter on managerial efficiency. Remoulding attitudes requires that the managerial apathy is confronted head on. The pressure to perform is very much present with top leaders and top bureaucrats, but the lower the level of administration, the more easy going and laid back attitudes predominate. Whereas the revenue-producers are hard-working men and women, the revenue-consumers (in the different levels of administration, education, etc) are still working at the pace of the 'mid-seventies', probably even of the mid-40s. Changing work ethics will be the biggest contribution to the exchequer, not unimportant in times of financial stringency.

Development Issues

B1: The land ceiling and vesting appear to be over. Although questions remain in regard of the zero benefit of the 1982 Amendment Act, panchayats can do useful work in starting up a co-operative movement. Till now, little attention has been paid to (production/marketing) co-operatives of small farmers/artisans. The Grameen Bank in Bangladesh clearly illustrates that co-operatives do not necessarily fail. If they fail (too) often in West Bengal, a profound study should have been undertaken. The trading middlemen appear to remain as important as before.

B2: Too many IRDP loans have been put to sub-optimal use. The leakage to non-target groups and corruption cuts have remained minimal, but at the same time, the individual loans have remained unintegrated in a local development plan. Panchayats should distribute the loans not as *de facto* consumption loans, but as loans integrated with local development projects, e g, co-operatives. The JRY fixation has restricted panchayat work to handed down formulae. As a consequence, interventions based on local resource endowments are largely missing. The decentralisation of the decision-making process, diluting the stringent conditions laid down by the federal government, could go a long way in stimulating local imagination and more effective use of the limited resources.

B3: Human capital is the basic ingredient in post-land reform development. The fixation on material assets' building, typical for IRDP/JRY obscures the fact that it is skilled human beings that matter. A comprehensive and widescale intervention in and supervision of educational and health institutions are basic pre-conditions for sustained growth. Panchayats should start playing a direct role in village education, and make sure that nobody is left out, that teaching does take place, and that the quality of teaching improves dramatically. The future possibilities of the state are tied-up with the quality of teaching generated now.

Social Renewal

C1: The adult literacy programme has been a novel type of intervention, a class intervention not directly related to the economics of class struggle. It has proved to have produced remarkable results in some areas in which the programme had been taken up just before the 1991 Census operations (for example 81.3 per cent literacy of +7 males and 56.6 per cent of +7 women in Medinipur), and makes the continuing situation in other areas (e g, 20 per cent female literacy in Jalpaiguri, West Dinajpur, and Purulia), even more unpalatable. This intervention requires a war-like effort, and should be combined with a forceful intervention in the way in which village schools are run.

C2: More broadly, the panchayats can play a more active role in introducing and improving a scientific temper. A significant drive has been going on in respect of some issues, e g, for secularism, but nothing short of a head-on mass social movement will help. Such a movement is urgently required in the struggle against the baneful dowry system.

C3: Social renewal involves a new place for women in society. In this respect, the panchayats could bring about the second revolution in the countryside. The new statutory provisions for women in the panchayats should serve as a launching path for the comprehensive emancipation of rural women.

C4: Panchayats can play an important role in the field of sports. Organising inter-village sports competitions (e g, volleyball, athletics) would go a long way in improving physical standards, interlink youth over the village border, and provide poor village boys and girls with healthy entertainment. It may not be a necessary ingredient of class struggle, it nevertheless is an element of class emancipation, and it may get Indian sports out of the unfathomable pith which it is in at the moment.

Decentralisation

Some of the many issues at stake have been indicated. They may not have the most direct relevance. Many more suggestions can come forward. All these suggestions need to be taken notice of, and it seems paramount that the relevant state institutions put their act together. A thinktank should come forward with ideas, pilot projects should implement these ideas and government and non-government evaluation/research teams should study the net results of such pilot projects and advise on further implementation.

In addition to the appropriate political perception, of which West Bengal seems to have sufficient, it all requires agility and managerial talents. In this respect some lessons may be learned from the private sector. Decentralisation in the thought ambit of the IMF/World Bank unfortunately remains focused on dececentralisation to the private sector. Decentralisation to public sector institutions may provide a good alternative.

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The New Panchsheela

B M

Narasimha Rao's inclination is to adopt policies which may yield short-term gains, and advance grandiose ideas in public that cannot be translated into practice.

THE ruling Congress party is making frantic efforts to celebrate three years of Rao government. The resources of the party directly and of the government indirectly have been mobilised in full measure for the purpose. It is a wholly partisan affair of the ruling coterie headed by the prime minister, P V Narasimha Rao, so much so that many factions and personalities even in the ruling party are bound to look upon it with reservations and misgivings. It actually signals a farewell finally and openly to its pretension of following the principle of consensus politics, which to the party has meant, right from the beginning, a *carte-blanche* for breaking the cherished national consensus based on values and objectives of the prolonged struggle of the Indian people for freedom, democracy, and socio-economic development on the basis of self-reliance and social equity.

The universal perception is that Narasimha Rao is not a charismatic personality. He is also widely believed to be prone to dithering, unwilling and unable to come to grips with the myriad problems of the masses. And yet he has survived and, many believe, has consolidated his position in the ruling party and as head of the union government. Those who have developed a special fondness for him believe that he is a stabilising force in an uncertain and volatile situation. They are willing to condone and even applaud political skulduggery and corruption of the ruling coterie headed by Rao because in spite of eroding mass support, he has turned out to be a hardly survivor who has lasted for three years in the prime minister's office and mans complete his 'term'. The TINA factor—'there is no alternative'—it appears, has a fascination of its own for many at present. Rao has taken advantage of this factor, cleverly and cynically, to bring about far-reaching changes in national policies and commitments which in the past, would have been rejected by the masses as well as all political parties and circles. The fact to be reckoned with indeed is that Narasimha Rao's role at the head of the central government is relevant only in terms of the decay of Indian polity in which a variety of vested interests among politicians, administrators, business interests and intelligentsia are finding opportunities to accept and even justify gross violations of all the principles of democratic accountability so long as their narrow self-interests are subserved.

Rao, as soon as he formed the government three years ago, embarked on a course which marked a total break with what were accepted national, economic, social, political and foreign policies. Far from seeking or promoting a new consensus, which he pretended to be working for, he opted for aggravating contentions in all matters and spheres of national concern. When he talked of consensus, it was only to ask for shoving under the carpet all contentious issues to smoothen the way for changes and adjustments in national policies to begin with, in economic policy matters, and subsequently on a wide-ranging, indeed all embracing, basis, including in respect to the character of the Indian state and the independent identity of India in the world order. It is not surprising either that secretiveness, deviousness and obfuscation rather than transparency and accountability to parliament and people, have characterised his functioning as the head of the government. He has revelled in negotiating deals with vested interests, domestic and foreign, personally and not through the properly constituted machinery of the state. The fact is also widely admitted that he has winked at growing corruption. His own personal integrity is not above question. The issue of illegal possession of hereditary land in contravention of the land ceiling law, in spite of matter going up to the Supreme Court, has not been clarified so far. He has not hesitated to arrange defections from opposition parties and even factional feuds within his own party to consolidate his position in the government and the ruling party. His penchant for running a highly centralised system of administration and party machine too is manifest.

Authoritarian Inclinations

There are instances and matters galore which demonstrate his authoritarian political inclinations. The latest is the sugar scandal and the dubious manner in which he has responded to it. He chose to announce in a hurry modifications in the telecom policy, opening the door for entry of multinational corporations in this sensitive sector in disregard of both economic and security considerations, on the eve of his visit to the US where wheeling and dealing with American business corporations was high on his agenda. His unconcern for parliamentary responsibilities and institutions is glaring. The handling of the JPC probe into the huge financial scam and avoidance of relevant and meaningful follow-up action on the JPC report and the more recent boisterous manner in which the Public Accounts Committee probe into sugar scandal has been attempted to be scuttled emphasise this disrespect for institutions' position. No less significant are his secret negotiations with the governments of the developed countries, in particular the US, Germany, UK and Japan, for bilateral treaties to guarantee security and high returns for foreign investment in addition to signing the GATT treaty and joining Multilateral Investment Guarantee Agency.

The economic reforms—so-called—of the Rao government have visibly emasculated the development role of the Indian state and its institutions. The mass of the deprived and exploited Indian people has been pushed out of the economic growth process. They have only to bear the full brunt of stagflation—high inflation and slow growth—even as big business in India, reluctant to make new investments, makes high profits from flogging existing productive capacities while foreign capital extracts special incentives and guarantees for any investment in the 'emerging market' in India. Totally facile, indeed deceptive, is Rao's frequent claim that in his scheme of things the government's financial resources can be released for social welfare such as education, health, agriculture and anti-poverty programmes.

The rationale of the so-called economic reforms programme of the government when it was launched in the middle of 1991 was said to be that it would dislodge vested interests which had grown and entrenched themselves in the Indian economy, society and polity during the failed experiment of planning socio-economic development. But it was suggested that in order to be able to break the resistance of the vested interests, the Indian market had to be opened up for benevolent external forces, economic and political, to play the leading role in the economic, social and political structures of India. The benevolent external forces which are being relied upon for this purpose are direct foreign investment. Multinational corporations, in particular, are being given a free hand, and are expected to shake-up a backward India, stuck in stagnation. This shaking up would admittedly hurt at least 600 million Indians, and the notion that the rest of the population would constitute in course of time a viable market of 300 million is facile and exaggerated. The fact is that

under conditions of stagflation the social base of the Indian market has tended to shrink rather than grow during the last three years under the present policy and political dispensation.

Rao's guiding principle is to postpone as far as possible, the day of reckoning. Populist-political considerations prevail in his posturing and policy preferences. Even the World Bank and IMF experts have expressed their doubts about the prospect of the Indian economy. They have warned against a flow of foreign capital to India when it is not augmenting investment for production purposes or creating real assets in the economy but is boosting speculation and inflationary pressures. Narasimha Rao's desperate search is for short-term political-populist gains rather than for sustainable growth and social equity in the long term. The new version of Panchsheel he has recently adumbrated is clearly lacking in conviction or credibility. It is the latest in a series of bright ideas, such as the middle path which he mentioned at Davos on the occasion of the annual meeting of multinational corporations. The fact is that principles have lost their appeal for Rao whose motivation is for opportunism in the management of political and public affairs and norms of governance. Seemingly strong in his own party and in relation to other political groupings, Rao is driven by the fond hope that he may, after all, complete what he claims to be his 'term' in the prime minister's office. But, meanwhile, incalculable harm has been and is being caused to the polity. It is no wonder either that corrupt administrators and oppressive organs of control and repression of popular masses, are acquiring overwhelming importance and power in the system of governance. A suggestion has been made that even if the Congress Party were to lose the coming general elections with an even larger margin than in 1991, Rao may manoeuvre to head a coalition government of some kind or other. Those who envisage, indeed make, such projections are obviously driven by their own rather queer idea of avoiding 'political instability'. They, for the same reason, may even suggest putting off general elections when they become due and depend on Rao to arrange the 'coup'.

The new definition of Panchsheel attempted by the self-styled philosopher-politician, Rao, grotesque though it may seem, is, therefore, full of many forebodings. Panchsheel was conceived 40 years ago as the assertion of the independent identity of countries which had broken the colonial shackles and embarked upon the re-generation of their societies and re-building of their economies by the mobilisation of their own resources, human and material. Its thrust was to guard against foreign interference in their internal affairs and not allow themselves to be embroiled in the cold war of rival military blocs. This was essential to prevent the reimposition of new forms of foreign domination over the developing countries and was a basis for their solidarity. Panchsheel as originally delineated is still very relevant and valid, particularly for India. The very idea of reinterpreting it is therefore wrong and perverse. It is inspired by the anxiety of the ruling coterie headed by Rao to hide the sinister moves underway during the last three years to 'open up' India to foreign interference and eventually, domination.

The so-called middle path, combined with the slogan 'back to the village' and the relationship between technology and tradition in the process of economic growth and modernisation of society which has been left undefined by Rao are 'principles' which are highly suspect. Rao's references to "a new world order" must at once recall the 'world order' which US president Bush proclaimed after the US military expedition against Iraq. Rao is evidently willing to fall in line. The concept of a new world order under US hegemony has been promoted by the US so that it can assume the right to intervene diplomatically and even militarily whenever it considers necessary, in 'trouble spots' in any part of the world. The Rao government would appear to be inclined to seek a role in this adventurous course. What is being projected really after all, is an unrelenting advance of the 'globalisation' process and the concomitant abridgement of the sovereignty of the nation states. Narasimha Rao at the head of the government in India has assiduously worked for the acceptance of this doctrine by India, to start with in respect of the Indian economy under pressure of an acute foreign exchange crisis and step-by-step the entire political, cultural, social relations in India. The progress in this direction in the last three years has, however, been patchy and fitful so far because of popular aversion and even active resistance from large segments of the population. But Rao is determined to push ahead on the path chosen by him and for him when he was catapulted to the office of prime minister three years ago.

Controlling Tobacco Use

Rajesh Kumar

A comprehensive long-term policy, giving due consideration to all sectors which will be affected, needs to be evolved.

TOBACCO abuse has assumed epidemic proportions in India. Population-based surveys have found that 70 per cent to 80 per cent of men and 15 per cent to 30 per cent of women use tobacco. The burden of diseases caused by tobacco is relatively small at present as compared to many other communicable diseases but considering the trend in tobacco consumption in last decades tobacco-related diseases such as heart attacks, asthmatic bronchitis, cancers of lung, lips, mouth, food and windpipe, etc, will increase in future.

Government action for tobacco control such as ban on promotion of tobacco through official mass media Akashvani and Doordarshan; printing of health warning on cigarette packs and on cigarette advertisements; prohibition on smoking in public transport; health information and education campaign; and tax increase on tobacco products have succeeded in reversing the trend to some extent but considering the enormity of this problem a comprehensive long-term policy is needed.

Tobacco is used in various forms: for smoking (cigarette, bidi, chutta, dhumi, chillum and hooka), for chewing alone or in betel-quid or in pan masala, mishri, and snuff. The per capita cigarette consumption has declined from 190 to 160 between 1970 and 1985 but only one-fifth of the total 120 million smokers buy cigarettes. The consumption index with base of 100 set in 1973-74 has reached only 111 for cigarettes by 1986-87 while in same period index for bidis reached 265 mark. The production figures for tobacco leaf show annual increase of 0.1 per cent. Total leaf production was 4,60,000 metric tonnes in 1987. Percentage consumption of leaf in 1982/83 was 34 per cent for cigarettes and smoking mixture for pipes and cigarette, bidis 26 per cent, chewing products 9 per cent, hookah 5 per cent, cigar and cheroot 2 per cent, snuff 1 per cent, and miscellaneous 26 per cent. Tobacco used in cigarette and bidis is of high tar content (range from 19.4 mg to 28.3 mg in cigarettes and 23.0 mg to 40.7 mg in bidis).

The consequences of tobacco use are well known for several decades in the west. Tobacco-caused diseases in the west are virtually all related to smoking whereas in India cigarette consumption is low. But all other forms of tobacco use have also been found harmful in Indian studies. Age-adjusted relative risk (of overall mortality) among smokers (mostly bidi smokers) was 1.5 and among chewers (mostly betel-quid chewers) was 1.3 in a cohort study of 10,287 individuals followed up for 10 years in a district of Kerala. A similar study on reverse chutta smoking in a district of Andhra Pradesh found relative risk of 1.9 in men as well as in women.

Rise in tobacco-related diseases will increase the economic burden on scarce resources of ministry of health. Social security costs of employees and workers covered by Central Government Health Services (CGHS) and Employees State Insurance Corporation (ESIC) will rise. Higher sickness rate and pre-mature death in smokers is not only a loss to productivity but to the productive workforce as well. Considerable part of income in poor smoker's household is consumed to buy bidis or cigarettes or khaini, etc, and consequently less money spending on food adds to pre-existing malnutrition problem. In addition to adverse effects on health, smoking habits are responsible for large numbers of fires in industrial establishments as well as in agricultural sector.

Tobacco farming uses many more pesticides and fertilisers as compared to other crops putting heavy pressure on farming land. The leaf of temburni plant which grows in wild is used in making bidis. Collection of this leaf from forest provides seasonal employment to hundreds of thousands of tribal people in central India but at the same time it is responsible for causing great strain on environment.

Most of the religious faiths in India prohibit smoking but some are more strict than others. Smoking in public places not only causes inconvenience to those who are not used to inhaling tobacco smoke but also hurts the religious sentiments of some people and at times leads to religious strife. In general people consider tobacco as social evil and many social organisation may take active part in anti-tobacco campaigns if the concept of public good is accepted in relation to tobacco use since smokers are a health hazard not only to themselves but also to non-smokers.

In view of the enormous adverse effects of tobacco use not only on health but also on economy, environment and social relations the tobacco control programme needs to be accelerated by adopting following measures. (a) Legislation: Ban all tobacco-related advertisements; Smoking in public transport and in specified public places be declared as an offence; Printing of statutory warning 'tobacco chewing and smoking is injurious to health' be made compulsory for every tobacco product including bidis; and Ban sale of tobacco products to minors. (b) Taxation: Increase tax on tobacco sale, higher tax on more harmful brands; and stop subsidies for tobacco farming. (c) Administrative: Set up a tobacco control authority to monitor implementation of tobacco control policy; (d) Education: Launch a multimedia campaign against tobacco to educate public about the harmful effects of tobacco.

Since tobacco production and consumption influences various sectors of society in several ways, some negatively and others positively; implementation of the policy should take into account its effects on various sectors. More than six million people are estimated to be employed in tobacco farming alone. Many thousand more are employed in manufacturing, distribution and advertisement of tobacco products. Sales promotion activities include even sponsorships of several cultural and sporting events. The state earns substantial amount (3.5 per cent) of its revenue from tobacco. Ministry of agriculture gives subsidies to tobacco growers. Tobacco control actions are likely to be opposed not only by tobacco growers and tobacco companies but also by some of the government departments.

Although most of tobacco-related activities, i e, production taxation, trade, etc, are controlled by other ministries and departments (ministry of agriculture, industry, commerce and finance) but ministry of health being custodian of peoples health and committed to the goal of 'health for all' should take the leading role for formulation of tobacco control policy and for monitoring its implementation. As a first step, therefore, the ministry should have its own working group on tobacco control. In order to generate consensus with other ministries on the policy of tobacco control a cabinet sub-committee should be constituted. Since the problem is very complex and involves so many sections of the society, implementation should be step by step in phased manner.

Replacement of tobacco farming to other cash crops is a difficult proposition since net returns per hectare are three times higher for tobacco as compared to other crops. Resources generated by increasing taxation can be used to give technological as well as financial assistance to farmers encouraging them to change cropping pattern away from tobacco. Similarly anti-tobacco media campaign be financed to re-employ professional advertisers in public and private sectors who are likely to become surplus due to the policy of ban on tobacco advertisement. Indian export market of tobacco products is on decline due to anti-smoking campaigns in the industrialised countries. Therefore, it is wise to give incentive to tobacco industry to shift over to other export-oriented consumer products. Revenue generated from tax increases on tobacco be invested in potentially profitable enterprises so as to compensate for the eventual decline and ultimate depletion of this source of revenue.

Tobacco control programme is essentially an enterprise of economic readjustment which I believe can be done without any financial loss to the country. All the gains in health can be attained without any extra cost. A comprehensive approach as outlined will reduce both demand and supply by anti-tobacco campaigns and by tax increases and rapid decline in tobacco abuse will be achieved.

Centralised Decentralisation

Haryana Panchayati Raj Act, 1994

Mahi Pal

In order to make the panchayats institutions of self-government, the leadership at the grass roots level has to be strengthened. This cannot happen when panchayat acts, as in Haryana, accord a major role to the centralised bureaucracy.

HARYANA had a system of local self-government in the pre-British days—bhaichara panchayats (i e, community council). However, it had no popular base. Till 1939, some steps were taken towards decentralisation mainly for discharging judicial functions. In 1952, the Punjab Gram Panchayat Act was enacted to further democratise the local institutions. However, there was very little progress in practice. The Panchayati Raj system was ushered in 1961 after an amendment of the Gram Panchayats Act. Along with it the Punjab Panchayat Samiti and Zilla Parishad Act was also passed, which adopted the Balwantrai Mehta model of decentralised structure. After the creation of Haryana as a separate state in 1966 there followed a period of about 25 years in which these institutions remained virtually on paper only. In fact, in 1973 one of the pillars of the grass roots level democracy, i e, zilla parishad was abolished. The main factors responsible for their dismal performance have been the unfriendly attitude of the state level political leaders and officials and the unequal distribution of land and assets.

Gram Sabha

Gram sabha (GS) has been made the cornerstone of the panchayati raj system. It is (Section 11(1)) mandatory to hold at least two GS meetings in a year. One between May 1 and June 30 and second between November 1 and December 31. If the sarpanch (i e, chairperson of gram panchayat) failed to hold these general meetings on the dates, he shall automatically cease to hold office from the date on which the second meeting was to be held (Section 11(2)). The quorum of the GS meeting is fixed at one-tenth of the total number of its members. It is also compulsory for the block development and panchayat officer and the gram sachiv (village secretary) of the gram panchayat (GP) to attend every general meeting of the GS. The GP may call village-level functionaries serving in the Sabha area to attend the meetings and give advice in respect of any matter.

A number of powers and functions (Section 12) such as to consider the budget, future development plan, programmes audit reports, review the general progress of the development plan, consider the actual income and expenditure of the GP, scrutinise the existing schemes as well as completed works, maintain a complete register for all development works undertaken by the GP or by any other government department have been entrusted to GS.

The powers and functions endowed to the GS may make it a strong corporate body to plan, execute and monitor the development and social justice plan of the GP.

Provisions of Acts

Gram Panchayat (GP) shall consist of sarpanch, upsarpanch (vice-chairperson) and six to 20 panches (members) elected from the different wards depending on the size of the panchayat. The sarpanch shall be elected directly while the upsarpanch shall be elected indirectly. The seats for SC/STs may be allotted to those wards having maximum population of these castes. A seat of panch is also reserved for backward classes in GP provided backward classes population is 2 per cent or more to the total population of the panchayat which will be filled from the ward having maximum population of this group.

A sarpanch may be removed from his office by a majority of not less than two-thirds votes of the members of GS present in the meeting convened by the authority. It is also mentioned that the attendance in such meeting shall not be less than 50 per cent of its members. This type of meetings can only be held if majority of not less than one half of the panches request for such meetings. The meetings of the GP (Section 13(1)) shall be held once in two months. The meetings shall also be open to the public.

Every GP or group of GPs shall be assisted by a secretary who will be the state government employee. Each GP (Section 22(1)) shall constitute various sub-committees including social justice committee. If a GP consists of more than one village, then it will have a local committee comprising of a panch of the village concerned and appointed members from among GS members. At least one member belonging to SC shall be on the social justice committee. Every GP shall have a gram fund for carrying out the duties and obligations entrusted to it.

The panchayat samiti (PS) shall comprise three types of members: (a) directly elected member from the territorial constituencies, (b) members of the legislative assembly whose constituencies form a part of the PS area, and (c) one-fifth of the total sarpanches within the jurisdiction of the PS. This lot will be rotated every year so that within 5 years all sarpanches are represented in it. The b and c types of members shall be *ex officio* members. MPs will not be members of the PS. MLAs enjoy voting power only in the decision-making of the PS. The samiti shall consist of 10 to 30 members. Each member will represent 4,000 population in those PSs whose population is up to 40,000 and 5,000 population in those PSs where population is more than 40,000. One seat is reserved for the person belonging to backward classes.

The power and function of chairperson among others are to convene, to preside and to conduct the meeting of the samiti, discharge all duties and powers conferred on him under this act. The chairperson or vice-chairperson can only be outed if a resolution to this effect is passed by not less than two-thirds of the total elected members. The meeting of PS shall generally be held once in two months.

The PS shall also constitute (section 18) various committees including social justice committee. The executive officer of the PS shall act as secretary of every committee. PS can impose two types of taxes. One with the prior permission of the chief executive officer (CEO) of zilla parishad and second without permission. Each PS will have a samiti fund. The supervision of the PS (sections 106 to 116) shall be done by both the CEO of ZP and the state government.

The zilla parishad (ZP) shall comprise three types of members. (a) Members directly elected from their constituencies in the district, (b) the members of house of people whose constituencies lie partly or wholly within the district, and (c) chairperson of all PSs of the district. The members of the house of people and chairperson of samitis shall be *ex officio* members. They shall have right to vote in the meetings of the ZP except for election and removal of the chairperson and vice-chairperson of the ZP. The total directly elected members can be between 10 and 30. Each member of the ZP shall represent 40,000 population. One seat of ZP is reserved for backward classes. The elected members of this body shall be two-thirds or more of the total members of the ZP. MLAs are not of members of this body.

The power and functions (section 122) of the chairperson *inter alia* are to convene to preside and to conduct the meetings of ZP, discharge duties and powers entrusted to him. ZP shall be a advisory body (section 137). The ZP may also constitute the committees. But what type of committees shall be constituted is not specified. Every ZP shall have a zilla parishad fund (section 145).

The chairperson of ZP (section 123) can only be removed if the removal resolution is supported by the two-thirds of the total directly elected members. Such type of meetings cannot be convened before the expiry of one year from the date of election of the chairperson. Meetings of the ZP shall be held ordinarily once in two months.

The staff of the ZP shall be like this. The additional deputy commissioner (section 133) shall be the chief executive officer of ZP. Every ZP will also have deputy chief executive officer-cum-secretary who will be amongst the district development and panchayat officers. Besides, government may also appoint accounts officer and one or more assistant accounts officer as may be required by the ZP. In addition to that, if government thinks appropriate it may put other officers or officials employed by the district rural development agency under ZP.

Section 175 (q) has the provision of disqualifying for election of panchayat at different levels, a person having more than two children after one year of the date of commencement of this act. The constitution of state election commission (section (212)) finance commission (section 213) and district planning committee (section 214) are also other main features of the act.

Some Comments

The provision of holding at least two meetings of GS in a year (section 11 (1)) and in case the sarpanch fails to hold these two meetings, he shall automatically cease to hold office from the date on which the second meeting was to be held was already in the previous gram panchayat act 1952. The experiences gained so far tell that these provisions have not been implemented. Singh's study (1985) of Bhiwani district about the functioning of panchayat raj institution shows that the meetings of GS never held as specified. The powers this body enjoyed were never exercised by it. Sarpanch never automatically ceased to function if he failed to call obligatory meetings of the sabha. The budget of the panchayat was never rejected by it. People have no attraction for these meetings even if they are held. The factors responsible for such a dismal performance of this body have been among others, lack of awareness among the members of the sabha about the statutory existence of this as an institution, personality clashes, functionalism, groupism, communalism, illiteracy, negative attitude of the influential leaders. Singh (1978) and Chaudary (1978) also came to the same conclusions about the performance of this corporate body.

A close look at the powers and functions of GS (section (12)) reveals that it will revise the budget or direct to reconsider audit reports or revise the progress reports prepared/submitted by the GP. But it is not compulsory on the part of the GP to follow GS's directions. Further section 12 (iv) says that GS "shall maintain a complete register for all development works undertaken or any other government department specifying, the costs, date of completion of work and name of assets, etc". But the act does not provide a mechanism for the GS to maintain these detailed information. It would be better if the provision such as formation of vigilance committees and monitoring committees had been made in the act of oversee the functions of the GP. The Bihar Panchayat Act 1993 has this provision.

As per government of India publication: Panchayati Raj Institution of India (1991): the average population of GP in Haryana, is 1,744 which is far below the viable population (about 5,000) of GP as literature on viability of panchayat reveals. Keeping in view the viability of panchayat and Bihar Panchayat Act and Karnataka Panchayat Act have made the provision of constituting a GP for a population of 5,000 to 7,000.

The act has provision of forming various committees at GP (section 22), PS (section 83) and ZP levels (section 139). But, it would be better if these committees would be a representative body. In other words, the representation of the SCs/STs and women among these committees shall be in proportion to their population.

Bureaucratic Control

Going through the chapters conduct of business, duties, functions and powers, finance and taxation and control one finds several sections which empower either bureaucracy or government and therefore undermine the role of GP, PS and ZP. A few examples are given: (i) As per section 27 if any person disobey the order of the GP, he shall be punished to the extent of Rs 1,000. But the following (section 28) has the provision that any aggrieved person may, within a period of 30 days of such order, appeal to director whose "decision shall be final and shall not be liable to question in any court of law". It means that whatever is given to GP under section 27 has been taken by the bureaucracy through section 28. To keep organic link among three tiers of panchayat provision would have been that aggrieved person might appeal to PS. The section 29 (1) is even more harmful to panchayat. In case any complaint against the peon, constable, chokidar, patrol of irrigation department, forest guard, patwari, etc, are made to GP, the GP may only enquire into the matter and submit the report to either the superior officer under whom he works or to the CEO of ZP. And these officers may further enquire into the matter if required, take suitable action and inform GP accordingly. To add further "provided that nothing in this section shall be construed as empowering the gram panchayat to summon any official or to exercise control or to take disciplinary action against such official or otherwise". (ii) In case of PS also, chairperson has no control over its executive officer except securing implementation of resolutions. In similar way, the chairperson of ZP (section 122 (v)) also has a "administrative supervision of the CEO for securing implementation of resolutions or decisions of Zilla Parishad or any committee thereof". This type of vertical control of bureaucracy is against the letter and spirit of the decentralisation. The real devolution can only be realised when each tier of panchayati raj shall have their own bureaucracy. The state should learn a lesson from the Gujarat Panchayat Act in which provision for panchayat service cadre is made.

(iii) About the powers to suspend GP, the section 47(1) says that the real power rests with bureaucrats "the district development and panchayat officer or divisional officer (civil) as the case may be by written order, suspend the executive of any resolution or order of the GP prohibit the doing of any act which is about to be done or is being done under the provision of this act. However, in special circumstances if in the opinion of the director the gram panchayat has committed gross negligence to perform its duties and functions, the director in *suo motu* or on complaint or report of the district development and panchayat officer or subdivisional officer (civil) as the case may be received in this behalf and after giving reasonable opportunity to explain the gram panchayat concerned may take necessary action and such order as he may deem fit". If someone (section 54) tampers with the GP property panchayat can punish him up to 500 rupees and recover the damage. If an aggrieved person within 30 days appeal to director, his order will be final.

The section 64 (i) in case of PS and (section 160) in case of ZP have empowered both director panchayat and government to suspend chairpersons or vice-chairpersons or members if any criminal offence is established against them. This provision does not provide an organic link among these three tiers of the governance. The

organic link can only be maintained if state controls ZP, ZP controls PS and PS controls GP.

The cardinal principle (i e, what can be done at a given level should be done at that level alone and not at the higher level) for distribution of function powers among the different tiers of panchayats has not been followed in the act. For instance, under education, primary and secondary education shall be handled by both GP and PS. Similarly promotion of rural cottage industry shall also be handled by GP and PS. The best way of this might be the primary school should be managed and supervised by the GP and secondary education by the PS. For rural and cottage industries implementation should be done at GP level and promotion of these industries at PS level.

The act has provision of forming gram fund (section 30), samiti fund (section 98), zilla parishad fund (section 145). But the size of this fund depends on the mercy of the both bureaucracy and the government. These institutions do not have clear power of imposition of taxes. Any decision in this regard has to be approved/sanctioned by the government. As per section 41 (1) "GP on behalf of the government can only impose certain taxes if it has the approval of the director".

In PS, as per section 90 (6) (7) the CEO may refuse to sanction or return to the panchayat samiti any proposal about finance and taxation. Again under heading levy/fees (section 9 (1)), a PS may impose certain levy but with the prior sanction of the CEO and "subject to the general direction and control by the government". One item of samiti fund is the proceeds of all sources of income which the government may order to be placed at the disposal of PS. But this is followed by "the government may revoke any order made under this clause".

All these examples clearly show the dependency of PS either on CEO or on government. It may be appropriate to mention that in 1970-71, the state government had abolished the professional tax which was one of the main sources of PS. Secondly, the management and governance of the cattle fair were also taken over by the state government from the PS. These examples clearly show if the PSs falls in the line into the government at the state, they may be given some liberty to raise resources, otherwise not.

In case of ZP also real power of imposition taxes, cess, etc, rest with the government. The supervision of the SP will be done by the state government or director panchayat. For instance section 107 says that the government shall advise, supervise and co-ordinate the function of the panchayat samitis. When government performs this what role the ZP will play. Further, section 108 says that the government may cancel any resolution passed by PS or its committee if in the opinion of the state, it is illegal and not in public interest. What is public interest is not mentioned/defined anywhere in the act. Chances are that the state government may use this clause for political ends.

The plight of the ZP is even worse than the other two bodies. The functions of this body are not clearly defined. For instance, under duties and functions of ZP the section 137 says that the ZP shall advise, supervise and co-ordinate the functions of panchayat samiti of the district. Under the supervision chapter of PS the section 107 says that the "Government shall advise, supervise and co-ordinate the function of the panchayat samitis. It means government advise, supervise, and co-ordinate the all PSs of the state while the ZP shall advise, supervise and co-ordinate the PSs of the district. It is against the cardinal principle and more than this, it will create confusion among the PSs/ZPs. Principally, it should be like this, ZP should advise, supervise and co-ordinate the PSs and government should advise, supervise and co-ordinate ZPs. All this clearly shows that government and bureaucracy want to put their hands everywhere.

The District Rural Development Agency (DRDA) still remains a separate identity (section 133 (4)). This will be parallel to ZP. In the light of 73rd Constitution Amendment the DRDA is redundant because the functions, this body used to perform, has been devolved to panchayats as per schedule 11. And now at least ZP shall be constituted at district level invariably and if it is dissolved, election shall also be held invariably within six months. Hence the rationale of existence of the DRDA is not convincing.

The section 175 (q) has the provision that any person having more than two children shall be disqualified for election. Not only this, even after getting elected if one has third child, he would lose seat. The rationale behind this is, to popularise the family planning programmes. This provision is entirely unjustified. Why did the state government not impose this condition for MLAs' election Charity begin at home. The implication of the clause may be that it may prevent a number of dedicated and experienced persons from becoming panchayat leaders.

Section 214 of the act has made a mention about the District Planning Committee which shall be constituted as per the provision of Article 243 ZD constitution. But who will chair this committee is not mentioned. This is very important because this body will be the final authority at district level to decide the size and content of the district development plan comprising both rural and urban areas of the district.

The judicial functions enjoyed so far by the GP are no more with this body. As they have not been made part of the act. This is a sheer example of disempowering the GP through latest panchayat act. The judicial functions should have been part of the legislation because it is desirable to give speedy and economical justice to local peoples by their own people. Moreover, it has become more important in the present situation in which the judiciary is not expanding.

It is clear that state level political leaders and bureaucracy have a major role to play in the functioning of the panchayati raj system in the state. This is due to lack of political will on the part of the state level leaders to transfer power to the people. The past experiences show that in place of people's raj deputy commissioners' raj prevailed in the state. The latest Panchayat Raj Act also has a number of provisions giving control of panchayats to the bureaucracy and the state government. Therefore in order to make panchayats institution of self-government and meaningful institutions for enlisting people's participation, the leadership at the grass roots level has to be strengthened. One possible way to achieve this goal is to reduce economic inequality in the distribution of land and assets in the rural economy of Haryana. The reservation for weaker sections can only be effective if land and assets are given to them. The experiences of Haryana so far reveal that even though in some panchayats SCs had cornered sarpanchship, the real power of sarpanchship has remained in the hands of dominant castes. The examples of West Bengal and Kerala are well known where land reforms provided strong leadership at the grass roots levels.

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Jawahar Rozgar Yojana: An Assessment in UP

Kripa Shankar

A survey in the villages of Uttar Pradesh indicates that the Jawahar Rozgar Yojana has not only failed to generate adequate employment, but has not been able to bypass the local bureaucracy, as it was intended to do.

JAWAHAR Rozgar Yojana (JRY) was started in 1989 by merging National Rural Employment Programme and Rural Landless Employment Guarantee Programme with the primary objective of generation of additional gainful employment to the rural underemployed and unemployed. The novel feature of the scheme is that funds will be released directly to the village panchayat which will execute employment programmes according to the felt needs of the people. Village panchayats were thus provided substantial funds for the first time in their history to undertake employment generating works bypassing the bureaucracy in the shape of block officials. This was an improvement over earlier employment generating programmes which were solely executed by block officials with no involvement or control of the village people and consequently the results were obviously unsatisfactory. This devolution of power and funds was a bold step in the given situation and the experiment is naturally being watched keenly.

The manual for JRY issued by government of India has envisaged very comprehensive measures to ensure that the people of the village as a whole are associated at each and every stage of the execution of JRY and they exercise full control over it so that the programme may genuinely become a people's programme bringing in new dynamism to rural generation. Section 29.1 of the manual enjoins that "The Plans for development of village panchayats/mandals should be discussed thoroughly in the meeting of the village panchayats." Section 32.1 provides that "The village panchayat should appoint a committee for each village under its jurisdiction to oversee, supervise and monitor the implementation of the works under the programme." The manual is very particular about social control over the whole scheme. Section 38.1 provides that "In order to ensure social control of the Yojana, meeting of village panchayat should be held every month, a fixed date, time and place to consider the issues regarding the planning, execution, monitoring and supervision of JRY. These meetings shall be open to any member of the village community, who shall be free to raise any issue regarding the implementation of the Yojana. The village assembly to be held at least twice a year should also be kept informed about the progress of implementation of JRY and all the related issues."

It also enjoins that officers at the district and block level must closely monitor all aspects of the programme through visits to the work sites in a regular manner, and provides an illustrative list of works to be taken up under JRY. The first item in the list is social forestry works followed by soil and water conservation works, water harvesting structures, minor irrigation works, drains and field channels, construction and renovation of village tanks, construction of houses for scheduled caste and scheduled tribes, construction of rural roads, land development and reclamation of rural waste land and so on. But unfortunately, there is no specific directive for sectoral earmarking of the resources except that 15 per cent of the annual allocation must be spent on items of works which directly benefit SC and ST. The result has been that the pradhans are free to spend funds in a manner which they find most attractive more so when there is no discussion of the action plan at the village level and there is no social control over it.

Methodology

By and large, pradhans have been elected through muscle and money power and any effort to know about the JRY is beset with difficulties. An outside investigator may not succeed in getting reliable information particularly when the work has already been completed. It was consequently decided to have resident investigators.

Among the investigators who had worked with us in the past, four hail from different blocks of Fatehpur and Allahabad districts of UP. They were selected to investigate about the JRY in their own nyaya panchayats. The latter has generally 7-10 villages in its jurisdiction. Thus the universe consisted of 39 village panchayats spread over five blocks one out of which was a DPAP block lying in the Vindhya range while the remaining four blocks were in the plain portion.

The labourers who had worked in the JRY were our main source of information although they too could not give accurate information regarding mandays of work or the materials used. We cross-checked the information with as many labourers as we could contact in each village. A minimum of 10 such labourers were contacted in each village and on the basis of information provided by them and by visiting the work-site we made our assessment of the material used and mandays of work generated. We had instructed the investigators to be liberal in assessing the works as time lag might induce underestimation. It should be admitted that it was not a very satisfactory exercise but no better course was available. There is a high element of subjectivity and our estimates of mandays and material used should therefore, be taken with a pinch of salt. Records in the blocks were scrutinised to get at the official figures of mandays and materials used in the sample village panchayats. Knowledgeable persons in the villages were also interviewed to obtain their perception about JRY.

The reference period is 1991-92. We also called on the secretary, department of rural development, government of India to know why the instructions in the manual of JRY that the account would be operated jointly by the pradhan and another person elected for the purpose who must be a member of the village panchayat, is being flouted in UP, where invariably the block functionary known as gram panchayat adhikari (GPA) jointly operates the account. The secretary promised to intervene.

Findings

Table 1 shows the expenditure on material and wages as per records at the block along with our own estimates for both.

It will be seen that our estimated expenditure on material was 63 per cent of what was shown in the records and the same in case of wages was 52 per cent for all the sample panchayats. Thus roughly 60 per cent of the funds can be said to have been actually used and the remaining 40 per cent represents the magnitude of leakage. It will also be seen that in DPAP Manda block lying in the Vindhya range and having lowest agricultural productivity and literacy rate, the leakage according to our estimate was as high as two-thirds of the total funds.

It may also be observed that the directive that 60 per cent of the total funds should be utilised towards wage payment and only 40 per cent should go to expenditure on material has nowhere been observed. According to records 67 per cent of the expenditure was towards purchase of materials and only 33 per cent had gone for wage payment. Our estimates for wage component is still lower at 29 per cent. The much higher percentage expenditure on material is to be largely explained by two factors. One, in all the panchayats soling, i e, laying of bricks in the lanes and by-lanes and other pathways constituted the single most important activity accounting for more than 50 per cent of the total expenditure. It

was not possible to maintain the 60 per cent wage norm in this activity as expenditure on bricks for soling accounted for more than two-thirds of the total expenditure on this activity. Again the scope of leakage is much larger in the purchase of material. Inferior material can be purchased and inflated bills can be easily procured.

Table 2 shows the percentage distribution of expenditure on various activities in the different blocks. It will be seen that expenditure on soling accounted for 54 per cent of the total expenditure for all the blocks taken together. Housing for weaker sections under Indira Awas Yojana (IAY) was the next item of importance as it accounted for 14 per cent of the total expenditure. Construction of link roads involving only earthwork where the entire expenditure is on wages accounted for 11 per cent of the total expenditure. Chak roads accounted for another 5 per cent. It is worth noting that an activity like link and chak roads which did not entail any expenditure on material as such and consequently benefited the labourers most did not find much favour with the pradhans as it accounted for one-sixth of the total expenditure. Repair and renovation of drinking water wells accounted for only 4 per cent of the total expenditure. In the drought-prone hill block of Manda which suffers from acute drinking water, scarcity in summer season its share was no higher than 5 per cent.

In view of the importance of providing irrigation through open dug wells to SC and ST farmers the government has earmarked 20 per cent of the JRY funds to the million well scheme (MWS) started since 1988-89. But despite this provision we did not come across irrigation wells under this scheme meant for SC and ST population. Tank excavation also accounted for only 1 per cent of the total expenditure and was confined to only one block although tanks and ponds requiring excavation and renovation were to be found in almost all surveyed panchayats.

Construction of small water harvesting structure is vital to conserve rain-water and soil. It has been estimated that 12,000 million tonnes of top fertile soil is washed away every year due to torrential rains in the country. Conservation of rain-water is all the more important in drought-prone hilly areas where ground water cannot be easily exploited. Even in plain portion conservation of rain-water has assumed added importance due to falling water table. It is a glaring failure of the JRY that funds were not at all utilised towards conservation of rain-water in any of the surveyed panchayats.

Table 3 shows the percentage distribution of total expenditure on wages in various activities. It will be seen that construction of link roads accounted for 42 per cent of the total wages paid. Soling accounted for 31 per cent of the total wages followed by chak roads (12.5 per cent). It will thus be seen that road construction accounted for 85 per cent of the wages paid. Repair of walls and plantation accounted for nearly 3 per cent each on wages while tank renovation and construction of houses accounted for 2 per cent each. The share of other activities was 1 per cent or less than that.

Despite the importance assigned to social forestry in the scheme of things less than 3 per cent of the expenditure was incurred on social forestry. Out of 39 panchayats, expenditure on this item was incurred only in nine panchayats and the total expenditure was only Rs 23,453. No systematic plantation of trees was undertaken in any village. Some saplings were planted here and there mostly on the embankment of ponds and on road sides but in our survey we did not find a single tree surviving. Nothing was done to protect the saplings and soon after the plantation they were eaten up by goats and other animals. It appears that if social forestry is to be put on a sound footing more importance is to be given to protecting the plants than mere planting them.

The JRY manual has rightly emphasised the scheme of 'tree pattas' for the poor under which they can plant trees and maintain them on lands which may not belong to them but are entitled to the usufruct of the trees. In that case the maintenance of trees is the responsibility of the tree patta holder who can also be assisted for maintenance of the trees from JRY funds up to three years. It is an improvement over the general programme of social forestry as it will specifically help the poorest. But again, in none of the panchayats was the programme of 'tree patta' initiated. Barring four cases, no pradhan had any idea of the scheme. The rural poor too were unaware of it and when we talked to them about the scheme they felt that it can really do good to the poor in howsoever small a measure on a sustained basis.

Table 4 shows the distribution of workers, mandays of employment and income from JRY in the different blocks.

It will be seen that according to records average employment per worker under JRY ranged from 19 days in Phulpur block to 58 days in Sirathu; the average for all the blocks being 31 days. As per our estimate, the average mandays of employment for all the block was 16.[1] Average income from JRY was Rs 561 according to records and Rs 293 according to our estimate for the entire sample. JRY thus cannot be said to have provided enough employment or income to the labouring households.

We had randomly selected five JRY workers from each panchayat and noted down their entire income from all sources. The JRY income as percentage of their total income was only 9 per cent for the entire sample.

Table 1: Expenditure on Material and Wages

Block	Expenditure on Material as Per Record	Expenditure on Material as Per Our Estimate	3 as Per Cent of 2	Expenditure on Wages as Per Record	Expenditure on Wages as Per Our Estimate	Estimated Expenditure as Percentage of Recorded Expenditure
1	2	3	4	5	6	7
Airawan	3,78,018	2,70,000	71.43	1,30,752	39 36	63.16
Dhata	7,15,335	4,90,000	68.50	2,95,782	61.19	66.36
Sirathu	6;35,551	4,30,000	67,66	3,26,662	67.44	67.58
Phulpur	3,47,000	2,61,000	75.22	1,45,000	86.90	78.66
Manda	5,90,425	2,41,000	40.32	4,01,000	25.21	34.51
Total	26,66,329	16,92,000	63.46	12,99,196	52.32	59.81

Table 2: Percentage Distribution of Total Expenditure on Various Items as Per Record

Activity	Airawan	Dhata	Sirathu	Phulpur	Manda	Total
1	2	3	4	5	6	7
1 Soling	43.98	69.12	59.33	16.98	50.54	54.44
2 Chak road	14 51	2.07	7.08	–	–	5.13
3 Link road	1 18	3 97	12.72	31.50	20.75	10.97
4 Housing (IAY)	15 18	10.00	7.36	39.34	18.88	14.16
5 Well repair	11 18	4 76	0.26	2 39	5.03	4.21
6 Channel	0 45	0.87	–	1.08	3.22	0.82
7 Culvert	3 42	2 34	1.88	–	1 58	2.03
8 Social forestry	2 82	0.65	0.26	–	–	0.74
9 Gandhi chabutra	6 76	1 51	-	–	–	1.57
10 Panchayat ghar	–	–	2 59	–	–	0.79
11 Hand pump	–	–	7.27	8.71	–	3 16
12 School	0 62	0 42	1.25	–	–	0.61
13 Tank	–	4.12	-	–	–	1.32
14 Irrigation wells under MWS	–	–	–	–	–	–
15 Water conservation	–	–	–	–	–	–
16 Others	–	0.17	–	–	–	0.05
Total	100 00	100.00	100.00	100.00	100.00	100.00

Out of the total workers who found work in JRY 3 per cent were skilled workers and the remaining were unskilled. Woman workers constituted only 6.8 per cent among the unskilled workers. They overwhelmingly belonged to SC and ST castes although women for upper caste and middle caste also worked in the JRY. Of the labourer households in the sample villages 52 per cent had found work in JRY although the average number of days for which they found work, as reported earlier, was only 16 days. The cost of creating one manday of employment was Rs 55 for the entire sample on the basis of recorded expenditure and the cost of creating employment for one person was Rs 1,712 on the same basis and Rs 1,024 on the basis of estimated expenditure.

In view of the leakages and absence of any social control the quality of the assets created, by and large, was not up to the mark except in some exceptional cases.

Maintenance of Assets

While the JRY manual mentions that "The village panchayat is permitted to spend up to a maximum of 10 per cent on maintenance of the public asset created the JRY village manual takes a contradictory position to the effect that such assets "should be handed over to a regular department of state government who should be responsible for their maintenance. It is only in rare cases when the assets have not been taken over by a regular department, that village panchayat should spend funds out of the Yojana for the maintenance of assets" (p 15). However, the pradhans complained that no funds were provided for maintenance and as such they could do nothing about it. No pradhan was aware of the JRY manual which permits 10 per cent of the amount towards maintenance.

Out of 39 pradhans in the surveyed villages, 10 were high caste Hindus, 19 belonged to backward castes, eight were Muslims while one each belonged to scheduled caste and scheduled tribe. One was illiterate, two were literate, 13 had read upto primary stage, 10 had passed junior high school, seven had passed high school, one had read up to the intermediate level while five were graduates. As regards their assets, 41 per cent were in the asset category of Rs 2-5 lakh and another 36 per cent had assets of over Rs 5 lakh. Thus more than three-fourths of the pradhans had assets of more than Rs 5 lakh. There were only two pradhans who had assets of less than Rs 50,000 each. Occupationwise 31 were agriculturists, three were teachers, two were shopkeepers, two were contractors and one was a public worker.

We tried to gather some information regarding assets that had been acquired by the pradhans during the last three years. It was difficult to get accurate information on this sensitive issue. But five pradhans had purchased tractors, two had purchased jeeps, one had purchased a mini bus, eight had purchased motorcycles/scooters and eight had constructed or renovated their houses in an impressive manner. There were reports that a few had purchased land and building and invested in trade and business but no authentic information on these could be gathered. Incidentally the pradhans in the backward Manda block were foremost in acquiring the abovementioned assets.

Suggestions for Improvement

One very serious lacuna about the whole scheme that we could discern during the fieldwork was that in no village was anyone aware of the amount of JRY funds that had been sanctioned or released to a panchayat. All the schemes for social control and popular involvement lose any meaning if the people do not know anything about the amount of the funds received by the panchayat. Only if the people know about the funds received can they question the pradhan regarding the works being executed under JRY. The pradhan can well say that very little funds were given and he utilised them fully. On the other hand if people are aware about the quantum of grants received they can question the pradhan if the work done is inadequate in relation to the funds received. As a matter of fact the pradhan will himself not dare to grossly misutilise the funds if he knows that people are aware about it and his reputation will be at stake.

No doubt the JRY manual for the village issued by ministry of rural development stipulates that "Village panchayat should choose one prominent wall in each of the villages under its jurisdiction which will be used to display the essential information in respect of JRY, like the allocation received during the year, the item of works which have been chosen by the village panchayat for execution during the year...". But in our survey we found that in none of the villages was any information displayed and no one in the village including members of the panchayat knew anything about the funds received. By and large, members felt that it was the sole prerogative of the pradhan and hence they did not bother about it. Even at the block no such notice about the funds distributed to various panchayats was displayed and complete secrecy is maintained there also and even our investigators had lot of difficulty in getting the information. It therefore, appears that the most crucial step in any better performance of JRY is to ensure that the entire village community knows about the receipt of funds. This can be ensured by the traditional method of 'munadi', i e, announcing through beating of drums whenever any grant is received apart from displaying the information on some

Table 3: Percentage Distribution of Expenditure (as Recorded) on Wages in Various Activities

Activity 1	Airawan 2	Dhata 3	Sirathu 4	Phulpur 5	Manda 6	Total 7
1 Soling	13 35	59 94	32 03	5.86	22 59	30.67
2 Chak road	56.44	7 07	20 79	–	–	12.52
3 Link road	4 60	13 49	37 19	86 21	64.06	42.28
4 Well repair	9 03	3.69	0 28	0.69	2.69	2 73
5 Social forestry	7 23	1 50	0 16	–	4.99	2.65
6 Housing (IAY)	1 41	0.70	1 43	4 48	2 57	1.95
7 Gandhi chabutra	4 40	0 78	–	–	–	0.62
8 School	0 88	-	2 10	–	–	0.62
9 Channel	0 90	0 61		0 69	2.00	0.92
10 Culvert	1 76	2.53	0 88		0 85	1 23
11 Tank	–	9 69	–	–	–	2.21
12 Panchayat ghar	–	–	3 14	–	–	0.79
13 Hand pump	-		2 00	2.07	0.25	0 81
14 Irrigation wells under MWS	–			–	–	–
15 Water conservation	–	–	–	–	–	–
16 Others	–	–	–	–	–	–
Total	100.00	100.00	100 00	100.00	100.00	100.00

Table 4: Distribution of Workers, Mandays of Employment and Income

Block	No of Workers		Total	No of Mandays of Employment		Average Mandays of Employment		Average JRY Income	
	Skilled	Un skilled		As Per Record	As Per Esti-mate	As Per Record	As Per Esti-mate	As Per Record	As Per Esti-mate
1	2	3	4	5	6	7	8	9	10
Airawan	13	168	181	7,191	2,824	39 73	15.60	722.39	283 62
Dhata	17	677	694	16,268	9,955	23.44	14 34	426 20	260.79
Sirathu	11	296	307	17,967	12,117	58 22	39.47	1064.04	717 10
Phulpur	8	410	418	7,975	6,237	19 08	14 92	346.89	301 43
Manda	24	692	716	22,056	5,561	30.84	7 77	560 05	141.20
Total	73	2,243	2,316	71,457	36,694	30 85	15 84	560.96	293.49

prominent wall. Even if the block notice board displays this information the same will filter to the village level. It is our emphatic view that disseminating this information among the villagers is the one single most important step that will bring about a qualitative change in the situation.

As regards the provision for appointing a committee in each village to supervise JRY work we found that in no village such a committee was appointed. It is suggested that the block officials who have practically no work should be enjoined to constitute a committee in every village to monitor and supervise the work before any grant is released. Similarly monthly meetings to be called by the pradhan should be attended by some block official and if the pradhan does not hold meeting for three consecutive months the grants should be withheld.

The other serious lacuna appears to be the absence of any training of the pradhan and other members of the panchayat. If the members and the pradhans are given intensive training about the priorities of the works that should be undertaken and about the various provisions of the manual and its implementation, there is no reason to suppose that it will not result in substantial improvement in the working of the scheme. The manual provides that a maximum sum of Rs 50,000 can be spent by DRDAs/ZPs for training. This is highly inadequate if every member is to be trained. As the DRDA retains 20 per cent of the total JRY funds, the limitation of Rs 50,000 should be done away with and this amount should largely be used in training the members of the panchayats.

It is our strong view that not only priorities should be fixed for works to be undertaken under JRY but for important activities like afforestation, water and soil conservation and land development, etc, there should be specific earmarking of funds in percentage terms just as it is done for IAY and MWS. At least 50 per cent of the allocations should be reserved for the abovementioned activities.

One important issue in the proper utilisation of funds is as to who should be authorised to withdraw the funds and in what manner. Section 18 of the manual has rightly emphasised that the amounts for payments "should be drawn through a cheque". Further, "the cheque shall be signed by the head of the panchayat alongwith another person who has been specially authorised by the village panchayat by a resolution. The other person must be a member of the village panchayat or secretary of the panchayat. Payment of every amount should be authorised in the meeting of the village panchayat ..." The manual has provided for joint operation and the intention is quite clear that apart from the pradhan (head of the panchayat) the other person must be a member of the village panchayat who should be authorised by a resolution. The words "or secretary of the panchayat" only connote that if any panchayat has also an elected secretary he will jointly operate the account. In no case can it be construed that the block functionary called gram panchayat adhikari (GPA), in UP should operate the account jointly with the pradhan. But in UP the practice without any exception is that the account is jointly operated by the pradhan alongwith GPA who is a government employee and has a number of panchayats in his jurisdiction. By flouting the manual, the bureaucracy at least in UP has, in a way, maintained its control and supremacy in the affairs of the panchayat as the GPA by virtue of being a government functionary has a great sway over the affairs. In cases where pradhans are not well-educated and efficient we found that the GPA kept all the vouchers and the accounts and the pradhans just signed on the dotted line. Even otherwise the pradhan has to toe him as he arranges for the audit of the accounts and can make complaints against the pradhan. The latter easily succumb to his illegal demands. He may say that he has to give so much to higher officials and the pradhan has to yield. In a few cases we found that the GPA took 20 per cent of the grant for such purposes. We also came across a startling case where a tribal pradhan was asked by the block officials to handover the entire JRY amount for the marriage of the daughter of a block official and was assured that everything would be set right. The poor fellow obliged. Those pradhans who are themselves embezzling funds will naturally pass on the amount. Only those pradhans who are dead honest will refuse to pay the cut but we found that such persons were unduly harassed by the GPA and no one came to their rescue.

It is also our feeling that by making no provision for the audit fee and for the running that the pradhan has to do, one has to adopt dishonest means to meet these expenses. Not only provision for audit fee should be made but some travelling allowance and a modest honorarium should also be given to the pradhan during the period of execution of the works under JRY. This will be a more straightforward course.

Given the fact that pradhans have been in a large number of cases misutilising and embezzling the JRY funds and the fact that all power has been concentrated with them and they have successfully torpedoed all the provisions for forming committees to supervise the JRY work or to report about the various aspects of work being done to the village assembly, it will be proper to devise an alternative to the existing system. It appears to be advisable to form a separate committee which should not include the pradhan in each panchayat to execute the JRY work and the account may also be operated by two persons other than pradhan elected by this committee. The pradhan in that case will act as a watch-dog and will naturally see to it that no irregularity is done and all the provisions of the manual are strictly followed. The great advantage of this system will be that the pradhan having no control over JRY funds will strictly supervise the work and being the head of village panchayat, the committee which will execute the work will also be under the constant vigil of the pradhan.

JRY was started with the primary objective of generating additional gainful employment to the rural unemployed and underemployed and the secondary objective was to create sustained employment. It has failed to generate adequate employment to the rural poor and as regards creation of sustained employment it does not even address the problem. Creation of sustained employment by strengthening rural economic infrastructure can only materialise if there is an organisation to employ the workers on a regular basis.

There are various activities which can employ the rural poor on sustained basis within the rural areas. Soil and water conservation, afforestation, creation of irrigation facilities, water storages, construction of other infrastructure, etc, can generate adequate employment to absorb most of the rural poor in gainful employment on a sustained basis but what is lacking is an organisational set up to accomplish it. It was in this context that the First Five-Year Plan had recommended the creation of a regular land army to undertake these activities wherever they are required. In a decentralised set up such armies can be set up at the block level. The amount that is being spent on various employment generating programmes can well be pooled together to maintain a land army to undertake the abovementioned activities on a regular basis. An army of 50 lakh people drawn exclusively from the poorest section of the rural population can be maintained on what is being spent on JRY and other employment generating programmes yearly.[2] The land army should work in a strictly disciplined manner in the priority area of land and water conservation and afforestation, etc, unlike at present where JRY resources are going mainly to rural roads to be washed away in the next rainy season.

Notes

1 A study of JRY by Planning Commission had earlier found the mandays of employment of the same order, *vide*, *Jawahar Rozgar Yojana: A Quick Study*, 1992.

2 Employment to one person for 300 days in a year at the rate of Rs 30 per day will cost Rs 9,000 in a year. Providing for another Rs 1,000 per head on administration, equipment, material, etc, an allocation of Rs 5,000 crore will be sufficient to provide sustained employment to 50 lakh persons on a regular basis.

Regrouping in Indonesian Politics

M G G Pillai

The confrontation between the Indonesian army and the Muslim fundamentalist groups has pushed president Suharto into a corner.

WHEN president Suharto indicated that he would not stand for re-election in 1998, after 33 years in power, the inevitable regrouping of Indonesian politics and **pressure groups pitched the armed** forces **of the republic of Indonesia (ABRI) against the strongest pressure group, the Muslims. This tense but quiet** confrontation **inevitably paints president** Suharto into a corner. But he is still in a better position than his predecessor president Sukarno was in 1965, when ABRI put down a bloody, communist-backed coup in which a million people were massacred and the Parti Komunis Indonesia (PKI) was banned.

ABRI and the Muslim groups do not often confront each other but strengthen their position by closer alignment with president Suharto. But their differences get a wider audience now. Recently, an episode involving distribution of envelopes containing 5,000 rupiah notes (about US $ 1.90) and an injunction to "bunuh cini" (kill the Chinese), at street corners in several towns in Indonesia, led to random attacks on prosperous Chinese businessmen in Jakarta, Medan and elsewhere.

No one seems to know who distributed these notes, but if the aim was to create a law and order problem, the attempt failed. The anti-Chinese intensity of the 1950s and 60s is no more, and those attacked were individual rich Chinese with a record of ill-treatment of workers. But for weeks after, every flight from Jakarta was filled with Indonesian Chinese seeking a haven elsewhere. In Singapore, they were buying US$ 1,500,000 apartments with cash brought in briefcases.

Restive undergraduates in several universities, including Bandung, west of Jakarta, with their list of not necessarily anti-government grievances, the stiff jail sentences for the youthful critics of president Suharto, and the assassination of a brigadier-general in June have added to the widespread unease. In every one of these instances, ABRI is perceived to be confronting the Muslims, fundamentalist pressure groups and intellectuals.

Indonesian politics works through a system of consensual agreement, in which only the communists and atheists are excluded. ABRI has dominated politics since before Indonesia's independence in 1945, and the democratic process ensures its dominant, if not controlling, presence. The dominant political party is the Golongan Karya (Golkar, for short, and a federation of functional groups, including the armed forces). The only force that openly challenges this set up is the Muslim groups, which take the *bete noire* role from the PKI.

ABRI positions itself as the saviour of the country, with its 'dwi fungsi' (twin functions) of maintaining territorial integrity and playing an important role in the government and administration. The sharp reaction to the May conference on East Timor in Manila, and the beating up, in Kuala Lumpur, of non-governmental activists protesting against that decision outside the Indonesian embassy, reflect these internal tensions. In normal times, they would have been ignored.

The ferocity of the diplomatic pressure against president Fidel Ramos of the Philippines underscored ABRI's internal moves to reinforce control over the noticeable resurgence of Islamic forces. That Indonesia threatened to not host an important meeting between representatives of the Philippines government and the Muslim irredentist Moro National Liberation Front (MNLF), one which Jakarta had long strived hard for, indicated the seriousness of the situation.

What triggered the present confrontation is the systematic, though no longer low-key, campaign by the minister of heavy industry and research, Jusuf Habibie to succeed president Suharto in 1998 when Suharto has indicated he would retire after 30 years in power. An intensely ambitious German-trained aeronautical engineer who laid the groundwork for Indonesia's industrialisation, Habibie is linked to a prominent Muslim think tank, Institut Cendiakawan Muslimin Indonesia—Indonesian Muslim Intellectuals' Institute or ICMI. ABRI regards him as the intellectual apex of the current revival of a campaign to turn Indonesia Islamic. Indonesia, despite its 90 per cent Muslim population, remains avowedly secular. The Muslim groups want to change that.

A smear campaign against Habibie is under way. His critics, in ABRI and elsewhere, allege that refurbishing the East German naval ships, which Indonesia bought at Habibie's insistence, "far exceeds" the cost of better new ships. The World Bank criticism at the cost overruns of developing an indigenous Indonesian plane adds fuel to the fire. There are even calls to have him charged with corruption. But he is not alone. Another cabinet minister, admiral Sudomo, a Catholic who became a Muslim when he married his present wife, is implicated in the recent collapse of the Bapindo bank. Indonesian sources allege that his wife is a director of the Hong Kong company that had a substantial holding in the bank.

ABRI encouraged a new think tank to counter ICMI, called Persatuan Cendiakawan Pancasila Indonesia—Indonesian Panchashila Intellectuals' Association or PCPI—while actively cracking down on Muslim dissidents. The anti-Chinese riots, which seem to have been an attempt to divert attention, brought forth the infamous 'death squads', shooting down in cold blood thieves, robbers, gangsters, drug smugglers and, this time, Muslim activists. ABRI was widely linked to similar 'death squads' more than a decade ago.

Suharto, still in control, contains his anger but barely keeps the two groups from each other's throats. Indonesian sources say the ABRI action is focused on Habibie and his support for a greater national role for Islam. ABRI accepts Islam's importance in the national conscience, but only within a secular state.

But the Muslim objection is not to this alone. The flaunting of wealth, the widening disparity between the rich and the poor, the prominent role of the president's children in business have accentuated these pressures. His daughter, Siti Hardiyanti Rukmana, already Indonesia's sixth richest person with declared assets of 400 billion rupiah (about US $ 180 million), recently declined a cabinet position; she also leads the consortium that manages the toll road between Cengkareng international airport and Jakarta. Recently, the son of a prominent Indonesian was exiled when he turned out to be the principal importer of the narcotic drug, Angeldust. this followed the death of an Indonesian man, in the house of a prominent actress, of an overdose of Angeldust. This person is now in London.

PERSPECTIVES

Fertility Rate Decline in Tamil Nadu

Some Issues

R Savitri

Tamil Nadu has achieved a decline in fertility rates without the expected pre-conditions: decline in infant mortality rates, improvement of literacy rates and the bettering of the status of women. How is this to be explained?

THE population of India has grown considerably during the period 1901-91. According to one estimate, by 2035 AD India will have more people than China and by 2040 AD, India's population would exceed 2.5 billion. The tota' fertility rate (TFR) for India was 3.9 in 1989 (SRS figures), and a unique feature of it is that the rates varies widely among the states—from 5.2 in Uttar Pradesh to just 2.0 in Kerala. Tamil Nadu is the only other state besides Kerala with TFR less than 3.0. While the Kerala, low TFR is accompanied by low infant mortality rate, high rate of literacy and better status of women, this is not true of Tamil Nadu. There exist states which are socially and/or economically better than Tamil Nadu but with a much higher TFR.

Tamil Nadu seems to be a counter-example to many of the widely accepted hypotheses that lower infant mortality rate, higher literacy and better status of women are a must for bringing down fertility. This state has achieved a TFR of 2.5 without any of these accomplishments. In literacy, Tamil Nadu ranks second in India, the first being Kerala. However, while in Tamil Nadu only around 52 per cent of the females aged seven years and above are literate, this rate is as high as 87 per cent in Kerala (1991 Census). Besides, in respect of income and poverty levels also, Tamil Nadu does not rank high. In fact the state levels are worse than the all-India average. Though the socio-economic profile of Tamil Nadu is not very impressive, an interesting feature is that the state has the highest composite index of urbanisation[1] in India with even Kerala ranking only next to Tamil Nadu in this aspect.

Not just the economic profile but the state's social profile is also not very impressive. The infant mortality rate of the state was 68 per 1,000 live births in 1989, far above that of Kerala, which was only 21 per 1,000 (SRS figures). Sex ratio, an indicator of status of women is not favourable to females. Though the ratio (number of women per 1,000 men) at 972 is not very low, the fact that the sex ratio of children surviving is only 898 girls per 1,000 boys is indicative of higher female child mortality rates. The higher sex ratio for the population as a whole may be due to migration, although we do not have data to confirm this. Tamil Nadu has a relatively higher singulate mean age at marriage, but this is not a recent phenomenon. As per 1971 Census, also, age at marriage was not low. Since decline in fertility is a recent phenomenon, having started only in the latter half of 1980s, age at marriage cannot be identified as a major influencing factor.

What could have encouraged Tamil families to opt for the small family norm is indeed, a million dollar question. This paper reports the findings of a study to identify the factors responsible for inter-district and inter-temporal variation in fertility in Tamil Nadu.

Inter-Sectoral Analysis

As the only reliable source of districtwise information is census, the analysis had to be restricted to the 1981 Census data. Variables that were considered to analyse the variation in total fertility rate are population density, urbanisation, female literacy, marriage pattern, sex ratio, workforce and health facilities. Summary statistics, viz, mean, variance, smallest and largest values, median, first quartile and the third quartile for the variables mentioned above were used to compute the high, medium and low range for each variable. TFR was cross classified with the socio-economic variables taking one at a time to find out if the variables do have an influence on the fertility variations among the districts. The variables were considered to be linearly related when the districts fall diagonally in the table. If the districts were found to be lying scattered in the boxes without any particular pattern, it was concluded that the two are not linearly related. To illustrate this, the table on cross-classification of female literacy with TFR is given in Table 1.

Table 1 shows that the districts are uniformly distributed among the different classes, indicating clearly that TFR and female literacy are not linearly related. In other words, a higher female literacy rate does not necessarily lead to lower fertility rates, or vice versa. There exist districts like Periyar, with low female literacy rates but also lower TFR; and at the other end of the spectrum, districts like Thirunelveli and Kanyakumari which have high TFR despite having high levels of female literacy.

Of the 16 districts in Tamil Nadu, Periyar, Coimbatore, Madras and Salem rank as the first four from bottom, in TFR. On the other hand South Arcot, North Arcot, Ramanathapuram, Thirunelveli and Kanyakumari have comparatively very high TFR. Among the districts with low TFR, Madras and Coimbatore have high population density, urbanisation, female literacy and age at marriage, and also a low proportion of labour force in agriculture. These relationships are in the expected direction. However, while in Madras infant and child mortality rates are low, this is not true of Coimbatore.

In the other two low-fertility districts: Periyar with the lowest TFR and Salem which follows closely, none of the variables listed above seem to explain these low rates. Both districts are not doing well in the socio-economic front. Density and percentage urban population of these two districts are in the middle range. In Periyar, population density is only 252 and just 22 per cent of its people live in urban areas. Less than 30 per cent of the females are literate in these two districts. In Salem, the mean age at marriage is only 17.8, less than the legal marriageable age. Infant and child mortality rates are also not low and more than 50 per cent of their labour force are in agriculture.

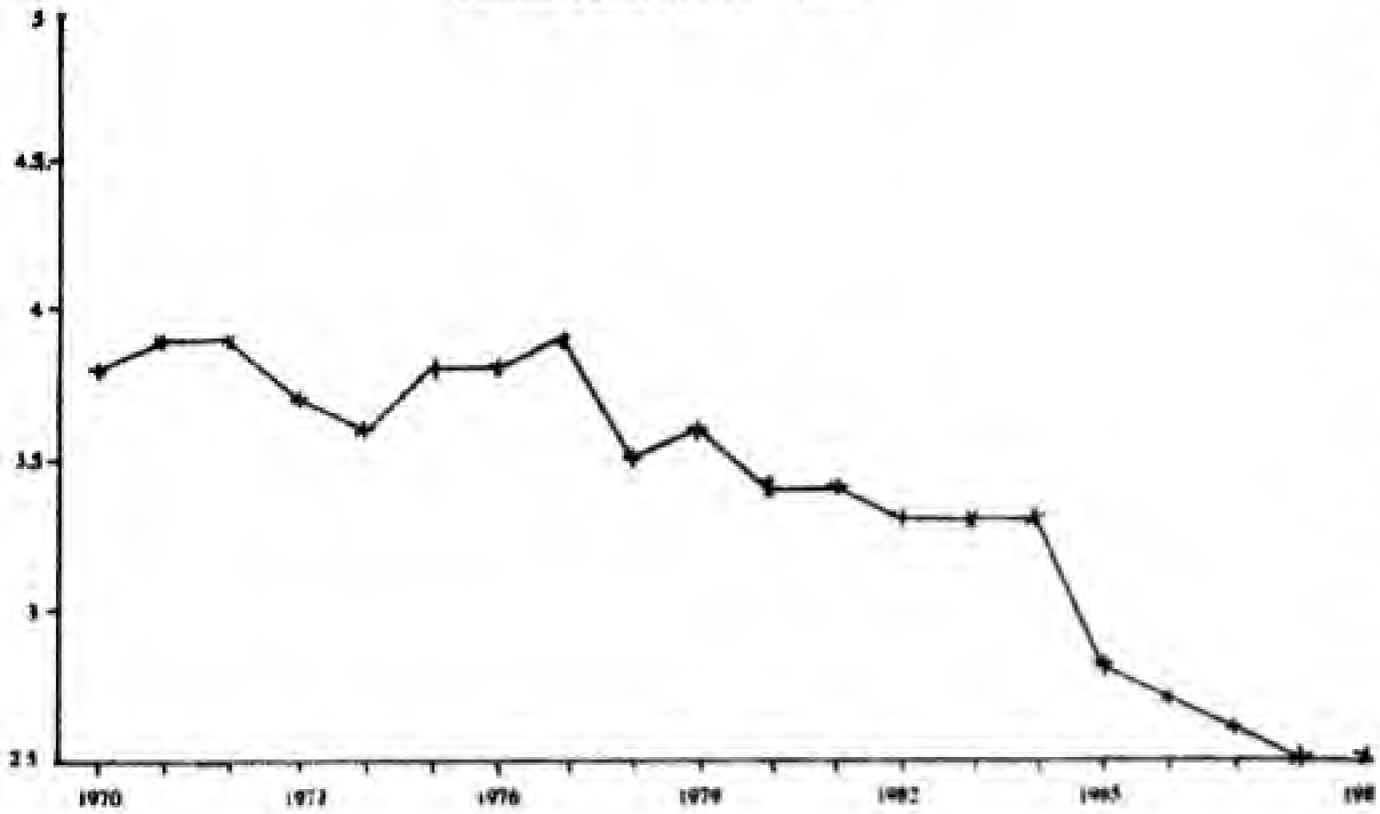
In the case of the high fertility districts: South and North Arcot, Thirunelveli and Kanyakumari, the first two have, as would be expected, a low population density, low percentage of urban population, and low female literacy and age at marriage. The two also have high infant and child mortality rates. However, this is not so in the case of Thirunelveli and Kanyakumari. As a contrast, Kanyakumari which is among the high TFR districts has high density, high female literacy and quite low infant and child mortality rates. Age at marriage is the highest (20.3) in this district. Similar is the case with Thirunelveli also with high female literacy, high mean age of marriage, low IMR/CMR.

North Arcot and Periyar with the highest and lowest TFR respectively have the same

Table 1 Cross Classification of Female Literacy with TFR

		Total Fertility Rate: low	medium	high
LIT (FEM)	l	Periyar	Dh Puri P Kottai	S Arcot
	m	Salem	Madurai, Tiruchi, Ch Patt Tanjore	N Arcot Ramanathapuram
	h	Madras Coimb	Nilgiri	Thirunelveli Kanyakumari

Figure: Total Fertility Rate



the graph, during the period 1970-78, Tamil Nadu did not experience any steady decline in fertility. The rates were wavering. However from 1979, the rate started to decline. Also, during 1978-79, emergency was proclaimed in the country and forceful sterilisations were done. The sample registration system was also modified during this period. Considering all these, it was decided to divide the period under consideration into two parts—1970-78 and 1979-89. Kinked exponential model was used to estimate the growth rate with a kink at 1979. This method reduces the insensitivity of growth rate estimates to instability, and thus gives more accurate estimates of underlying trends. Kinked exponential models were fitted to total fertility rates in the rural areas, urban areas as well as to combined rates. The results are given in Table 2.

It is clear from Table 2 that Tamil Nadu experienced a fertility decline of more than 3 per cent in the 1980s. The Table also brings out the fact that rural-urban differentials during the period 1979-89 are negligible. But an interesting point to be observed here is that in the urban areas of Tamil Nadu, TFR has increased during the period 1970-79 at the rate of 1 per cent.

The age specific fertility rates for this period, viz, 1970-89 were examined to find out which age-group has contributed more to the fertility decline. The results are given in Table 3.

It can be seen from Table 3 that fertility in the age-group 20-24 has declined in rural Tamil Nadu. Contribution to fertility decline in rural areas of Tamil Nadu is uniformly spread among each age-group. Fertility rates in the age-groups (40-44) and (45-49) were quite low even in the earlier years (1970s), leaving not much scope for decline. As fertility started to decline only in the latter

sex-ratio. Same is the case with Tiruchi and Kanyakumari. While the sex ratio is the same in both these districts, TFR differs by 0.8 points. Again Dharmapuri and Pudukottai have a TFR of 4.3 but their sex ratios have a vast difference—959 in Dharmapuri and 1,007 in Pudukottai.

This analysis reveals that in Tamil Nadu, fertility does not seem to be related to proportion of urban population, female literacy, age at marriage, work participation or sex ratio of the population, and even to infant and child mortality rates in some districts.

However, it was also observed that none of the districts with high urbanisation level have high TFR as well; and that in all the high TFR districts, urbanisation level is very low. It appears that the fertility rate will surely decline once a particular level (more than 50 per cent) of urbanisation is reached. Similar is the case with labour force participation. Districts where more than 75 per cent of the labour force are in agricultural activities, the fertility rate also is not low. It is around 4.3/4.4. Also, districts with less than 50 per cent of the labour force in agriculture do not in general have high TFR. Thus, it is not the absolute number but the threshold point that seems to matter in case of urbanisation and labour force in agriculture.

Two other variables were considered in our analysis, in terms of their relationship to fertility levels. These are electrification, and provision of pucca roads. While the former did not show any systematic relationship to TFR in the different districts, provision of pucca roads in villages seems to have a negative relationship with fertility. The only exception to this is North Arcot district.

As observed above, sex ratio of the general population does not seem to influence fertility. We then considered sex ratios of children ever born and children surviving, and found that these do affect the fertility behaviour. In fact, these ratios are better indicators of status of women, as the general sex ratio is affected not only by differential mortality by sex, but also by migration. It was observed that in districts where sex ratio (calculated as number of females per thousand males) of children surviving is much lower than that of the children ever born, TFR is more than 4.0. The only exceptions are Salem and Thirunelveli. Sex ratio of children surviving is the highest in Thirunelveli, the district with the highest TFR as well; and the ratio is the least in Salem where the TFR is not very high.

Further to this cross tabulation analysis, multiple regression was carried out with the following variables: Child mortality, percentage of villages with pucca roads, and doctors per 1,000 population. Child mortality and road facilities explained only 46.44 per cent of the variation in TFR. However, the value of R-square increased to 86.88 per cent on exclusion of Kanyakumari and Madras, the outliers. Further addition of another variable, viz, doctors per 1,000 population increases R-square by less than 1 per cent. Thus child mortality and road facilities seem to be the most significant factors affecting fertility. Child mortality and road facilities are themselves highly correlated. Also, availability of pucca roads has a high negative correlation with percentage of labour force in agriculture. It was mentioned earlier that districts with low percentage in agriculture prefer to have fewer children as well. Sundari (1992) observed that work participation rate of females in non-farm activities has increased by more than 30 per cent in Tamil Nadu between 1981 and 1991. This has been made possible by the better rural-urban linkages in Tamil Nadu. Thus better road facilities by way of changing the labour structure, enabling better access to health facilities and influencing the thinking of rural people may have brought down the fertility rate.

Inter-Temporal Analysis

Data available from the Sample Registration System over the period 1970-89 on TFR was used for this analysis.[2] The rates over the years are represented in the form of line graph (figure). As can be seen from

Table 2: Estimated Change in TFR (Per Cent) by Residence

	1970-78	1979-89
Rural	–0.71	–3.87*
Urban	0.92	–3.67*
Combined	–0.37	–3.87*

*: Significant at 5 per cent level.

Source: Calculated from SRS estimates of TFR for the period 1970-89 using Kinked Exponential Model.

Table 3: Percentage Contribution of Each Age-Group to Decline in TFR during the Period 1970-89

Age-Group	Rural	Urban
15-19	9.3053	-5.4868
20-24	10.2922	-18.2698
25-29	24.6372	31.4724
30-34	27.8852	45.0538
35-39	20.7826	32.9398
40-44	5.7228	10.7056
45-49	1.3719	3.5895

Source: Calculated from SRS estimates of TFR and ASFR for the years 1970-89.

half of 1980s, contribution by each age-group during this period 1984-89 was also computed. In the rural areas, the age-group (25-29) has contributed the most (37.9 per cent) to fertility decline with the age-groups (20-24) and (30-34) following closely. These three age-groups have contributed more than 80 per cent to TFR decline. In the urban areas while when the whole period 1970-89 was considered, the fertility of the age-groups (15-19) and (20-24) showed an increase, during the period 1984-89 these had declined and contribution of the age-group (20-24) to fertility decline was as high as 22.8 per cent. Contribution of the age-group (15-19), though not very high, was also as much as 7.5 per cent. Thus during the latter half of 1980s, not only has fertility declined in general, but this has been especially significant for women in the younger age-groups.

A most intriguing question is what could have motivated the young Tamil women to opt for family planning. Socially as well as economically, there exist states which are better than Tamil Nadu, including in terms of infant and child survival, which have not experienced such an extent of fertility decline. In respect of poverty and inequality, Tamil Nadu's track record has been a sorry one. The index of per capita state income at current prices was as low as 92 in 1970-71 (below the all-India level). The index stagnated around 90 during the years 1970-71 to 1985-86. As regards operational holdings, the state is among the lowest. Total foodgrains production is also low. Total production ranged from 6.0-8.0 million tonnes during the 20 years period (1970-71 to 1989-90) in Tamil Nadu with the exception of two years, viz, 1974-75 and 1982-83 when the production was less than 5 million tonnes.

Considering the above, it was hypothesised that people have realised that they ought to reduce their family size to cope with the prevailing level of poverty. Lee (1990) has observed that fertility, mortality, nuptiality and migration all respond to economic fluctuations. In fact, the higher age at marriage in this state could also be attributed to poverty. A kind of economic crisis that according to Lee is likely to affect births is an increase in agricultural prices and reduction in agricultural output. Subramanian (1986) has pointed out that in Tamil Nadu the relative rural-urban poverty pattern betrays a close relationship to the relative rural-urban price level ratio. Gaiha (1989) also demonstrated that "while rural poverty and agricultural production were inversely related, the effect of the latter at the state level was either weak or absent. The effect of price fluctuations, on the other hand, was consistently strong and often decisive". Ghose (1989) also showed that higher relative price of foodgrains has poverty-increasing impact. Considering these arguments and the fact that overall fertility decline is more closely associated with what happens in rural areas, the effect of The Consumer Price Index of Agricultural Labourers (CPIAL) in respect of foodgrains on TFR (rural) was studied. The methodology followed was as set out in Lee (1981). The model suggested is a distributive lag model in which lags of up to four years are included but lags of up to 2 years can be used for shorter data series (shorter meaning a series less than 30 years long). The model proposed is as follows:

$$\ln Y = a+b_0\ln p(t)+b_1\ln p(t-1) +b_2\ln p(t-2)+b_3\ln p(t-3)+e$$

where Y is TFR (rural)

p(t-i)s are CPIAL (foodgrains) lagged by i years

a, b_is are constants and e is the error term

Applying the above model on time series data from 1970 to 1989 using TSP programme, it was found that current prices and prices lagged three years were found to be significantly influencing fertility levels.

$$\ln \hat{Y}=1.547+(-0.21)\ln p(t)+(-0.17)\ln p(t-3)$$

(7.91) (-3.24) (-2.78)

R^2 = 92.8 per cent

The sum of the lagged coefficients is -0.38. As the data were first logged, the coefficients are elasticities indicating the ratio of proportional change in fertility to a proportionate change in prices. From the coefficients, it can be inferred that a 10 per cent increase in foodgrain prices would lead to 3.8 per cent decline in fertility.

Conclusion

Analysis of inter-district variation in fertility has brought out that availability of road facilities and child mortality are the most important factors influencing fertility in Tamil Nadu. At the state level, percentage of villagers, with all weather roads in 1984 was quite high at 79.7 per cent. As per an economic appraisal of Tamil Nadu conducted in 1984-85, the total length of roads in kilometres has increased by 45 per cent during the decade 1971-81. It is interesting to note that major contributors to this increase are the non-major district roads and village roads and roads maintained by panchayats. These two classifications have undergone 90 per cent and 79 per cent increase during the same decade. Better transportation facilities imply better connections between rural and urban areas. As mentioned earlier, the composite index of urbanisation which includes besides percentage of urban population, rural population served by urban centres and distance to the nearest town is the highest in Tamil Nadu. These imply that the rural-urban linkages are quite strong in Tamil Nadu.

When rural TFR was regressed with consumer price (of foodgrains) index of agricultural labourers, it was found that these two are highly correlated. Thus poverty combined with better rural-urban linkages seems to have influenced the fertility behaviour in Tamil Nadu. This goes against the common belief that poor tend to have more children. In general, fertility is, for many parents, a balance between the costs and benefits of having children. In a poor family benefits may be more than the costs as in these families more the children mean more are the hands to work. But in Tamil Nadu, the scenario may be quite different. Rural-urban connectivity has enabled the rural people to take up jobs in the urban areas without shifting their residence to urban areas. This, no doubt, would bring about a change in the attitude of the rural people. An outcome of urban influence is that the couples in rural areas also want to educate their children which naturally would mean higher cost of child rearing. Also, it could have helped the people to realise that they can lead a better way of life and can cope better with the increasing price situation by reducing their family size. Further the female labour force participation in non-farm activities has gone up in the 1980s. This has again been due to good transportation facilities in the villages. Once females start going out of the village to work they would naturally desire to have fewer children. Thus, the findings of this study have generated interesting, new hypotheses which need to be validated with district level data for 1991 and qualitative studies.

Notes

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1 Variables included for calculating the index are urban-population ratio, rural population served by urban centres and distance to the nearest town.

2 Using the SRS data on TFR and ASFR for the period 1970-89, percentage contribution of each age-group to decline in the TFR during this period was worked out. Separate regressions were fitted for each age-group with time as independent variable and ASFRs and TFR as the dependent variable. Contribution of ith age group is given by $(b_i/b)*100$ where b_i's and b are the coefficients of regression fitted with the respective ASFRs and TFR.

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Assessing India's Political Economy

T V Sathyamurthy

The Painful Transition: Bourgeois Democracy in India by Achin Vanaik; Verso, London (distributed by TR Publications) 1991; Rs 320.

A lapse of well over two years since its publication notwithstanding, this is perhaps a more appropriate moment to review Vanaik's analysis of India's 'bourgeois democracy' than immediately after it appeared. During the last 10 years, India has been experiencing changes of a deep-rooted nature. Some of these are incremental in character, the seeds having been sown much earlier; others are qualitatively new. Together they have altered the political, economic, social and cultural fabric of India, and contributed to an undermining of some of the basic assumptions upon which much of the intellectual (particularly, English educated) consensus on the nature of the Indian polity rests.

On the political dimension, acceptance of the institutional appurtenances of electoral ('representative') democracy in India as evidence of the substance of the rule of democracy has survived the Emergency, though weakened by it. On the economic dimension, India has traversed a long and winding road—from Mahalanobis's mixed economy with emphasis on the public sector and central planning, and Raj's application of Kalecki's theory of 'intermediate regimes' to Indian conditions, to the pressures that led to the Green Revolution and, in turn, the pressures generated by it.

The Indian economy has wavered, eclectically, between alternative and opposed models of development—import substitution and self-sufficiency orientated, and export promotion and private (national and international) capital orientated. Ultimately, we have been witness for some years now to the spectacle of India as beggar No 1 knocking at the doors of international and global capital. Has not the world title of 'Finance Minister of the Year' been recently bestowed on that indefatigable anti-hero of this *denouement*, Manmohan Singh?

In this sphere, with the exception of certain strands of Gandhian thinking, the original consensus on the role of the state in economic development (1955-1975) was shared by Marxists and non-Marxists alike, albeit from opposing perspectives. Non- and anti-Marxists believed that a strong state sector was a necessary prelude to the emergence of a fully-fledged industrial bourgeoisie, whilst Marxists believed that a strong role for the state in the economy would fortify proletarian and democratic forces and keep the national bourgeoisie under control.

Of the social and cultural pressures that have gathered momentum in recent decades—the mounting insecurity of the marginalised sections of rural and urban India (a majority of whom are dalits, adivasis, scheduled castes, minority communities and women), and the rise of anti-secular political forces which pose a threat to religious minorities are the most serious and insistent ones. Much of the intellectual output of Indian and non-Indian social scientists has been marked by a spirit of complacency, and misplaced confidence that the 'democratic' structures of power in the Indian political milieu are durable, and that the Indian ruling classes would always prefer consensus to conflict where their interests ran against the interests of the mass of the people, that intra-ruling class contradictions could be resolved by manipulating centre-state relations, and that 'secularism' had a permanent and unchallenged future ahead.

These assumptions have been severely shaken by the rise of communalism as a political force which is by no means confined to the different constituent segments of the Sangh parivar. In fact, communal tendencies are present even in major political parties at the national and regional levels which claim to be secular and anti-communal. Most prominent among these is the Congress(I) itself in which a communalist lobby has wedged itself in a powerful position over a long period of time. Since the assumption of power by the Indira Gandhi (Mark II) government in 1980, the Hindu communalist tendency within the Congress(I) has reared its head in different parts of the country with predictable electoral results (up to a point, it must be added by way of qualification!).

A comparison of the development of communalism in contemporary India with the experience of Europe with fascism (whose main feature was its anti-democratic and populist character) in the inter-war years would point to the salience of the economic factors at the root of socio-cultural changes. They must be identified and analysed in order to grasp the forces at work in the current situation. Vanaik's book, which devotes a long chapter to communalism and Hindu nationalism (Chapter 4), represents an attempt to provide an analytic framework for such an understanding. At the same time, it must be noted that the main contention of the book, which is also its most problematic feature, is that, despite obstacles and shortcomings, India has achieved the status of a successful bourgeois capitalist economy during the first four decades of independence. Translated into international terms, this would mean that India has achieved regional prominence and a corresponding degree of global influence. Before attempting to provide a critique of the book, it would be appropriate to draw attention to the salient features of the development of Vanaik's assessment of India's political economy.

The book begins with a statement, cruelly belied by developments during the 80s and 90s, to the effect that among third world countries (presumably, including China!) India has the most powerful state and a national bourgeoisie with the greatest degree of autonomy from foreign capital. The main points made in Chapter 1 ('State and Economy') are in respect of the extent to which the Indian state has enjoyed autonomy in determining economic and social policy, the relative dominance of the different segments of India's propertied and capitalist classes, the impediments in the way of the Indian economy achieving a smooth rate of growth, and inevitably the question of how India's growth has compared with China's.

Vanaik's analysis is weak on the characterisation of the unevenness of the development of capitalism in India, the distorted character of capitalism caused by insurmountable problems (not least of which has been the difficulty experienced in bringing industrial and agricultural development into alignment with each other) in the sphere of indigenous accumulation of surplus needed by industry to fire the engines of production, and the limitations of the state in providing the kind of succour needed by Indian capital to overcome its deepening and irreversible dependence on international capital. Furthermore, comparisons with China are misleading and spurious not least because of the fundamental differences between the two political economies, their starting points in the late 40s, and their very different trajectories.[1] Chapter 1 of the book, which sets the scene, ends with a highly problematic characterisation of India's political economy and does not come to grips with the realities of India's rapidly deteriorating predicament since the mid-80s.

On such an unsound theoretical foundation, Vanaik constructs Chapters 2 and 3 which attempt to describe the main events in independent India's political history in class and structural terms. The main theme of

larger bourgeois democratic framework". India's political instability has been well documented but the discussion remains largely confined to the realm of horizontal (i e, intra-ruling class or bourgeois) conflicts which, despite their severity on occasion, have been kept from posing a threat to the constitutional mechanism of government.

Intra-ruling class consensus stems not from a conviction that India's unity and integrity (so beloved of the Nehru dynasty) is, in and of itself, sacrosanct (or to use Naipaul's vivid phrase, the essential ingredient of the 'sacrament' of independence), but rather from a utilitarian assessment of the Indian state as the most suitable site for the contending fractions of the ruling class to achieve their goals. In other words, a political split should be avoided which is likely to result in a division of the country. Thus, the main threat to the legitimacy of the Indian state arises not from the dominant class fractions in opposition to one another, but from the vertical contradiction of Indian society between the dominant classes as a whole (and hence the Indian state) on the one hand and, on the other, the oppressed peoples of the country who, over the last three decades, have had to defend themselves against an increasingly oppressive and coercive state.

Vertical Contradiction

The vertical contradiction between the dominant and oppressed classes has not been given the importance that it deserves in the literature on post-independence India, and Vanaik's book, sadly, is no exception. To be sure, the state has crushed all the organised insurrectionary struggles (from Telangana to Naxalbari and beyond) involving people's movements. Unlike the popular struggles against state power, however, regional autonomy movements led by local ruling classes (= castes) (drawn from the agrarian rich in some areas and non-productive but middle to high caste elements in others) have succeeded in compelling the Indian state to accommodate itself to pressures towards a partial decentralisation of power. But the popular upsurges in India, far from disappearing from the political scene, have continued to reproduce themselves in different forms over different clusters of issues. Despite their apparently fragmented character, they share a common denominator of opposition against the state and the ruling classes by virtue of the social (e g, caste), gender, economic (poverty and deprivation), cultural (e g, minorities such as the Muslims and Sikhs), and psychological oppression that they have to endure. Any study of economic and political change in India which does not accord a central place to this major contradiction of Indian society cannot throw sufficient explanatory light on the developments in the subcontinent. One of the crucially important aspects of state power in India is that, over the last three decades, its much touted 'near omnipotence' has shown a tendency to a high degree of unevenness. Thus, since the Emergency, the influence of the Indian state (in sharp contrast to that of the Chinese state) in the international arena has been systematically reduced to a point of relative unimportance. Even its significance as a regional power has been undermined in recent years.

A brief comparison between the Chinese state since the Revolution and the Indian state since independence is appropriate to this discussion. A powerful state was moulded out of the revolution in China. It addressed the task of removing poverty, socialising production (also centralising power) and developing mechanisms for securing as even a distribution of essential commodities throughout the country as practicable. Paradoxically, the Chinese state was well placed to benefit from three decades of relative international isolation; internally, it exercised an effective check on 'class enemies' (variably defined from time to time), and undertook a long-term policy of eradicating poverty (even though differentials between the poor peasantry and urban workers, to cite only one example, persisted). When, during the late 70s, those in control of state power radically altered the direction of China's development towards greater openness (to foreign investment and participation), competition (domestically and internationally), retrenchment of the public sector (without the state, however, giving up any part of its overall control over decision-making), and, in effect, a partial reversal of its ideology, the society as a whole had already achieved concrete gains at its base without which vertical class contradictions in any society could not be kept at a non-antagonistic level. Now that China is into its second decade of this new phase, strains have begun to appear which pose a threat to the social fabric, and which could take China on the path of uneven development beyond a point of no return. But the political leadership of China is aware of the importance of keeping the power of the state in tact in order both the monitor external influences (the need for which is acknowledged) and to contain internal opposition (which is likely to gather momentum not only in urban intellectual circles but also in the rural areas where the gains of the first three decades of progress are seen to be undermined).

The contrast between the above picture and the Indian state's response to recent developments in the country could not be more diametric. At independence, the Indian state was so structured as to maintain an equilibrium between antagonistic classes whilst enabling the dominant classes (in particular, the national industrial bourgeoisie) to lay the foundation of a capitalist economy. As the vertical contradiction between the dominant and oppressed classes deepened (mainly as a consequence of uneven development of capitalism and the failure of the state to persuade the newly arisen rich and middle peasant classes to channel a portion of the surplus augmented by the Green Revolution to industry), the coercive and oppressive power of the state was raised to ever higher levels. It was directed with special force against popular uprisings and people's movements. At the same time, the Indian state (especially since the Emergency) became more and more exposed to pressures from abroad and from within.

Until and through the Emergency (the Indo-Pakistan war over Bangladesh being, undeniably, the high point of this period), the political leadership was able to keep alive the myth of the omnipotence of the Indian state. The Emergency gave rise to a new awareness on the part of large sections of the Indian people that their civil, democratic, and fundamental human rights were no longer safe and they could hope to hang on to them only by mounting struggles against the state. The forces of opposition briefly united together to demonstrate to the ruling elements their determination to retrieve their basic rights which the state believed it could steal with impunity by imposing an internal Emergency. By the same token, the horizontal contradiction (especially that between the national industrial bourgeoisie on the one hand, and, on the other, the regional bourgeoisie in a number of areas, often of recent provenance, which reflected the interests of a variety of class segments—ranging from small businesses to the agrarian rich) posed a threat to the centralised and unitary conception of politics under a single umbrella in the form of a homogeneous and tightly knit political leadership perpetually in power.

The arena (provided under the constitutional rubric) of 'Centre-State relations' witnessed a new and more radical phase of activity leading not only to fairly painful adjustments on the part of the Congress(I) but also to a sharing of power between the political representatives of different segments of the Indian bourgeoisie.

Thirdly, in the economic sphere, the emptiness of the rhetoric of the 'socialistic pattern of society' stood thoroughly exposed, with India's absolute poverty (as revealed in figures for the proportion of the population living below the poverty line at any given time) staying put at staggeringly high levels; at the same time, the different segments of the national bourgeoisie reached the conclusion that, as the Indian state had ceased to be the most effective or useful channel for the advancement of their interests, the urge towards liberalising the economy by opening the door to increased private foreign investment and rolling back the public sector economy was provided by the realisation that dependence on external sources of capital would be a better alternative to stagnation within a framework of autonomy and independence. For the hundreds of millions of poor in India it would mean (as it, indeed,

already does) the superimposition of a new phase of external dependence (under harsh conditions of structural adjustment) upon three decades of anti-people policies practised in the name of poverty alleviation by a state which has become a more or less spent force internationally and lost much of its steam in the eyes of the ruling classes. Unlike the Indian state which is desperately seeking to implement policies imposed by the GATT and eager to accept the conditionalities of the IMF and the Dunkel proposals, China has shown itself to be in a position to lay down the terms under which it expects to advance during the new phase of its economic development. In both cases, the interests of the poor (or the weaker sections of society) are being heavily compromised. In the case of China, it can be said that at least during the first three decades of the Revolution the poor fared better than they have ever fared in India.

This contrast between the two Asian powers has been clearly registered in the recently adopted attitude of the US. The May 1994 'working visit' of the Indian prime minister, ending on an ugly note thanks to the racist public behaviour of the Indian delegation in Boston, has been singularly ineffective. During the same week as the Indian prime minister's visit to America, president Clinton announced that his government had decided to extend China's MFN status for another year and to delink the issue of human rights from the issue of trade in China's case. China's adamant refusal to bow to American pressure has paid off.

Chapter 2 is thus presented wholly in terms of the relationship between the Indian state and the national bourgeoisie, and of wholly ignoring the political dynamic underlying the discourse of the mass of the people as reflected in the numerous popular struggles in which they are involved. The severe limitations of such an unbalanced and partial approach become clear in the discussion of centre-state relations in Chapter 3. The main difficulty arises in Vanaik's categorical rejection of "any characterisation of India as a 'multinational' state" and equally categorical assertion that "India is very much a nation-state which...has 'solved' the 'national question'" (even, presumably, including the Kashmir question which is proving, each day, to be a more and more irresistible challenge to the Indian state!). In other words, provincial, regional, and sub-national (and, even, sub-state) identities can be asserted without laying claim to statehood.

We have already noted that such assertions of sub-national identities constitute a well-worn method of accommodating divergences between different segments of the dominant classes which have a vested interest in the maintenance of the power of the existing state structures. Thus, the interval between the publication of the Report of the Rajamannar Committee (appointed by the DMK government of Tamil Nadu during the late 60s) and the publication of the Report of the Sarkaria Commission (appointed by the Indira Gandhi-Mark II government during the early 80s) can be regarded as constituting the entire chapter of centre-state relations in the history of India since independence. They brought to a conclusion the work begun by the States Re-organisation Commission (under Faz'l Ali, as chair) during the mid-50s.

However, throughout the 47 years since independence the contradiction between the Indian state and the mass of the people (including, in particular, the economically disadvantaged, and those belonging to the lower castes, adivasis, minority communities, as well as women) has never abated. Under conditions to which the current policies of liberalisation will give rise, politics in India are likely to become more and more confrontational. At the heart of these confrontations lies a fundamental rejection of the Indian (nation) state around which inter-party (including the left parties) and intra-ruling classes' consensus has gelled over the last four decades or so. These confrontations (i e, between the mass of the people and the Indian state) will necessarily result in changing the institutional and theoretical categories which provide the *raison d'etre* of the Indian state, and compel a re-definition not only of the Indian state but also of the term 'nation' as well. Admittedly, this is a long drawn-out struggle of which the weakening of the sinews of the state as presently constituted is but one aspect. Regrettably, Vanaik has denied himself the opportunity of considering the possibilities arising out of the sharpening vertical contradictions of Indian society by starting with a rigid and sclerotic definition of the Indian nation state. This, unfortunately, weakens the discussion of communalism and Hindu nationalism in Chapter 4.

Hindu Nationalism

Chapter 4 faithfully reproduces the linearity of reasoning which is characteristic of the book as a whole. Thus, Vanaik argues that, as in other cases (presumably, 19th and early 20th century Europe), in India too religious hegemony in civil society is being systematically replaced by secular-democratic hegemony with greater industrialisation and urbanisation, the rise of the capitalist state and the consolidation of the basic institutions of civil society. Again, citing his understanding of India in the tension between different segments of the bourgeoisie as a whole rather than between the bourgeoisie as a whole and the mass of the people, Vanaik sees no incompatibility between the preservation of the bourgeois democratic system in broad outline and, within it, the project of de-secularisation and Hinduisation of the polity spearheaded by "the agricultural bourgeoisie and petty bourgeoisie".

By an extraordinary twist of logic, Vanaik propounds the view that there is scarcely any incompatibility between "the maintenance of a stable and strong democracy in the West and increasing racial oppression of a minority of the population"; by the same token, "India's weak (but functioning) democracy" and the weakening of the secular content of its politics can comfortably co-exist. In other words, the equilibrium between these two forces, despite the undermining effect of the latter on the former, will be seen by "aspirants to national authority" as necessary to "preserve the secularisation of the Indian state with at most some adjustments here and there". There is another name to this kind of thinking—viz, hard boiled political cynicism. As witness to recent events in Ayodhya and events currently unfolding in places such as Vrindavan and Varanasi, we may well raise the question as to what may the "adjustments here and there" be, which those in control of state power will feel impelled to make?

Hindu nationalism has been revived during the last two decades not only by the BJP and communal Hindu organisations but also under the combined auspices of all the mainstream national and regional parties—with the exception of the three main communist tendencies, the socialists and the Janata Dal—which have not scrupled to use religion for electoral purposes. Thus, Hindu nationalism has become imbricated with Indian nationalism. At the level of analysis, Vanaik makes two sets of useful points. First, the conceptualisation of communalism (by historians such as Bipan Chandra) as a diametric opposite of nationalism does not adequately take into account the actual fact that there are powerful forces which promote de-secularisation in civil society which must be tackled at the societal level precisely because de-secularisation presents itself as the dialectical opposite of the state's project of promoting secularisation of politics.

However, the action alternative suggested by Vanaik to the liberal-left rhetoric of anti-communalism is far from satisfactory. Vanaik believes that nothing can be gained by relying on bourgeois political parties or the state. In this he is right. The project of secularisation must be one of conscientising the people and persuading them to see the concrete advantages of secularisation over de-secularisation. Vanaik's suggestion sounds limp particularly in view of the fact that not only has he ignored the concrete struggles that the vanguard-less (i e, not under the aegis of Marxist leadership) mass of the people have been waging on this front, but he also casts the mass of the people in the mould of passive consumers to whose better sense an appeal must be made in the name of secularism.

Again, the reason for the dissatisfaction caused by Vanaik's undoubtedly well-intentioned suggestion of an alternative to the panacea—now on show in the ideological shop windows fronted by India's English educated comprador secular intelligentsia—must be sought in his failure to start with a more

dynamic blueprint of what has been interestingly misconceived by Naipaul as "a million mutinies" in an altogether different context (of one of his numerous voyages of self-discovery to India). The case of Punjab is added as a tail to the substantive discussion contained in Chapter 4. Curiously, the spectre raised here is the communalisation of the Sikhs instead of the Indian state which has meted out a shamelessly communal treatment to all sections of the Sikh community during the last quarter of a century.

Chapter 5, which attempts to identify the agencies of change, begins with a critique of the role played by the communists in Indian politics. Vanaik traverses this by now familiar territory with an interpretation of the 'peculiar trajectory' followed by Indian communism and an examination of the dynamic underlying its fissile ideological character. The mainstream left parties are viewed as representing the forces of regionalism rather than the working classes of industry and agriculture. Tamed into the ways of parliamentary electoral competition, with their original revolutionary programme abandoned to all intents and purposes, the two main communist parties—CPI and especially the more successful CPI(M)—have shown themselves to be capable of exploiting communal divisions by taking sides and drawing electoral support from one or other of the contending parties claiming to represent the interests of minority communities (especially the Muslims, as in Kerala). Whilst the main Marxist parties have distanced themselves from the unorganised sectors of the struggling masses, the smaller and more radical political formations have tended to identify themselves with specific causes in an atmosphere of growing ideological uncertainties and cultural fragmentation.

India is yet far from forging a structured alliance "among all the forces struggling for systemic change". Vanaik stresses the importance of not underestimating the power and reach of the Indian state. Whilst this is a perfectly justified caution, it is equally important to place the position of the state in perspective and to appreciate the opportunity provided by the downward trend in its capacity to accumulate power against mounting international and domestic pressures. On the agrarian scene, Vanaik, in keeping with the rest of his narrative, has given greater stress to the side of the dialectic pertaining to the ability shown by a recalcitrant rich peasant class to 'hegemonise' the poor peasantry and agricultural labour, whilst ignoring the powerful struggles waged by the poor peasantry in certain parts of India (e g, Bihar and Andhra Pradesh) against the rich peasantry and its allies in the local polity and bureaucracy. On the urban industrial and service sector scene, Vanaik has failed to rise above the level of platitudes.

The Trotskyist nostrum of permanent revolution would work, according to Vanaik, if the poor peasantry and the industrial working class would forge political alliances and undertake "a long march to liberation". In the meantime, the Indian national bourgeoisie will no doubt attempt to increase its autonomy and expand its domestic market. Unfortunately, this scenario is vitiated by the fact that rural and urban mass politics are likely to follow new paths in the absence of a widely acceptable 'vanguard' force, and that the autonomy of the bourgeois capitalist class is already severely compromised even although it is still far from sinking to a comprador status. Trotsky's revolutionary blueprint thus remains as impractical today as at any time in the past, with its theoretical flaws stemming from a lack of appreciation of the dialectical process at work in India's political and social economy.

Vanaik's assessment of India's external relations and foreign policy strategy, with which he concludes the book, relies on the "regional (in this case, south Asian) big power" thesis which differentiates between India and Pakistan, endowing the former with a greater degree of autonomy. The humiliating defeat of India at the hands of China in 1962, the generally cavalier attitude of India towards small neighbouring countries (except when non-Congress governments have been in power), the nuclear policy of India since 1971, not to mention the entrenched antagonism between India and Pakistan (for which not only Pakistan but also India must accept responsibility) especially over the nationality question as it affects contested regions (e g, in particular, Kashmir) are interpreted against a backcloth of *realpolitik* which reeks of theoretical staleness. The Indian government's policy of repression against the peoples of its north-eastern frontier, of duplicity practised against the Sri Lankan Tamils (with the collusion and connivance of the political parties of the state of Tamil Nadu), of silent annexation of Sikkim and intimidation of Bhutan and Nepal, of hob-nobbing with the odious regime of the Shah of Iran during the 70s are cited as evidence of India's success in varving out a local version of the Monroe Doctrine for south Asia. In the same breath Vanaik blandly declares India's non-alignment to be a success[1]

India's communist parties are beaten with the stick of ideological slavery to the Soviet and Chinese communist parties in a simple-minded manner. The final section of Chapter 6 is devoted to demonstrating that despite domestic political instability India, unlike Pakistan and Bangladesh, can expect to remain stable in its external affairs. Quite apart from giving out echoes of petty bourgeois national chauvinism, Vanaik's analysis is dangerously unhinged because it flies in the face of elementary reality so clearly visible to the naked eye. The present picture of India's external reality has been in the making for the last 15 to 20 years. It is grim and consists of little hope for the future of India's autonomy, for the amelioration of the deepening poverty of the mass of the people, and for the increasing antagonism between different segments of the capitalist classes which will inevitably engulf the country in violent conflicts in which the working classes will suffer.

Vanaik's contribution falls short of what readers could legitimately expect from a Marxist analysis of Indian politics. Its failure can be traced to the erroneous characterisation of the Indian ruling classes and the post-colonial state of India. Its theoretical poverty is attributable to its Trotskyist moorings. At the present juncture, the India of the poor and oppressed masses is at a crossroads. The communist and other left parties have signally failed them whilst the strongest among the organised left political forces have been content to transform themselves into parliamentary turncoats without injecting a new sense of urgency to the working of bourgeois democratic institutions. The two main organised forces of opposition are basically populist in character; of these, the Hindu communalist parties share a number of economic and other aims with the ruling party at the centre, whilst the other is genuinely oppositional in taking up the cause of the lower and lowest castes in its propaganda, but pathologically disunited.

In such a political milieu, it has not been difficult for the Congress(I) to rule by default and impose profoundly anti-people and anti-poor (the two terms should be distinguished from one another and used separately) policies with practically no parliamentary accountability. What the poor masses of India need, therefore, is not a vanguard party or movement, but a theoretical practice and an ideological formulation which can be evolved from the livid experience of struggle in which many segments of the populace have been engaged in different parts of the country on a variety of issues since the internal Emergency. Sadly, such of us who have been looking for signs of such a breakthrough will feel disappointed by Vanaik's contribution to the debate on India.

Note

1 Viz. (i) 'Socialist Construction' in China, as contrasted with policies in India which gave only marginal importance to distribution whilst according much greater importance to centralised production and managing the economy in such a manner as to open the way for the bourgeoisie to benefit from the state, (ii) China's *bouleversement* from "Socialist Construction" to state-managed capitalism with a fine tuned orchestration between decentralised production and international participation controlled by a powerful state, in contrast to India's somersault from a centralised economy (under the direction of an apparently strong state in which planning became more and more obsolescent since the mid-70s onwards) to a state which is considerably weakend in the international context and an economy which is desperate to sell off its assets to the first bidder from abroad

Agriculture under GATT: What It Holds for India

Ashok Gulati
Anil Sharma

This paper attempts to analyse the likely impact of India's commitments on agriculture and Intellectual Property Rights, especially commitments pertaining to market access, domestic support and export competition in the area of agriculture.

THE long drawn talks on General Agreement on Tariffs and Trade (hereafter GATT), which dragged on for more than seven years have come to an end. The world trade treaty aimed at opening international markets was finally signed in April 1994. In fact eight rounds of negotiations to free international trade have been organised since the inception of GATT in 1947. The first round of GATT to set the rules of international trade was held in Havana in 1947, which produced a charter for the International Trade Organisation (ITO).[1] Since then seven more rounds have taken place,[2] the eighth in this series which is commonly known as 'Uruguay Round' was initiated in September 1986 at Punta del este, Uruguay. This round has been the most difficult and complex one as it covers new areas like agriculture,[3] services, banking, insurance, telecommunications, etc.

The main objective of GATT treaty is to reform world trade which is highly distorted because of direct and indirect subsidies that flow to various sectors of the economy in various countries of the world. In case of agriculture, specific attempts have been made to measure the degree and extent of distortion in the world trade by some studies like that of Johnson (1971 and 1991), Anderson and Hayami (1986), Islam and Valdes (1990) and Tyers and Anderson (1992). These studies reveal that direct and indirect subsidies, which flow to the agricultural sector, manifest themselves into distorted world prices of agricultural commodities. These distorted world prices, in turn, result into a situation of deceptive comparative advantage that leads to inefficient use of world resources, which ultimately leads to efficiency and welfare losses around the world. Therefore, the underlying philosophy of GATT treaty is to correct these distortions in world trade of agricultural commodities with a view to promote efficient allocation and use of world resources.

India is one of the approvers of this trade treaty. In this context, it becomes important to study the likely impact of GATT on various sectors of Indian economy. The prime focus of this paper, however, is to gauge the likely impact of this agreement on Indian agriculture by analysing the various commitments under GATT in the area of agriculture.

The GATT commitments in the area of agriculture fall under three main categories, namely, market access, domestic support and export competition,[4] which are discussed separately in the following Sections I to III. An attempt is also made to present a scenario relating to trade in agricultural commodities in the post-Uruguay round of GATT in Section IV. This section also tries to identify the commodities in which India can gain from international trade. Section V contains concluding remarks of the paper.

I
Market Access

Under market access commitments, all member countries of GATT are required to (i) replace all types of non-tariff barriers with tariff barriers,[5] and (ii) reduce the levels of tariffs under a time bound programme. These levels are to be reduced by 24 per cent in case of developing countries and by 36 per cent in case of developed. The period during which these reductions are to be taken up varies from six years in case of developed countries to 10 years in case of developing countries. The least developed countries are not required to undertake these reductions. In addition to these commitments, this measure also calls for maintaining current access opportunities and the establishment of minimum access tariff quota. This minimum access tariff quota is to be established at reduced tariff rates for those basic products where the current market access is less than 3 per cent of domestic consumption. During the implementation period this minimum access tariff quota has to rise gradually to 5 per cent of domestic consumption. However, if there is a surge of imports due to unfair trade practices when these steps are being implemented, the special provisions of the agreement allow any country to impose additional duties. The extent of these additional duties will depend upon the difference between the import price and the trigger price.[6]

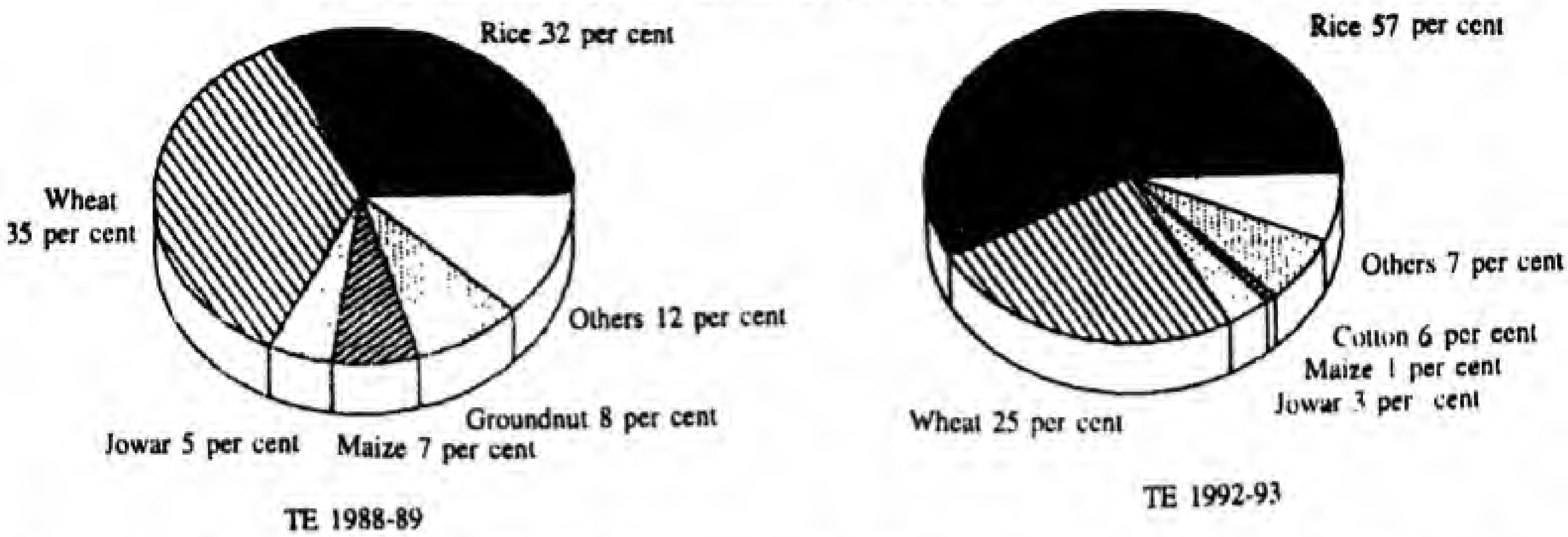
The implementation of these measures will not have any adverse effect on Indian agriculture during the implementation period.[7] This is because imports of various agricultural commodities in India are subjected to mainly quantitative restrictions for balance of payment reasons. The special provisions of agreement allow any country to maintain import restrictions up to the end of the implementation period.[8] In any case, even if India does not have BOP cover, that does not mean that India will have to compulsorily import 3 per cent of its domestic consumption.[9] What all it means is that India will allow the imports of these commodities at low levels of tariff. Providing access to the domestic market does not mean that there will be a flood of imports because, (i) if the prices of agricultural products in the domestic market are below their international levels, imports will not be able to compete with the domestically produced products. This is precisely what is true with most of the agricultural commodities in India (with a notable exception of edible oils), and (ii) if the country from where the product is being imported is indulging in dumping, special provisions of the agreement allow us to impose additional tariff barriers as indicated earlier.

This can be explained with the help of import data for the triennium ending 1988-89 (base period), which reveals that except for edible oils, where imports constituted 28.66 per cent of domestic consumption,[10] imports of other agricultural commodities were less than 3 per cent of their total domestic consumption. For instance, imports of rice, wheat and cotton—three major commodities were 0.38 per cent, 1.47 per cent and 0.92 per cent of their total domestic consumption during the base period (triennium ending 1988-89). This clearly shows that there is no adverse impact of the commitment of market access on Indian agriculture. Even in case of edible oils, special provisions allow India to maintain present restrictions till the end of the implementation period, which is 10 years for the reasons explained above and also for balance of payment reasons.[11]

II
Aggregate Measure of Support

Aggregate measure of support (AMS) is the annual aggregate value of market price support, non-exempt direct payments and any other subsidy not exempted from the reduction commitment expressed in

FIGURE: RELATIVE SHARES OF DIFFERENT COMMODITIES IN TOTAL PRODUCT SPECIFIC NEGATIVE SUPPORT



monetary terms. Thus, to estimate AMS for Indian agriculture, first one works out the level of support for each basic product (like rice, wheat, cotton and so on) that it obtains through (a) market price support; (b) non-exempt direct payments, and (c) other subsidies not exempted from reduction commitments. Support which falls under the purview of non-product specific (like subsidies on various inputs) is totalled into one non-product specific AMS expressed in monetary terms. Policies which have been excluded from reduction commitments are government spending on research, disease control, infrastructure and food security. These also include structural adjustment assistance, direct payments under environmental programmes and regional assistance programmes.[12]

In product specific AMS, the market price support is to be calculated using the gap between a fixed external reference price (fob unit value in a net exporting country and cif unit value in a net importing country) and administered price (domestic support price) multiplied by quantity eligible to receive the administered price. There is not enough clarity in the Final Act whether the quantity eligible to receive administered price is the total quantity of production, or only the marketed surplus.[13] The reference price shall be based on the years 1986-87 to 1988-89. The external reference price needs to be adjusted for quality differences as necessary in order to make it comparable with the domestically produced product.

Non-exempt direct payments are to be computed by using the gap between external reference price and administered price or by using budgetary outlays. Input subsidies and other policies like marketing cost reduction measures are to be determined by using budgetary outlays. However, if budgetary outlays do not reflect the full extent of subsidy, the subsidy has to be worked out by using the gap between the subsidised price of input in question and a representative market price multiplied by the quantity used of that input.

If the product specific and non-product specific AMS does not exceed 10 per cent of the total value of agricultural product in case of a developing country (5 per cent in case of a developed country), the country is not required to reduce the product specific and non-product specific support. However, if the AMS exceeds 10 per cent of the total value of agricultural production, it is required to be reduced by 13.3 per cent in case of a developing country (20 per cent in case of a developed country) of the value that does not qualify for exemption during the implementation period. The least developed countries have been exempted from these reductions.

India has basically two types of support operations for farmers. First, market price support, which is in the form of minimum support prices announced by the government for different commodities, based on the recommendations of the Commission for Agricultural Costs and Prices (CACP). Second, the support in the form of input subsidies which are on inputs like fertilisers, irrigation, electricity, credit and seeds.

The third type of support which falls under the head of non-exempt direct payments is not given to farmers in India.

The estimates based on support prices reveal that product specific AMS for India (for 17 products out of 22 total products for

TABLE 1. PRODUCT SPECIFIC AND NON-PRODUCT SPECIFIC AGGREGATE MEASURE OF SUPPORT (TE 1988-89 AND TE 1992-93)

(Rs billion)

Support Type	TE 1988-89	TE 1992-93
Product Specific AMS		
(a) Based on support prices	-242.25 (-27.74)	-427.89 (-26.33)
(b) Based on farm harvest prices	-151.03 (-17.29)	-295.21 (-18.17)
Non-product Specific AMS	45.77 (5.24)	86.45 (5.32)
(i) Fertiliser subsidy	10.21	24.98
(ii) Irrigation subsidy	17.93	17.15
(iii) Electricity subsidy	15.81	41.54
(iv) Credit subsidy	1.00	1.96
(v) Subsidy on seeds	0.82	0.82
Total product specific and non-product specific AMS		
(a) Based on support prices	-196.48 (-22.50)	-341.44 (-21.01)
(b) Based on farm harvest prices	-105.26 (-12.05)	208.76 (-22.85)

Notes Figures in parentheses are percentages to the total value of agricultural production (excluding forestry and fishery).

The 17 crops included in product specific AMS are rice, wheat, jowar, bajra, barley, gram, tur, urad, moong, groundnut, rapeseed and mustard, soyabean (yellow and black), cotton, jute, tobacco and sugarcane.

In non-product specific AMS, the programmes included are fertiliser subsidy, electricity subsidy, irrigation subsidy, credit subsidy and seed subsidy.

According to the Ministry of Commerce product specific AMS during TE 1988-89 is Rs (-)244.42 billion. The problems with their estimate have been discussed in endnotes 10, 11, 13, 14, and 15 at relevant places.

which India maintains market support programmes) works out to be negative to the tune of (-)Rs 242 billion. This forms (-)27.74 per cent of total value of agricultural production (excluding forestry and fishery).[14,15] Non-product specific AMS works out to be Rs 46 billion, 5.24 per cent of total value of agricultural production (Table 1).[16] By adding these two one gets total AMS which stands at (-)Rs 196 billion, which forms (-)22.50 per cent of the value of agricultural output during the base period 1986-87 to 1988-89. This indicates the massive amount of 'taxation' that is inflicted on Indian agriculture, which is contrary to the general impression of huge subsidies which flow to this sector.

This negative support (or net taxation) is due to the fact that prices of different crops are fixed by the government below their international levels (barring rapeseed-mustard and sugarcane). This is evident from the data presented in Table 2, which shows that in terms of per unit output, the highest average negative support is for barley, which was found to be (-)200.30 per cent during the base period.[17] The next highest per unit support (in negative) is found in case of jute, which amounted to (-)134.92 per cent during triennium ending 1988-89. Other product groups with more than 100 per cent of negative support per unit of output during the same period are maize (-127.26 per cent), sorghum (-119.78 per cent), tobacco (-115.57 per cent) and wheat (-111.98 per cent) respectively. The only product group receiving positive support was sugarcane in which case the subsidy was found to be 14.82 per cent of output.[18,19]

Because of these negative support figures per unit of output, the product specific aggregate measure of support turns out to be negative, i e, price difference multiplied by total quantity of production. The highest negative product specific AMS was found for wheat which totalled Rs (-)85.74 billion. Wheat was closely followed by rice in which case the product specific AMS turned out to be Rs (-)77.23 billion. These two crops were followed by groundnut (-20.49 billion), maize (-16.53 billion) and jowar (-12.52 billion) respectively in that order. The lowest negative product specific aggregate measure of support amounting to Rs (-)16.5 billion was obtained for soyabean. However, in case of sugarcane as explained earlier, the product specific AMS turned out to be Rs 2.41 billion during the base period.

These numbers clearly indicate that India is not required to reduce its support levels as the product specific and non-product specific AMS works out to be (-)22.5 per cent of the total value of agricultural output.[20] In fact over the years, the AMS has increased in negative and stood at Rs (-)341.44 billion during TE 1992-93. This massive increase of 73.77 per cent in absolute value of AMS seems to be the effect of depreciation of rupee against major currencies of the world during the last three years as also in relative prices of different commodities. During this triennium, the highest product specific AMS in negative was found in case of rice which amounted to Rs (-)245.98 billion. After rice followed wheat and cotton with product specific AMS totalling Rs (-)107.59 billion and Rs (-)27.66 billion respectively. During this period another commodity in addition to sugarcane which has positive product specific AMS is rapeseed and mustard, where the product specific AMS is found to be Rs 6.09 billion.[21] The relative shares of major crops in total product specific negative support during triennium ending 1988-89 and triennium ending 1992-93 are depicted in the Figure.

The calculations of product specific AMS for different commodities at farm harvest prices[22] are also somewhat in line with those obtained on the basis of support prices (Table 3), but the degree surely differs. The farm harvest prices have been used as an alternative set of prices because support prices have no meaning in the case of those commodities where no support operations are carried on by the government. Besides, farm harvest prices are supposed to be close to the prices which farmers get for their produce.

Though the product specific AMS for 17 commodities was found to be Rs (-)151.03 billion, the extent of taxation (both product specific and non-product specific was still quite high, i e, (-)12.05 per cent of the total value of agricultural output during 1986-87 to 1988-89 base period.[23] There were only three commodities, namely, gram, tur and sugarcane which showed positive product specific AMS. Similar trends were observed in triennium ending 1992-93, when the total product specific and non-product specific AMS turned out to be Rs (-)208.77 billion, which was found to be (-)12.85 per cent of the total value of agricultural output during this period. The product range with negative AMS narrowed to 8 commodities and with positive support expanded to nine commodities.[24] But three major crops, i e, rice, wheat and cotton which accounted for 55.52 per cent of total value of agricultural output in 1980s [Bhalla and Tyagi 1989] had negative AMS amounting to Rs (-)187.33 billion, Rs (-)117.53 billion and Rs (-)26.25 billion respectively. Crops with highest positive product specific AMS were groundnut and rapeseed and mustard wherein the AMS was Rs 15.44 billion and Rs 13.09 billion respectively.

The above mentioned trends of domestic support in India are contrary to those found in developed countries of the world. Almost all developed countries provide positive support to their cultivators ranging from as high as 72 per cent in case of Japan, 37 per cent in case of European Community and 26 per cent in case of USA [Gulati and Sharma 1992].[25] This is in sharp contrast to India which imposes net tax on its cultivators.

III
Export Competition

In the area of export competition, GATT agreement calls for reducing direct export subsidies to a level of 36 per cent below 1986-88 level in case of developed countries

Table 2: Extent of Support Per Unit of Output Based on Support Prices

Crop	TE 1988-89 Administered Price (Rs/MT)	TE 1988-89 Reference Price (Rs/MT)	TE 1988-89 Product Specific Support (Per Cent)	TE 1992-93 Administered Price (Rs/MT)	TE 1992-93 Reference Price (Rs/MT)	TE 1992-93 Product Specific Support (Per Cent)
Rice	2280.00	3520.00	–54.39	3507.46	6834.70	–94.86
Wheat	1670.00	3540.00	–111.98	2383.33	4380.30	–83.79
Maize	1373.33	3121.00	–127.26	2116.67	2525.00	–19.29
Sorghum	1373.33	2945.00	–114.44	2083.33	3427.20	–64.51
Barley	1340.00	4024.00	–200.30	1966.67	2008.05	–2.10
Tur	3350.00	5243.00	–56.51	5550.00	8184.97	–47.48
Gram	2766.67	4128.00	–49.20	4570.00	5563.87	–21.75
Urad	3350.00	4385.00	–30.90	5550.00	6769.83	–21.98
Moong	3350.00	4782.00	–42.75	5550.00	7821.17	–40.92
Groundnut	3966.67	6900.00	–73.95	6583.33	7786.30	–18.27
Soyabean	3033.33	3081.00	–1.57	4566.70	6322.50	–38.45
Rapeseed and Mustard	4350.00	6884.00	–58.25	6766 70	5509.90	18.57
Cotton	16562.00	17333.00	–4.66	24892.00	40734.73	–63.65
Jute	2383.33	5599.00	–134.92	3650.00	6665.60	–82.62
Tobacco	1233.00	2658.00	–115.57	1592 00	3679.00	–131.09
Sugarcane	183.33	156.16	14.82	253.33	156.16	38.36

Notes: Administered prices are minimum support prices.
Reference prices are c i f values (except for tobacco in which case reference prices are fob values). Have been derived from *Monthly Statistics of Foreign Trade*, DGCIS, Calcutta

Source: GOI, Ministry of Agriculture and DGCIS, Calcutta.

over a period of six years. The quantity of subsidised exports by the developed countries is to be reduced by 21 per cent during the same period. In case of developing countries direct export subsidies are to be reduced by 24 per cent and the quantity of subsidised exports is to be reduced by 14 per cent. These reductions in case of developing countries are to be carried out over a period of 10 years as against six years in case of developed countries. The least developed countries have been exempted from these reduction commitments. Export subsidies included in reduction commitments are direct subsidies paid by the government or any other agency, including payments in kind; payments that are made from the proceeds of levy imposed on agricultural products; subsidies given to reduce the costs of marketing including internal handling, processing, international transport and freight subsidy on export shipments.

In order to see the impact of these commitments on agricultural exports from India, we have to look at the nature and extent of these subsidies. Indian exporters of agricultural commodities do not get direct export subsidy. The only subsidies available to exporters of agricultural commodities are in the form of: (i) exemption of profits from export sales from the income tax, and (ii) subsidies on costs of freight on export shipments of certain products like fruits, vegetables and floricultural products.

Since these payments by developing countries are exempt from the reduction commitments during the implementation period, the commitments mentioned above will not have adverse impact on agricultural exports from India. In order to encourage the exports of agricultural products these subsidies can be continued for the time being. Once the export supplies become self sustaining during the adjustment period, these can be withdrawn.

It is well documented in literature that most of the developed countries operate export subsidy programmes to enhance their exports. According to one estimate [GATT Secretariat 1993] developed country export subsidies amounted to $ 16.4 billion during the base period. These countries would be required to gradually reduce their export assistance programmes. This will open up new markets for countries like India, which are efficient producers of agricultural products.[26] Therefore, reductions in export subsidies and subsidised exports of developed countries will have greater implications for developing country exports. Countries like India would benefit not only from improved market access opportunities in the developed and developing countries, but also from the reduction of subsidised exports and trade distorting production incentives in developed countries.

IV
Post-GATT Scenario

Having looked at the commitments under GATT in three major areas of market access, domestic support and export competition, the questions that emerge are: (i) what is likely to be the impact of these commitments on world prices and trade of agricultural commodities, and (ii) whether India will be better off once these commitments are fulfilled by the developed countries.

Although, projecting future is a tricky exercise as no one is yet sure of the way how developed countries are going to bring down their AMS, as it is no more commodity specific. Thus, which commodities will bear the burden of adjustment remains speculative. It would be strongly influenced by commodity specific lobbies in developed countries. Nevertheless, one can venture speculating the expected outcome of post-GATT scenario through the judgment of experts in the field. On theoretical grounds one would expect that reduced support levels and rationalisation of trade barriers will increase production and export of various commodities in those countries which have comparative advantage in the production of agricultural commodities. Similarly the reduction in import barriers will reduce consumer prices in those countries where the tariff barriers are very high, which will generate strong demand and will push up imports. Some empirical modelling exercises show that international prices will rise and so will the trade volumes.[27] But the estimates of change in prices and trade vary from study to study. Even if the world prices remain constant, it is clear from the above analysis that prices of various agricultural

Table 4: Prices of Various Agricultural Commodities in Relation to Wheat (TE 1992-93)

Crop	India (Wheat = 100)	World (Wheat = 100)
Wheat	100.00	100.00
Rice	147.17	199.43
Maize	88.81	74.68
Sorghum	87.41	74.41
Cotton $	355.25	372.07
Groundnut	248.55	189.64
Soyabean	191.61	177.04
Rapeseed and Mustard	283.92	150.38

Notes: $ = Kapas

In case of groundnut, the ratios are for the year 1989, as the international prices for later years are not available.

Prices in India are support prices.

World prices have been taken from *FAO Quarterly*. The details of these prices are given below. The world prices are for the following varieties:

Wheat = US HRW No 2 variety, fob US Gulf; Rice = Thai rice 5 per cent broken variety, fob Bangkok; Maize = US No 2 (yellow) variety, fob US Gulf; Sorghum = US No 2 (yellow) variety, fob US Gulf; Cotton = SM 1-1/16 US Memphis variety, cif, Liverpool; Soyabean = Soyabean of US origin, cif, Rotterdam; Rapeseed = Canadian 40 per cent, cif, NW Europe; Groundnut = Any origin, cif, Europe.

Table 3: Extent of Support Per Unit of Output Based on Farm Harvest Prices

Crop	TE 1988-89			TE 1992-93		
	Farm Harvest Price (Rs/MT)	Reference Price (Rs/MT)	Product Specific Support (Per Cent)	Farm Harvest Price (Rs/MT)	Reference Price (Rs/MT)	Product Specific Support (Per Cent)
Rice	2828.14	3520.00	–24.46	4302.70	6834.70	–58.85
Wheat	2024.80	3540.00	–74.83	2947.50	4380.30	–48.61
Maize	1870.40	3121.00	–66.86	2818.10	2525.00	10.40
Sorghum	1736.81	2945.00	–69.56	3103.30	3427.20	–10.44
Barley	1812.80	4024.00	–121.98	2987.50	2008.05	32.78
Tur	5550.47	5243.00	5.54	8625.50	8184.97	5.11
Gram	4510.55	4128.00	8.48	6251.70	5563.87	11.00
Urad	3350.00	4385.00	–30.90	5246.70	6769.83	–29.03
Moong	3350.00	4782.00	–42.75	5550.00	7821.17	–40.92
Groundnut	5615.10	6900.00	–22.88	9809.83	7786.30	20.63
Soyabean	3033.33	3081.00	–1.57	7031.67	6322.50	10.09
Rapeseed and Mustard	6194.18	6884.00	–11.14	8274.38	5509.90	33.41
Cotton	18711.18	17333.00	7.37	25979.90	40734.73	–56.79
Jute	2773.80	5599.00	–101.85	4371.70	6665.60	–52.47
Tobacco	1670.00	2658.00	–59.16	3314.00	3679.00	–11.01
Sugarcane	183.33	156.16	14.82	183.33	156.16	14.82

Notes: Farm harvest prices of urad, moong and sugarcane are not available, therefore, their levels of support are same as under support prices.

Farm harvest prices are weighted average prices, weights being shares in total production of those states for which harvest prices are available.

Reference prices are cif values (except for tobacco in which case reference prices are fob values) and have been derived from *Monthly Statistics of Foreign Trade*, DGCIS, Calcutta.

Source: GOI, Ministry of Agriculture and DGCIS, Calcutta.

commodities in India are well below their international levels. India has comparative advantage in agriculture because of its diverse agro-climatic conditions (which are conducive for a variety of crops almost round the year). There is no reason to believe that exports of this sector will not grow with more open world trade policy environment: there are large differences between potential and actual yields, the import intensity of this sector is low compared to other sectors of the economy and labour costs are reasonably low compared to other countries. Our understanding of the situation is that India is likely to gain more from its own policy of liberalising agricultural trade than what may be expected from GATT provisions. The recent trends in exports reinforce these arguments. In fact agriculture has turned out to be a star performer in terms of exports. Agricultural exports increased by 38 per cent in dollar terms during the first half of the year. With the tremendous increase in exports, the export basket of agricultural products has also diversified in the recent years. From tea and mate, which formed nearly 40 per cent of agricultural exports from India in 1960s, exports have diversified to cashew kernels and spices to fish and fish preparations, oil cakes, rice, fruits and vegetables and processed foods.

In the past, agricultural exports from India did not outshine because of: (i) over valued exchange rate of rupee against major currencies of the world; (ii) the external trade in most of the agricultural commodities was and in many cases still is subjected to various controls mainly non-tariff barriers like export quotas, canalisation and minimum export prices (MEPs); and (iii) *ad hocism* in the export policy, which means export markets are 'residual' markets, i e, they are approached only in case of country has surplus.[28]

These pervasive controls along with treating export markets as residuals lowered the returns available to the producers. It resulted in diverting the resources away from export competitive crops. All these factors taken together have acted as deterrents and resulted in the lost trade advantage that India has in the area of agriculture. These irritants have outlived their purpose and must be done away with fairly quickly, if India has to take advantage of new post-GATT scenario.[29] The new exim policy of the government of India does reflect some of the concerns; however, much more remains to be done. First, ministry of commerce should set up an expert group to identify the commodities in which India is likely to gain in post-GATT scenario. This is important because the total cultivable area is almost limited and changes in price ratios will change cropping patterns in favour of those crops which have relative comparative advantage. Second, identify the likely change that the export basket of agricultural commodities is likely to witness, and accordingly prepare the country to improve its competitive edge by working on the fundamentals of various links from production in the farms to exporting in the ships.

In order to find out the precise nature of such shifts in cropping patterns and changes in exports, one may build a large model (linear programming or general equilibrium model) but a very rough and crude idea of this can be had from the relative price ratios prevailing in the domestic market and in the international market. Price ratios of various agricultural commodities in relation to wheat (assuming wheat price equal to 100) in India and the world are given in Table 4. A perusal of data presented in table reveals that area under oilseeds is likely to contract, as their relative prices are much lower in the international market than those in the domestic market. This is particularly true for rapeseed-mustard and groundnut.[30] The extent of these variations differs and varies from 31.06 per cent in case of groundnut to 88.80 per cent in case of rapeseed and mustard. Similar changes will occur in case of coarse cereals also, but the impact is likely to be marginal compared to oilseeds. On the other hand, area under fine cereals, rice, wheat and fibre crop, cotton, is likely to expand and they may emerge as important export items along with fish and fish preparations. Thus, the share of oilcakes (particularly non-soya) in agro exports may gradually come down with import liberalisation of edible oils. Our research on the future agro-export basket of the country also reveals that it is likely to be dominated by fish and fish preparations, rice, wheat, tea, tobacco, fruits and vegetables and their processed items. Our analysis of major cereals, fruits, vegetables and their processed items reveals that India has high to moderate competitive advantage in most of these commodities [NCAER 1994]. This calls for making additional efforts in terms of devising appropriate policies for these future export items in which the country has competitive advantage.

Therefore, if the exports of agricultural commodities have to increase, the time is ripe to abolish all export controls and regulations like canalisation, export quotas and minimum export prices. Next on agenda should be infrastructural developments in terms of bulk storage and handling facilities at rail heads and sea ports for cereals, fast track facilities, preferably dedicated cargo terminals for perishable commodities (fruits, vegetables and their processed items) at major air-sea ports. Last but not the least, long-term investments in research and extension in yield and quality, eco-friendly production of fruits and vegetables and their packaging material are crucially important for taking advantage from the post-GATT scenario, and sustain higher growth in agro-exports.[31]

Summary and Conclusions

The impact of GATT commitments in agriculture which fall under three main categories, i e, market access, domestic support and export competition is explored in this paper. The analysis reveals that India stands to gain rather than lose from trade liberalisation by the GATT members. The domestic support levels in India are negative in most of the agricultural commodities studied here, which is in sharp contrast to the support levels prevailing in developed countries of the world. Almost all developed countries provide positive support to their cultivators and their support levels are quite high (generally more than 10 per cent of the total value of agricultural output). In India the product specific and non-product specific AMS (for 17 products out of 22 total products for which India maintains market support programmes) works out to be negative, i e, (-)Rs 196 billion, which forms (-)22.50 per cent of the value of agricultural output during the base period 1986-87 to 1988-89. This indicates the massive amount of 'taxation' that the Indian agriculture, in reality, is subjected to, contrary to the general impression of huge input subsidies which flow to this sector. In fact over the years, this negative support has increased in absolute amount to Rs (-)341.45 billion during TE 1992-93, but in percentage terms, has slightly come down to (-)21 per cent.

A few studies that have been carried out in the recent past indicate, that international prices of agricultural commodities will rise and so will their production and trade volumes. Also the variability in world prices will reduce. Though the increase may be a modest one, but it can be said with reasonable degree of certainity that reduced support levels and rationalisation of trade barriers will increase production and export of various commodities in countries like India, which have comparative advantage in the production of agricultural commodities. Diverse agro-climatic conditions in India and the existing differentials in actual and potential yields, all augur well for exports of agricultural commodities. To cash on the trade opportunities which will emerge from the post GATT scenario, India will have to change its export strategy of treating export markets as residuals. In addition to this various stringent measures which act as irritants like export quotas, canalisation and minimum export prices must be done away with completely. The analysis also reveals that future export items will be fish and fish preparations, cereals like rice and wheat, tea and tobacco, fruits, vegetables and their processed items. This calls for making additional efforts in terms of devising

appropriate policies for these future export items in which the country has comparative advantage.

Notes

1 In the first round, the 23 countries that founded GATT exchanged tariff cuts for 45,000 products worth $ 10 billion of trade on annual basis.

2 The second round was held at Annecy (France) in 1949 in which another 10 countries joined and customs duties were reduced for another 5,000 items. Third round was held in Torquay (Britain) in 1950-51 and involved 38 countries. Fourth and fifth rounds were held in Geneva (Switzerland) in 1955-56 and 1960-62 respectively. The sixth round which is known as the "Kennedy round" was also initiated in Geneva in 1964 and was completed in 1967. In this round more than 50 countries accounting for 75 per cent of world trade participated. Seventh round of GATT negotiations was started in 1973 in Tokyo (Japan) but ended in Geneva in 1979. In this round 99 countries participated in trade negotiations.

3 Agriculture did appear on GATT agenda thrice before this round, but the focus was very narrow.

4 Another area of concern in agriculture which has created fears in the minds of people is the impact of trade related intellectual property rights of farmers and plant breeders. This we feel is basically the area of plant breeders and they should be the right persons to comment on this issue. However, our understanding of this issue is that in *sui generis* system of plant protection, the proposed legislation offers farmers to save, use, exchange and share seeds. The only thing which sui *generis* system of intellectual property rights prohibits is the large-scale multiplication and selling of the seed purchased from companies.

5 The level of tariff which will result from this process is not clearly defined in the Draft Final Agreement. Logically, one would think that the level of tariff would be equal to the difference in the domestic and world prices during the base period, 1986-88. But actually, it is not so. GATT secretariate has asked its member countries to propose their respective tariff rates on various commodity groups. India, e g, has proposed 100 per cent tariff on agricultural commodities, 150 per cent on processed agro-commodities and 300 per cent on edible oils, despite the fact that, on the whole Indian agriculture's AMS is negative.

6 The additional duties will be set according to the difference between cif import price and the trigger price. The trigger price shall be equal to 125 per cent, 110 per cent, 105 per cent of the average cif import value of the preceding three years, when the market access opportunities are less than or equal to 10 per cent, between 10 per cent and 30 per cent and above 30 per cent respectively. [For details on how additional duties would be determined, see World Trade Centre, 1994].

7 Countries like Japan, South Korea and European Community, which have very high tariff barriers and use border measures like variable levies will be required to provide greater market access to other countries.

8 The conditions under which the restrictions can be maintained are (i) imports constitute less than 3 per cent of the domestic consumption of the particular product during 1986-88, (ii) no export subsidies have been provided for the particular product since 1986, (iii) effective production restricting measures are applied to this particular product, and (iv) minimum access opportunities are provided.

9 This apprehension has been expressed in Thomas et al (1994).

10 Domestic consumption has been equated with net availability. Net availability includes net production (gross production minus quantity kept for seed, feed and wastage), imports and changes in stocks.

11 Government of India has put imports of palmolein oil under OGL (Open General Licence) at 65 per cent import duty (*The Economic Times*, April 19, 1994). NDDB and STC, however, have been allowed to import at 20 per cent import duty.

12 Even input subsidies available to low income or resource poor producers (having operational holdings below 10 hectare) in developing countries are exempt from domestic support commitments (WTC, 1993, page 29 and GOI, Ministry of Commerce). If that is true then almost 80 per cent of the input subsidies will qualify for exemption, because in India operational holdings of 10 hectares or below account for 79.5 per cent of agricultural land.

13 It is worth noting that in 1991, the government estimated AMS for Indian agriculture on the basis of marketed surplus of relevant commodities, while in 1994 the reply given by Indian government to GATT secretariate included production as the relevant quantity.

14 This is a bit different from the estimate worked out by the Ministry of Commerce. According to their calculations the product specific aggregate measure of support is Rs (–)244.42 billion. This is because of the methodological and computational problems which remain in the estimates of the Ministry of Commerce. These have been explained in the latter part of the text or in endnotes.

15 Ministry's estimate reveals that product specific support forms (-)17.40 per cent of the total value of agricultural production, whereas our estimates show that it is (-)27.74 per cent of total value of agricultural production. It seems they have included animal husbandry and forestry in total value of agricultural production, while support on these components of agriculture has not been included. We have corrected for this and taken crop value only as representing agriculture.

16 Input subsidies for triennium ending 1992-93 have been worked out as follows:

(i) Fertiliser subsidy has been taken as 50 per cent of the amount shown in government documents, the rest is deemed to be going either to the fertiliser industry or to the feedstock agencies [Gulati, 1990].

(ii) Irrigation subsidy represents the losses made on working expenses of major and medium and minor irrigation schemes. It does not include the subsidy on capital investment made in these schemes [Gulati, 1994 and Gulati and Sharma 1994].

(iii) Electricity subsidy has been taken from Gulati and Sharma (1994).

(iv) Subsidy on farm credit represents only the interest rate subsidy and does not include the loans written-off.

(v) Subsidy on seeds has been taken from the publications of government of India.

17 According to the ministry, it is (–)190.96 per cent. This is again because of the wrong information used for the selected years on prices and production. In their estimates they have used price information for 1987-88, 1988-89 and 1989-90. Actually the price should be for 1986-87, 1987-88 and 1988-89 and corresponding production figures should be for the crop years 1985-86 become available for sale in 1986-87 and so on. Same is true for wheat, gram and rapeseed and mustard, which are all rabi crops.

18 According to the calculations done by the Ministry of Commerce, tobacco also received positive support. But, there appears to be a slip in their estimates. It seems they have used import parity price while comparing support price with external reference price. However, India being net exporter of tobacco, it is the export parity price which should be compared with the support price and not the import parity price.

19 Another disagreement between our numbers and the numbers worked out by the ministry appears to be in the case of cotton. In this case, ministry's estimates seem to have compared kapas (seed cotton) prices and the prices of lint. Actually, it is the price of lint which should be compared with import parity price of lint. The like should be compared with like only.

20 India is not required to reduce its support levels under the GATT agreement. However, input subsidies may become unsustainable over time due to budget constraints. The rising burden of subsidies is affecting investment in agriculture. Reduced investment in the agricultural sector has been an area of concern during the 80s. It is believed that this is largely due to the higher budgetary allocations for meeting the expenditure on subsidies.

21 Our feeling is that one more commodity which received positive support during this period could be groundnut. Since, the prices of groundnut in the international market for this period are not available, we have been forced to use 1989 prices due to paucity of information. Due to this reason the AMS turns out to be negative.

22 Farm harvest prices are the weighted farm harvest prices. The weights being shares in total production of a crop in those states for which farm harvest prices are available.

23 The year 1987-88 was a drought year, therefore, farm harvest prices of various crops had abnormally gone up. Probably due to this reason there is such a large difference in these esti-mates at support prices and farm harvest prices.

24 1991-92 was again a bad year for coarse cereals. The production of coarse cereals was quite low and because of this reason their prices were very high compared to normal years.

25 These estimates are based on Producer Subsidy Equivalents as estimated by USDA for the period 1981-82 to 1987-88. We do not have access to their AMS for the period 1986-87 to 1988-89, but it is expected the levels of AMS are also quite high.

26 Preliminary estimates by USDA reveal that reductions in export subsidies by developed countries will open up world wheat market for developing countries by 15 to 20 million tonnes.

27 Some studies based on partial and general equilibrium modelling exercises indicate that international prices of agricultural commodities will rise and so will their trade volumes. Also the variability in world prices will reduce. A sample of these models include (i) Tyers and Anderson Model, (ii) SWOPSIM (Static World Policy Simulation Model), US Department of Agriculture, (iii) IIASA (International Institute of Applied Systems Analysis) Model and (iv) OECD (Organisation of Economic Co-operation and Development) Model. In a more recent work Brandao and Martin (1993) estimated that international prices increase, but by not very much, from baseline levels (1985-87), e g, wheat +1 per cent to + b6 per cent; rice -5 per cent to +2 per cent; coarse grains +2 per cent to +4 per cent; sugar +6 per cent to +12 per cent, oilseeds and pulses +1 to +5 per cent and cotton +1 to +4 per cent. These models vary in their commodity coverage and incorporate different sets of policies and because of these reasons the results of these models also differ, depending upon the assumptions and information they use. But, the results are in line with theoretical expectations of trade liberalisation measures.

28 Cotton is a good example of this type of export policy [see Gulati and Sharma, 1994].

29 Some apprehensions have been expressed about the likely impact of such measures on food security of the country [Nayyar and Sen 1994]. These apprehensions do not appear to be valid in the present day context, because country has attained self sufficiency in foodgrains production. An inter-ministerial working group set up by the Ministry of Agriculture has found that the current level of foodgrains production exceeds the normative requirements of the population by about 10 per cent,[GOI 1994]. The group is of the opinion that 180 million tonnes of foodgrains are adequate to feed the estimated population of one billion in 2000 AD. The report further adds that undernutrition is simply a matter of poors' inadequate access to food.

30 Among oilseeds soyabean perhaps can still survive the impact of changed scenario, because it is more a protein or an oilcake crop than an oil crop. Since the demand for oilcakes is expected to increase, both on the international as well as the domestic market, it is quite likely that area devoted to this crop will not decrease.

31 For commodity specific strategies that India should undertake, see NCAER, 1994.

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'The Kingdome of Darknesse' or the Problem of Culture

G P Deshpande

Both empirical and deterministic approaches to Indian culture have been destructive. They have assumed that there is no plurality within Hinduism or within Indian Islam. Indian culture is an organic and historically determined unity which has escaped us over a period of time almost parallelly and simultaneously with slow but hopefully not yet certain destruction of India.

CLOSE to half a century ago Maurice Dobb wrote an essay on 'capitalism' which has become quite a classic. The opening sentences of the essay read as follows:

> It is perhaps not altogether surprising that the term Capitalism... should have been used so variously, and that there should have been no common measure of agreement in its use. What is more remarkable is that in economic theory, as this has been expounded by the traditional schools, the term should have appeared so rarely, if at all.

Almost the same words can be used about 'Bharatiya sanskriti' (Indian culture). The traditional schools of thought in India do not use the term at all. There was a famous book by Sane Guruji of the same name.[1] But even that book was more an attempt to refute the distortions of Hinduism and the Indian culture that the Hindu nationalists were trying to popularise in the late 1930s and early 1940s. Thus the Hindu nationalist's, Savarkar's, view of Indian culture and the view of a Gandhian like the late Sane were as different from each other as different can be. Perhaps Savarkar does not offer the best comparative paradigm. There would be any number of Hindu nationalists who would have very little to do with Savarkar's world-view. Their favourite would be Vivekanand.[2] One can go on citing examples of this kind. The point is that what is Bharatiya sanskriti and more particularly what meaning and significance one attributes to the term Hindu is scarcely an easy question to answer. This is not to suggest that there is no such thing as Hinduism or Hindu. To be sure there is except that it is not easy to describe, let alone define it.

This is further complicated by the fact that in most Indian languages there does not exist a term for culture which predates the colonial period. Even the word sanskriti is a coinage and that too of a fairly recently vintage. In Bengali the term 'krishti' (like bildung in German) was popular for a while and as Suneeti Kumar Chatterjee's account tells us that it was at Tagore's initiative that the term sanskriti was preferred and came to stay in Bengali as the standard word for culture. In many languages (Marathi for example) no clear distinction is made between culture and civilisation in terms of the use of separate words for both. More often than not sanskriti serves the purpose and it is the context which makes it clear if culture or civilisation is referred to.

I

It is obvious that this does and cannot mean that there was no culture. After all even in English the usage is not very old. The Oxford English Dictionary traces the word to year 1483. But it was then employed to mean 'worship; reverential homage' and so on. The first major work in which the term culture in its modern sense is employed is Hobbes' *Leviathan* (1651). Hobbes talks there of 'the education of children' being 'a culture of their minds'. This obviously comes from the Latin 'cultura' which meant cultivation, tending in Christian authors. Hobbes, however, takes the notion a few steps forward. The point is that culture as a secular category emerges even in Europe only in the 17th century. This has to be also understood in conjunction with Kantian and Hegelian thought. Kant through his three critiques made it easy to establish aesthetics and therefore culture as an autonomous category. On the other hand with Hegel, as Marcuse has pointed out, "... history no longer remained a process confined to one region...".[3] To be sure, Marcuse is talking here of the regions of spirit and of nature (in his discussion of Dilthey's analysis of Hegel) but the statement is true also in a more primary sense inasmuch as with Hegel 'History' becomes a universal category going beyond regions. In short with Hegel we have 'world history' for the first time. With Hegel history emerges as a singular noun 'History' takes the place of histories.

It would seem that the process of growing consciousness of culture has taken a different, almost opposite course. In pre-colonial times as we have seen culture as a term did not exist in most Indian languages. Everything was 'dharma'. It has become a cliche in contemporary discussions that dharma is not religion. If we had pre-colonial India in view, it would be right to argue that dharma was inclusive of both 'ritualistic' or 'religious' and secular elements. Thus 'yajana' and 'yajana' (to perform rituals like 'puja' and 'yajna' and to officiate at these rituals as a priest) were the dharma of a brahmin. But so were 'adhyayana' and 'adhyapana' (study and teaching). An actor had his dharma (so much so that in our times the terms 'karma' and dharma have been revived in the Indian language discussions of theatre. A late 19th century or early 20th century theatre hardly ever used these terms). This was no less true of the non-Hindus. Islam here had a distinct Indian character and it did not fight shy of accommodating elements from the other metaphysical or even secular traditions. This is particularly so in the fields of culture more specifically in music, dance and literature.

Sometime in the 19th century the situation clearly starts changing. The pace and timing of change have varied in different parts of India. But its overall thrust has been unmistakable. To begin with dharma now starts acquiring the characteristics of religion as the term is normally understood. The transformation is still not complete. But the signs of change are also clearly visible. 'Hinduism' not only emerges as a fairly definable category; it also gets semitised in the process. With or without their knowledge our leading figures of the time try to turn the religious system of India into what could be described in Weberian terminology as 'rational', i e, disciplined or organised religion. One sees this change coming across the board as it were. Indian Islam is increasingly projected as totally unrelated to the mass of 'Hindus' around it. It would not be very wrong to say that the Indian elite (both Hindu and Muslim) makes a crucial shift from one civilisation to two nationalities. The Indian Marxists used this terminology much later. But their erroneous use of this theory to understand the Hindu-Muslim problem demonstrated the divide that the elite was

imposing upon itself over a century. The masses were dragged into it, continue being dragged into it. In backward societies (in particular) this is inevitable. But they did not quite share this perception. This is demonstrated by the poor response that the Hindumahasabha and the Muslim League as political parties generally evoked among the follower of the respective faiths. The masses suffered the elite desire to destroy their culture silently. Perhaps a better way of putting it is that they were reluctant victims of politicisation of their faiths by the elites both Hindu and Muslim.

II

It is interesting to see the manner in which this politicisation took place and the general cultural significance of that politicisation. I will limit my comments to Hinduism because that's an area I know fairly well. But it would be a mistake to assume that the phenomenon being described here was limited to the Hindus alone. Colonialism and the early Indology planted several myths in the Indian mind. One of them was the belief that Aryans and Dravidians were in fact races. The reality is that the terms can be conveniently used for classification of Indian languages. That a given group of languages presupposes a race speaking those languages has no scientific basis whatsoever. At any rate whatever justification this belief might have had in the 19th century, today it has to be rejected as baseless and incorrect. There is no race called the Aryan race. This is also true of the so-called Dravidian race. There are Dravidian languages. There is group of Indo-European languages.

But the myth persists. So some people argue that it is a hoax perpetrated by the Europeans that Aryans came to India from outside. Some others equally strongly reject this 'revivalist' or 'chauvinistic' position. For them the Aryans did come to India from outside. It would not be easy to cite another example of a debate over the origins of a non-existent phenomenon. In the last decades of 19th and the early decades of this century debate served the purpose of defining 'we' in terms of 'the other'. Very few people thought anything of the question whether the debate was legitimate at all. By now however it has got so totally confused that one does not know if the people of India would ever be able to get out of the clutches of the non-existent Aryan-Dravidian divide. The reason why the myth persists or would persist is probably the fact that in a caste-society all categories of discrimination are easily accepted and legitimised.

The early indological research fuelled this extraordinary race-myth. European romanticism especially the German romanticism created a view of an Aryan race and Aryan India. In classical Sanskrit the word 'Arya' is never used in the sense of race. But the myth persisted. Along with it was born the myth of a superior civilisation of a superior people. All ancient civilisations have entertained the ideas of superiority. It was true of the Greeks and Romans. It was also true of the Chinese. The difference in case of India consisted in the fact that a colonised or rather vanquished people needed that myth not very much as a view of 'the other' but rather as one of the 'sources of the self'.[4] The ideas of and about India generated by European romanticism became a major constituting element of the Indian personality. We live in times when among the English-speaking liberals of India, at least an articulate section of them, the idea of India itself has probably become questionable. It is not easy, therefore, to see the force of these ideas or for that matter the appeal of the idea of India exists rather strongly for the not-so-enlightened people of this country. Since the liberals have lost interest in it, other forces have emerged as the sole repository or exponent of the idea of India.

Let us return to the phenomenon of the 19th century alluded to above. It was a grand imitation project—imitation of alleged or real characteristics of the British who had subjugated us. It was thought that one of the secrets of their triumph has been the organised, disciplined character of their faith. This was never quite articulated in these terms but if one looked closely to what was done to Hinduism in the 19th century one can see this imitation vividly.

There are other reasons too. Let me illustrate the point in the context of western India. Catholicism had come to western India in the 16th century. But it had remained an exclusive sect with little or no interaction with the Hindus. There were conversions of course. But the world of ideas of Hinduism was largely unaffected by them. The non-catholic Christianity which came to western India later was not so passive. It began an active interaction with the Hindus and in the pages of *Dnyanodaya* the Christian weekly originally published from Ahmednagar and later from Bombay, there was vigorous questioning of Hinduism, Hindu society and Hindu metaphysics. Not that all that was said was very meaningful. A lot of what *Dnyanodaya* had to say was based on ignorance of the texts and prejudice. Nevertheless it generated a debate among the liberal Hindus making them take a fresh look at the state of (western Indian) Hindu society of the time. It also generated a peculiar, distant admiration for Christianity. Witness Jotiba Phule's famous play *Tritiya Ratna*.[5] His term for God 'Nirmeek' was a clear borrowing from the Christian tradition. So was the Indian trinity—the Sanskrit coinage of 'Satyam Sivam Sundaram' (The truth, the auspicious and the beautiful), to cite just one example from Bengal.[6]

The Prarthana Samaj was influenced by the Brahmo Samaj of Bengal but both in turn were influenced by the church. They started the practice of weekly prayer-congregations and even sermons. Paradoxically all these imitations of Christianity and the rather brutal attacks on Hindu way of life carried on by the journals like *Dnyanodaya* stimulated the process of liberalisation and reform in Hinduism. Without any conscious design or even a fleeting awareness of the consequences of the positions they were taking the 19th century (non-catholic) Christian activities had contributed to a 'reformation' of a kind of Hinduism.

III

This 'reformation' had many aspects but perhaps the most important was fashioning Hinduism after Christianity. Christians had a book. The Hindus needed one. The *Bhagavad Gita* has always been an important text inasmuch as it was a part of the three main sources (along with the *Upanishads* and the *Brahma Sutras*: all three together known as *Prasthanatrayi*. The three ways to salvation) of the Hindu metaphysics. But in the 19th century and of course well into the 20th century the text of *Gita* acquires a status of 'the Book' as the term is normally understood in the semitic religions. The Hindus had finally found their book. A number of nationalists like Tilak, Arvinda Ghosh, Vivekananda, Gandhi and even Vinoba Bhave have written commentaries on the *Gita*. This connection between the 'Hindu' texts and our nationalist leaders had been interpreted by many as an attempt to use 'Hindu' symbols and texts for nationalist mobilisation. Tilak's attempt at launching a 'sarvajanik' Ganeshotsava (public festival of Ganesha) has also been interpreted in similar terms. It would seem, however, that these were imitations of Christianity in terms of creating a book and creating a collective festival like carnival.[7] In other words these attempts were more Christian than Hindu; at any rate more imitative than authentic 'Hindu' if Dharma Shastras are anything to go by.

This 'organisation' of an open-minded and even disorganised Hindu system was bound to result into emergence of a new

view of Hinduism and therefore of culture. The Satyashodhak movement of Phule and the Prarthana Samaj of Ranade and Bhandarkar had gone back to the medieval Bhakti poetry for the sources of religion. The other tradition went back to the brahmanical tradition. If the former represented a revolt, the latter stood for restoration of the vaidik tradition. In the context of the nationalist struggle with its unmistakable anti-imperialist overtones this restoration was not an undesirable thing in itself. To an extent it was inevitable.

Modern Indian historiography has looked at this phenomenon in Hindu and Muslim terms. The controversy over Vande Mataram is the most glaring example. But in the process the aspect of imitation of Christianity and Europe has been practically ignored. Acharya Javadekar, a thinker in the Gandhian-Marxian mould has touched upon the metaphysical constituent of the nationalism in Bengal. He had called it Bangalcha Adhyatmik Rashtravad in his brilliant book on Modern India first published in the late 40s.[8] In an earlier book published in 1940 he had traced the notion of metaphysical nationalism (Adhyatmik Rashtravad) to Hegel.[9] It seems to me that all traditional historical analysis has failed to see fully the connections between European influence and apparently metaphysical expression that anti-imperialism had inevitably found in the 19th and early 20th centuries. This is the reason why Javdekar's writing is important. Unless one sees these connections it would not be possible to see continuities between Tilak and Vivekananda on one side and Gandhi on the other and to explain why all of them had written commentaries on the *Gita*.

With the decline of anti-imperialism and now its disappearance, it is inevitable that a distorted view of nationalism and metaphysics should turn into revivalism. The forces which remained weak during the period of the nationalist movement have now come to dominate the scene. It was going to be a question of time before the metaphysical nationalism was going to be replaced by chauvinistic nationalism and religiosity turning into fundamentalism and revivalism. That has already happened. When the Indian state cannot and does not hold its own against the neo-colonialist onslaught, it creates a situation which is most appropriate to the talk of banning books, destroying places of worship like in Ayodhya and issuing 'fatwahs' to have people killed in the name of religion. Wilful destruction of economy also results in wilful or otherwise destruction of culture. In a situation of crisis, an insurmountable one at that, it is not very difficult to understand if an average man were to fear that but for his faith nothing else any longer belongs to him.[10] The professional community-leaders then use this fear so as to usurp the leadership and set into motion a process of lumpenisation of politics, economy and culture.

IV

In our situation which does not obtain anywhere in the developing world a unique phenomenon has been in operation. This phenomenon relates to the decline of Indian languages. Way back in the 12th century there was a movement to defend

and advance the cause of Marathi in Maharashtra. Of course this happened in other language areas too. The Bhakti movement gave voice to the lowly of the lowliest in our society. It was an authentic voice of self-expression. We are witness in present-day India to a situation of near-planned eclipse of Indian languages. There was a time when the Indian elite was bilingual. This meant that it was deeply rooted in its respective linguistic tradition and was also familiar with the modern European tradition. Now a typical member of the elite is vaguely familiar with Europe but knows probably next to nothing about his language and literary and cultural tradition. This situation has indeed acquired frightening proportions. Increasing number of people are politically and culturally thrown out of the system because the system has no use for them. On the other hand the people who manage culture are less and less familiar with what constitutes culture.

The net result is that culture acquires and indeed has acquired in our society necessarily negative meaning. Society gets divided into 'we' and 'they'. So does culture. For a Hindu being anti-Islamic becomes the only meaning of culture. It is the same with a Muslim. Our culture has also suffered from the language of pluralism and composite culture. As the French philosopher Gilles Deleuze has pointed out, pluralism is in the last analysis a variety of empiricism. And culture can never be understood in mere empirical terms. You cannot really take a view of Indian culture as pluralistic or composite without underlining the dividing line between the so-called Hindu and so-called Muslim culture. There is an Indian culture, music and literature being good examples which everyone shares and makes richer. What is Hindu or Muslim with the Raga Dari? You cannot reduce Indian culture to empirical categories.

I am aware that 'plural' has been a necessary part of the secular discourse in our country. I submit that both empirical and deterministic approaches to Indian culture have been destructive. They have assumed that there is no plurality within Hinduism or within Indian Islam. Expressions like pluralistic tradition are a slightly sophisticated version of the slogan of 'sarva dharma sama bhava' (equality among faiths and sects) which has outlived its use if ever it was useful. Just as Hindu metaphysics cannot be understood in terms of monotheism and polytheism, Indian culture cannot be understood in terms of a mono or plural tradition. At any rate the talk of plurality has only encouraged the talk of uniformity or vice versa if you will.

Whereas plurality is a myth which the secular discourse does not wish to abandon; uniformity is a myth the revivalist and fundamentalist discourse does not wish to abandon. The truth of the matter is that the Indian culture is an organic and historically determined unity which has escaped us over a period of time almost parallelly and simultaneously with slow but hopefully not yet certain destruction of India.

It is not customary to hold the secularists responsible for this state of affairs. Political parties like the Bharatiya Janata Party or the movements like the RSS or the Vishwa Hindu Parishad talk of a pseudo-secularism. That argument need not be taken very seriously because any view which rejects a 'uniform' or atemporal and ahistorical (the word 'sanatana' would mean that) views of Indian culture would be branded by them as pseudo-secular. The problem is not one of correct use of the term secular. As the German Marxist Ernst Bloch pointed out several decades ago the term 'secular' was borrowed from the bourgeois philistines anyway. The point simply is to identify the cultural crisis of our time. Neither the category of plural or composite culture nor the category of uniform and sanatana culture would be very useful in identifying and facing that cultural crisis.

In other words the enlightenment project is still not over in our society. Neither the pre-modern categories (of Hindu and Muslim, etc) or the post-modern categories (of rejecting the grand-narratives or theories in favour of fragments) will help that project. Alternative to enlightenment is darkness. In this situation the task of the liberals and the left becomes doubly urgent for they alone can handle the problem of culture. Following Walter Benjamin they alone can emphasise that all history of barbarism as well and as such can give direction to the explorations in culture. It is for this reason that one has to identify the shortcomings of the secular discourse. I cited Hobbes at the beginning of this paper. It might be worthwhile to conclude with another citation from him. There is a section on 'The Kingdome of Darknesse' in the *Leviathan*. There he talks of the forces very much comparable to what we have referred to. He says:

> ...the Kingdome of Darknesse... is nothing else but a Confederacy of Deceivers, that to obtain dominion over men in this present world ...[11]

That is what we are witness to. The problem of culture is the problem of 'the Kingdome of Darknesse' and of the Confederacy of Deceivers who are out to destroy not only culture but the society as well.

Notes

[This is a slightly edited text of an essay which will appear in a volume on culture edited by Pushpa Surendra and due to be published in August 1994.]

1 P S Sane, popularly known as Sane Guruji, was a Gandhian thinker, nationalist leader and once a very popular novelist and poet in Marathi. The book that we allude to was also written in Marathi and was quite topical when it was first published in the 40s inasmuch as it gave an alternative rendering of the Hindu world-view in polemical contrast to that of the Hindu nationalists.

2 This distinction is important because Savarkar had very little to do with Hindu metaphysics or theology. In contrast for Vivekanand nationalism became meaningful when and if it had adhyatmik (metaphysical) content in it. See also notes 7 and 8 below.

3 See Herbert Marcuse *Hegel's Ontology and the Theory of Historicity*, The MIT Press, Cambridge, Massachusetts, 1987. See especially Chapter 26.

4 This is a title of a book by Charles Taylor. He poses this problem mainly within the context of western civilisation. Sources of the self has the subtitle 'Making of Modern Identity', Cambridge University Press, Cambridge, 1984. This short paper is an attempt at describing our modern identity and the way it was made.

5 Jotiba Phule (1827-1890). A major social reformer who took the modernity debate in India to the sudras and atisudras.

6 See note 9 below.

7 To be sure Tilak did not refer to the carnivals at all. But his main point was the people should have a communitarian festival which would give them a sense of unity, of belonging, going beyond caste and class. Carnival does that for the Christians and Tilak could not have been unaware of it. Yet I would agree that this is mere speculation, hopefully a plausible one.

8 Acharya Javdekar published a book in the late 40s *Adhunik Bharat*, (*Modern India*) which is a classic. This is the title of one of the chapters there.

9 Acharya Javdekar, *Adhunik Rajyamimansa* (*Modern Theories of State*), Pune, 1940. This book also traced the European/Christian origins of the trinity of satyam sivam sundaram.

10 I think Marx refers to the melancholy which colonialism provided in his India writings. But even more relevant formulation would be that of the late Henri Lefebvre, the French Marxist. He says that under capitalism "along with God, nature is dying". See his *The Production of Space*, Oxford, Blackwell, 1991, p 71. His description would apply to the third world with even greater poignancy.

11 Thomas Hobbes in his famous work *Leviathan* first published in 1651 has a section on 'The Kingdome of Darknesse'. See pp 331 to 384 of the Everyman's Library Edition, London, 1975.

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

BALANCE SHEET AS ON MARCH 31, 1994

In INR '000s

	Schedule	As on 31-03-94	As on 31-03-93
CAPITAL AND LIABILITIES			
Capital	1	60,000	46,000
Reserves and Surplus	2	259,795	261,646
Deposits	3	3,762,289	1,909,669
Borrowings	4	710,357	178,058
Other Liabilities and Provisions	5	387,482	358,145
TOTAL		5,119,923	2,707,518
ASSETS			
Cash and balances with Reserve Bank of India	6	285,888	523,231
Balances with banks and money at call and short notice	7	39,757	59,490
Investments	8	2,489,077	808,849
Advances	9	1,911,282	845,323
Fixed Assets	10	134,967	142,107
Other Assets	11	258,952	328,518
TOTAL		5,119,923	2,707,518
Contingent Liabilities	12	22,752,893	12,096,372
Bills for Collection		439,819	85,618
Notes to the Accounts	17		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

In INR '000s

	Schedule	As on 31-03-94	As on 31-03-93
I. INCOME			
Interest earned	13	323,002	334,557
Other Income	14	39,717	106,557
TOTAL		362,719	441,114
II. EXPENDITURE			
Interest expended	15	182,438	236,106
Operating expenses	16	78,515	59,961
Provisions and contingencies		66,677	77,094
TOTAL		327,630	373,161
III. PROFIT			
Net profit for the year		35,089	67,953
Profit brought forward		119,867	65,504
TOTAL		154,956	133,457
IV. APPROPRIATIONS			
Transfer to statutory reserve		7,018	13,590
Remittance to Head Office		36,940	–
Balance carried to Balance Sheet		110,998	119,867
TOTAL		154,956	133,457
Notes forming part of the accounts	17		

The schedules referred to herein form an integral part of the Balance Sheet.

Signatures to Balance Sheet and Schedules 1 to 12 and 17.

The schedules referred herein form an integral part of the Profit and Loss Account.

Signatures to Profit and Loss Account and Schedules 13 to 17.

As per our report of even date.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Sd/-
V. R. MEHTA
Partner

Sd/-
R. D. KARKARIA
Deputy General Manager
Budget & Financial Control

Sd/-
N. DUTT-MAZUMDAR
Chief Executive Officer (India)

Bombay: July 1, 1994

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INDIA BRANCH

SCHEDULES FORMING PART OF BALANCE SHEET

In INR '000s

	As on 31-03-94	As on 31-03-93
Schedule 1—Capital		
Initial start-up capital	2,000	2,000
Amount of deposit kept with RBI under Section 11(2) of the Banking Regulation Act, 1949	58,000	44,000
TOTAL	60,000	46,000
Schedule 2—Reserves and Surplus		
I. Statutory Reserve		
Opening Balance	45,462	31,872
Additions during the year	7,018	13,590
	52,480	45,462
II. Revaluation Reserve		
Opening Balance	96,317	-
Additions during the year on revaluation of premises	-	96,317
	96,317	96,317
III. Balance in Profit and Loss Account	110,998	119,867
TOTAL	259,795	261,646
Schedule 3—Deposits		
I. Demand Deposits		
i) From banks	3,485	1,792
ii) From others	641,968	150,522
II. Savings Bank Deposits	42,639	26,693
III. Term Deposits		
i) From banks	-	174,167
ii) From others	3,074,197	1,556,495
TOTAL	3,762,289	1,909,669
Deposits of Branches in India	3,762,289	1,909,669
Deposits of Branches outside India	-	-

In INR '000s

	As on 31-03-94	As on 31-03-93
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	21,900	169,480
ii) Other Banks	688,457	7,394
iii) Others	-	-
II. Borrowings outside India	-	1,184
TOTAL	710,357	178,058
Secured borrowings included above	-	-
Schedule 5—Other Liabilities and Provisions		
I. Bills Payable	57,339	10,213
II. Head Office account	76,590	76,590
III. Inter-office adjustments (net) Overseas branches	-	80,783
IV. Interest accrued	123,228	163,564
V. Others (including provisions)	130,325	26,995
TOTAL	387,482	358,145
Schedule 6—Cash and Balances with Reserve Bank of India		
I. Cash on hand (including foreign currency notes)	4,776	5,415
II. Balances with Reserve Bank of India		
In Current Account	281,112	517,816
TOTAL	285,888	523,231
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
Balances with Banks		
In Current Accounts	1,563	2,263
II. Outside India		
In Current Accounts	38,194	57,227
TOTAL	39,757	59,490

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

SCHEDULES FORMING PART OF BALANCE SHEET

	As on 31-03-94 (In INR '000s)	As on 31-03-93 (In INR '000s)
Schedule 8—Investments		
I. Investments in India in:		
i) Government Securities (including Treasury Bills)	1,194,473	649,898
ii) Shares	360	360
iii) Debentures or Bonds	224,940	-
iv) Units	554,304	18,591
v) Commercial Paper	515,000	140,000
TOTAL	2,489,077	808,849
Schedule 9—Advances		
I i) Bills purchased and discounted	222,183	471,420
ii) Cash credits, overdrafts and loans repayable on demand	591,565	308,933
iii) Term loans	1,097,534	64,970
TOTAL	1,911,282	845,323
II. i) Secured by tangible assets	747,741	205,252
ii) Covered by bank/ government guarantees	207,328	251,448
iii) Unsecured	956,213	388,623
TOTAL	1,911,282	845,323
III. Advances in India		
i) PrioritySectors	111,258	166,198
ii) Public Sectors	-	-
iii) Banks	-	-
iv) Others	1,800,024	679,125
TOTAL	1,911,282	845,323
Schedule 10—Fixed Assets		
I. Premises		
Cost as on 01.04.1993 (including Rs. 96,417' on account of revaluation)	144,150	47,303
Additions during the year including revaluation	-	96,847
	144,150	144,150
Deductions during the year	-	-
	144,150	144,150
Depreciation to date	21,885	15,450
Closing Balance	122,265	128,700
II. Other fixed assets (including Furniture and Fixtures)		
Cost as on 01-04-1993	33,307	30,820
Additions during the year (including Capital-work-in-progress Rs. 99')	2,574	3,735
	35,881	34,555
Deductions during the year	126	1,248
	35,755	33,307
Depreciation to date	23,053	19,900
Closing Balance	12,702	13,407
TOTAL	134,967	142,107
Schedule 11—Other Assets		
I. Interest accrued	91,085	177,532
II. Stationery and stamps	102	48
III. Inter-office adjustments (net) overseas branches	250	-
IV. Others	167,515	150,938
TOTAL	258,952	328,518
Schedule 12—Contingent Liabilities		
I. Claims against the company not acknowledged as debts	6,700	70,578
II. Liability on account of outstanding forward exchange contracts	18,877,326	7,900,526
III. Guarantees given on behalf of constituents:		
a) In India	417,820	330,408
b) Outside India	2,262,888	2,960,029
IV. Acceptances, endorsements and other obligations	919,016	641,987
V. Liability on account of Bills of exchange rediscounted	205,761	176,874
VI. Tax matters in dispute and in appeal not provided for	63,382	15,970
TOTAL	22,752,893	12,096,372

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

In INR '000s

	As on 31-03-94	As on 31-03-93
Schedule 13—Interest Earned		
I. Interest/discount on advances/bills	165,654	198,924
II. Income on investments	135,266	80,310
III. Interest on balances with Reserve Bank of India and other inter-bank funds	16,183	47,074
IV. Others	5,899	8,249
TOTAL	323,002	334,557
Schedule 14—Other Income		
I. Commission, exchange and brokerage	28,805	28,393
II. Profit/(Loss) on sale of investments (Net)	1,107	(47,428)
III. Profit/(Loss) on sale of land, buildings and other assets (Net)	46	(89)
IV. Profit on exchange transactions (Net)	5,970	53,054
V. Income earned by way of dividends	3,789	72,627
TOTAL	39,717	106,557
Schedule 15—Interest Expended		
I. Interest on Deposits	162,112	157,612
II. Interest on Reserve Bank of India/inter-bank borrowings	19,296	76,488
III. Others	1,030	2,006
TOTAL	182,438	236,106

In INR '000s

	As on 31-03-94	As on 31-03-93
Schedule 16—Operating Expenses		
I. Payments to and provisions for employees	14,514	9,564
II. Rent, taxes and lighting	4,851	3,284
III. Printing and stationery	1,810	944
IV. Advertisement and publicity	–	–
V. Depreciation on Bank's property	9,696	7,754
VI. Directors' and local advisory board members' fees, allowances and expenses	9	18
VII. Auditors' fees and expenses	100	70
VIII. Law charges	390	188
IX. Postage, telegrams, telephones etc.	4,403	3,821
X. Repairs and maintenance	1,216	876
XI. Insurance	403	388
XII. Other expenditure	41,123	33,054
TOTAL	78,515	59,961

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

Schedule 17—Notes to the Accounts

I. Principal Accounting Policies

a) General

i) The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

ii) Revenues are accounted for on an accrual basis except interest on advances classified as "non-performing" according to the prudential accounting norms prescribed by the Reserve Bank of India.

b) Transactions involving foreign exchange

i) Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the financial year except Foreign Currency Non Resident account balances which are carried at the rates specified by the Reserve Bank of India or at the spot rates of swap contracts, as applicable.

ii) Outstanding foreign exchange contracts and contingent liabilities on account of outstanding forward exchange contracts are at the contracted rates and have not been revalued.

iii) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.

iv) Profit or loss on outstanding forward contracts is accounted for on an accrual basis.

c) Investments

i) Investments in Government securities other than treasury bills which are intended to be held till maturity, are classified as "permanent investments" in accordance with the Reserve Bank of India guidelines and are carried at cost.

ii) All other investments which are held on trading account are classified as "current investments" and are valued as under:
— "Quoted" investments are valued at "lower of cost or market value"
— "Unquoted" investments are carried at "Cost" or valued on "yield to maturity" basis whichever is lower.

iii) Provision for diminution in value of current investments is ascertained on an aggregate basis by category of investment.

d) Advances

i) Advances are net of provisions for loan losses made in conformity with the norms laid down by the Reserve Bank of India.

ii) Provision for loan losses is based on their classification into "performing" and "non-performing" assets in accordance with Reserve Bank of India guidelines.

Provision for non-performing assets is made as under:

Sub-standard assets	– 10% of net advance.
Doubtful assets	– 100% of the unsecured portion and 20% to 50% of the net secured portion depending on the period for which the asset has remained non-performing.
Loss assets	– 100%

e) Fixed Assets

i) Fixed Assets are accounted at their historical cost except Premises which are revalued and are accounted for at the values determined by Government Approved Valuers. The surplus on revaluation is credited to Capital Reserve. The premises were last revalued as on 31st March, 1993.

ii) Depreciation is provided for on the diminishing balance method at the rates specified in Schedule XIV to the Companies Act, 1956.

In respect of additions during the year, depreciation is provided with effect from the half year in which the addition is made.

iii) Depreciation in respect of revalued assets is provided for on the revalued amount and charged to the Profit and Loss Account.

f) Staff Benefits

Contribution to the approved Gratuity Fund is made as per valuation by an actuary.

g) Revenue Recognition

Income is recognised on expiration of time basis except interest on non-performing advances and guarantees/letters of credit commission which are recognised on realisation basis.

h) Profit and Loss Account

Provisions and Contingencies include:

i) provisions for taxes on income in accordance with statutory requirements,

ii) provision for doubtful advances,

iii) transfers to contingency and other funds,

iv) other usual or necessary provisions, and

v) bad debts written off.

II. The Bank has modified its accounting policy pertaining to valuation of Investments. Accrued interest paid on purchase of Public Sector Bonds, which was hitherto included in cost has now been charged to Profit and Loss Account. Consequently, interest income for the year is lower by INR 6,477 '.

III. Profit on Exchange transactions (Net) is net of INR 14,980 being the adjustment on final reconciliation arising out of computerisation of exchange transactions.

IV. The Bank has entered into an agreement for settlement of its dues by the owners/landlords of one of its erstwhile premises. Under the agreement the bank has received back its deposit together with interest. Moreover, the other co-tenants who had filed claim suits against the bank aggregating to INR 70,578 have, in principle, agreed to withdraw the suits on final clearance from the respective authorities for reconstruction of the building. The management is of the opinion, that these suits will be shortly withdrawn.

V. Previous year's figures have been regrouped/rearranged wherever necessary.

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

Auditors' Report on the Indian Branch of Banque Indosuez under Section 30 of the Banking Regulation Act, 1949

We have audited the attached Balance Sheet of the Indian branch of Banque Indosuez (incorporated in France with limited liability) as at 31 March, 1994 and the relative Profit and Loss Account of the Indian branch of the Bank for the year ended on that date annexed thereto.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Section 211 of the Companies Act, 1956.

We report that:

(1) The bank has modified the method of valuation of Public Sector Bonds, as referred in Note II of Schedule 17 to the Accounts, resulting in interest income and profit for the year being lower by Rs. 6,477'.

(2) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

(3) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian branch of the bank.

(4) In our opinion, proper books of account as required by law, have been kept by the Indian branch of the bank so far as appears from our examination of these books.

(5) The above mentioned Balance Sheet and Profit and Loss Account of the Indian branch of the bank dealt with by this report are in agreement with the books of account.

(6) In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required for banking companies, and subject to para 1 above, give a true and fair view of the state of affairs of the Indian branch of the bank as at 31 March, 1994 and of its profit for the year ended on that date.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Sd/-
V . R. MEHTA
Partner

Bombay: July 1, 1994

Estimates for Private Corporate Sector

A Note

N Shanta

Currently, estimates for the private corporate sector have to be derived from balance sheets and available profit and loss data. The incompleteness of this data precludes the possibility of undertaking macro-studies for the private corporate sector.

This paper explores the possibility of using other sources of data and assesses their reliability.

THIS note explores the possibility of deriving estimates for the private corporate sector from alternate sources of data. What prompted such an attempt is (1) the absence of estimates for the private corporate sector as whole (except perhaps for estimates of savings and capital formation published by the Central Statistical Organisation (CSO) and the Reserve Bank of India (RBI); (2) more importantly the total absence of data on the corporate sector in physical terms and (3) the changes made in the Annual Survey of Industries data since 1988-89.

The present position is such that one has to build estimates for the private corporate sector mainly using balance sheet and profit-loss data published by the RBI or other agencies. The nature of this data is such that they are firstly sample data and secondly give data only in financial terms. So one is forced either to go for specific industry studies supplementing balance sheet data with data in physical terms available for major industries. This therefore precludes the possibility of making macro-studies for the private corporate sector, particularly analysis of variables in physical terms. Given differential treatment in terms of taxation and other concessions granted by type of organisation macro-studies on the corporate sector as a whole are of great significance. It is in this context that an attempt was made to find out to what extent other sources of data can be used to make estimates for the private corporate sector as a whole.

Two alternative sources of data are examined in this context. (1) *Annual Survey of Industries—Summary Results for the Factor Sector*;[1] (2) Financial performance of companies—brought out by the Industrial Credit and Investment Corporation of India (ICICI) for the companies in their portfolio.[2] The former has been chosen because it is one of the most comprehensive sources of data for industry and the latter because it gives extremely useful data and perhaps as far as one's knowledge goes not elsewhere available. However, there are several snags in using these two sets of data for arriving at estimates for the private corporate sector. The purpose of this note is to put down the problems one encounters when using this data, stressing the missing elements and given the existing situation how best one could overcome them. This note is divided into three sections. Section I deals with the *Annual Survey of Industries*, data and Section II deals with the ICICI data. Section III sums up the discussion.

I
Annual Survey of Industries Data

This section deals with the *Annual Survey of Industries* data published by the Central Statistical Organisation. More specifically the *Annual Survey of Industries—Summary Results for the Factory Sector*. The annual survey of industries is carried out at two

FORMAT I. PRINCIPAL CHARACTERISTICS BY TYPE OF ORGANISATION

1973-74 Organisation	1980-81	1988-89 Organisation
1 Individual proprietorship	No change	1 Individual proprietorship
2 Partnership		2 *Joint family (HUF)*
3 Public limited companies		3 Partnership
4 Private limited companies		4 Public limited companies
5 Public corporations corporate sector (4+5+6+7)		5 Private limited companies
		6 *Government department enterprises*
6 Co-operative societies		7 Public corporations corporate sector (4+5+6+7)
7 Others[a] (mostly government factories)		8 Co-operative societies
8 Unspecified		9 Others

FORMAT II: PRINCIPAL CHARACTERISTICS BY TYPE OF OWNERSHIP

1973-74	1980-81	1988-89
1 Wholly central government	1 Wholly central government	No change
2 Wholly state/local government	2 Wholly state/local government	
3 Central and state/local government public sector (1+2+3)	3 Central and state/local government public sector (1+2+3)	
4 Central government and private enterprise jointly	4 Joint sector-public	
5 State; local government and private enterprise jointly	5 Joint sector-private joint sector (4+5)	
6 Central; state and local government and private enterprise jointly joint sector (4+5+6)	6 Wholly private	
7 Wholly private	7 Unclassified	
8 Unclassified		

Source: CSO, *Annual Survey of Industries: Summary Results for the Factory Sector*, 1973-74, 1980-81, 1988-89.

different levels[3] (1) the census sector, (2) the non-census sector or the sample sectors. The census sector covers all factories employing 50 or more workers and using power or 100 or more workers and not using power. The sample sector covers those factories employing 10-49 workers and using power or those employing 20-99 workers and not using power. Data relating to both the census and the sample sector are combined and now brought out as the factory sector data. Our concern is with this factory sector data. Since 1973-74, two important tables published in the *Annual Survey of Industries: Summary Results for the Factory Sector* are (i) information by type of organisation (ii) information by type of ownership. The different characteristic for which information is given by these two groupings are number of factories, fixed capital, productive capital, invested capital, workers, employees, wages to workers, total emoluments, total input, gross output, depreciation and net value added. Based on this data certain structural ratios and technical coefficients by these two groupings are also published. The format of the data given by types of organisation and by type of ownership and changes introduced in the format over time are given in Formats I and II.

Combining these two tables one can arrive at the estimates for the private corporate sector. There are two possibilities. One method which has been used by Nirmal Chandra[5] is total corporate sector minus public sector. He mentions that this is not exactly comparable with the RBI Corporate Sector because it includes joint public sector. Since 1980-81[6] data are given separately for this segment and hence can be deducted from total corporate sector. However what intrigues one is while total corporate sector is defined to exclude departmental enterprises which form part of 'others', as Nirmal Chandra himself points out these departmental enterprises would form part of public sector. However since hitherto the data for departmental enterprises *per se* could not be taken out of 'others' to be added to total corporate sector or to be deducted out of public sector, the estimates obtained for the private corporate sector using this method would be underestimates. Since 1988-89[7] data on departmental enterprises are given separately and included under corporate sector. Although the logic of treating departmental enterprises as part of corporate sector is not clear, giving separate estimates for this segment is useful. However, since data on this segment for previous years is not known following this method (let us say Method I) for time series comparisons becomes difficult—that is the limitations of this method still remain.

A second possibility (say Method II) is to arrive at private corporate figures by deducting from estimates for wholly private enterprises the estimates for individual proprietorship, partnership and co-operative societies (private corporate sector being defined to exclude co-operatives to make it comparable with RBI data). Since 1988-89[8] however some changes have been made in the presentation of the data which creates difficulties for using this method. A separate category, viz, joint family (Hindu undivided family) has been separately enlisted. No mention is made however of where this category had been included hitherto. This again makes comparability over time difficult. So the only possibility for comparisons over time (since this new classification is available only for just one year) is to ignore it and follow the same method as in the previous years. Given these circumstances one feels that estimating for the private corporate sector following the second method (which also seems more straightforward and less ambiguous) is better. No doubt this has also its limitations. If one were to follow this method, estimates for the private corporate sector would be overestimates. Table 1 gives the estimates obtained for the private corporate sector using the different methods and incorporating the new data as and when they become available. If the different categories had been more clearly spelt out and a more detailed break up of data had been given, estimates obtained by the different methods should have been the same.

Total public sector would include departmental enterprises like ordnance factories. At the same time this is not included within total corporate. If we assume that all of 'others' is government factories and include it in total corporate sector, then by Method I the figures for non-public corporate will become as in Table 2. These adjusted figures seem closer to the figures got by using Method II particularly with respect to fixed capital. In the absence of detailed break up of 'others' this seems the only possibility

With the availability of more detailed data on the joint sector, these estimates (i e, using Method I) can be made more compatible with RBI corporate sector. Table 3 gives the estimates for the non-public corporate sector after making the necessary adjustments and compares it with estimates obtained using Method II. The estimates are for the year 1980-81. Here again the whole of 'others' is treated as non-departmental there being no break up of this category into its various corporate elements. These adjustments again seem to bring the estimates closer. Since 1988-89 information on departmental enterprises is separately given. Using this information also we can remove the defects of Method I. However even then we cannot check if it tallies with the estimates obtained by using Method II. This is because of other changes in the presentation of ASI data (viz, a separate category of Hindu undivided family is introduced without indicating where it had been included hitherto) which affect estimates made following Method II. Ignoring this latest change we compare the two estimates—by Method I and Method II (Table 4). The estimates are prepared for the year 1988-89 the only year for which this information is available as of now. Estimates for the private

TABLE 2. METHOD I—ADJUSTING FOR NON-INCLUSION OF DEPARTMENTAL ENTERPRISES WITHIN TOTAL CORPORATE

	1973-74	
	Employees (in Nos)	Fixed Capital (in Rs lakh)
1 Total corporate sector	3706085	737119
2 Others (mostly government factories)	659682	272669
3 Total public sector	1365168	646985
Non-public corporate [(1+2)−3]	3000599	362803

Source: Annual Survey of Industries: Summary Results for the Factory Sector, 1973-74.

TABLE 1: ESTIMATES FOR PRIVATE CORPORATE SECTOR USING DIFFERENT METHODS

Method I (as used by Nirmal Chandra)			Method II			
	Employees (in Nos)	Fixed Capital (in Rs lakh)			Employees (in Nos)	Fixed Capital (in Rs lakh)
1 Total corporate sector	3706085	737119	1	Wholly private enterprise	4251678	368949
2 Total public sector	1365168	646985	2	Proprietorship	250281	6460
Non-public corporate (1-2)	2340917	90134	3	Partnership	1081740	39444
			4	Co-operatives	122165	20164
				Private corporate [1−(2+3+4)]	2797492	302881

Source: Annual Survey of Industries: Summary Results for the Factory Sector, 1973-74.

corporate sector assuming all Hindu undivided family (HUF) as non-corporate are also given for comparison.

II
ICICI Data

The ICICI publishes data on the financial performance of ICICI-assisted companies. It is essentially sample data but information for different industries, by size of company, etc, are available. More importantly it gives information on important variables like number of employees, skilled, unskilled, mandays worked, capacity utilisation figures, etc. However, in spite of the very valuable information it provides and which is not available elsewhere, the manner in which the data are given does not allow one to use the information fruitfully.

In the first instance ICICI gives the coverage of the sample companies in relation to total corporate sector[9] which is very useful so that one can blow up the sample data and estimate for the whole. However, this information is not provided for all the years. One could of course as an approximation use the available coverage figures for other years also. Alternatively one could use the derived ASI data (which has been discussed in the previous section) for the private corporate sector and estimate the coverage. But the greater problem which arises is when one tries to use the information on employment. This data is collected for a sub-sample part of which is included in the larger ICICI sample but not the whole. For some years information on these companies which form part of the larger ICICI sample are given separatel,[10] so that one could again make approximations to the larger sample and subsequently to the whole. But even this information is not given uniformly. The biggest problem arises when one comes to the data on mandays employed.[11] No information on any other variable for this sample of companies which can be linked to other available information for the corporate sector is available.

Given the limitations of this data the only way in which one could use this information is as follows. That is the relationship between the sample companies for which information on employment is collected and the information as provided in the ASI is estimated and this proportion is used to blow up all other variables. Adjustments for non-coverage is also made.

Again since the sample size changes every two years these are quite crude estimates. Since this source of data gives very useful information not available elsewhere with all its limitations they still serve a useful function. One way in which one could overcome these limitations is to resort largely to the use of proportions, ratios and other statistical measures which are not affected by the limitations of the data.

III
Summing Up

While it is heartening to note that more detailed information is now being published certain doubts still remain. This note therefore ends with the plea to the data organisers, viz, the Central Statistical Organisation (CSO) which brings out the *Annual Survey of Industries* to make explicit the precise connotation of each category/group as best as they can and thereby remove the doubts that still linger. To the ICICI one's request is to provide information on sample data in such a manner that they can be used to estimate for the whole so that they serve a useful function and fill an important gap in the existing data on the private corporate sector.

TABLE 3: ESTIMATES BY METHOD I MADE MORE COMPATIBLE TO RBI DATA

Method I (as used by Nirmal Chandra)	Employees (in Nos)	Fixed Capital (in Rs lakh)	Method II	Employees (in Nos)	Fixed Capital (in Rs lakh)
1 Total corporate sector	4744988	2053423	1 Wholly private enterprise	5168586	780970
2 Others	688997	747101	2 Proprietorship	410505	16994
3 Public sector	2048806	2019913	3 Partnership	1534773	109833
4 Joint public sector	324772	136142	4 Co-operatives	335416	62687
5 Non-public corporate [(1+2) – (3+4)]	3060407	644469	Private corporate [1-(2+3+4)]	2887892	591456

Source: Annual Survey of Industries: Summary Results for the Factory Sector, 1980-81.

TABLE 4: METHOD I ALMOST PERFECTED

1988-89	Employees (in Nos)	Fixed Capital (in Rs lakh)	Method II	Employees (in Nos)	Fixed Capital (in Rs lakh)
1 Total corporate sector (including departmental enterprises)	5251126	7810555	1 Wholly private enterprises	4736954	2789356
2 Public sector	2287281	4831535	2 Individual proprietorship	354073	60973
3 Joint sector public	348645	687911	3 Partnership	1404344	336136
Non-public corporate [1–(2+3)]	2615200	2291109	4 Co-operatives	322797	519122
			Private corporate [1–(2+3+4)]	2655740	1873125
			5 HUF	315331	124282
			Private corporate* [1-(2+3+4+5)]	2340409	1748843

* Estimates for private corporate sector when you assume all HUF as non corporate.

Source: Annual Survey of Industries Summary Results for the Factory Sector, 1988-89.

Notes

1 Government of India, Central Statistical Organisation, *Annual Survey of Industries: Summary Results for the Factory Sector.*

2 The Industrial Credit and Investment Corporation of India, *Financial Performance of Companies.*

3 Government of India, Central Statistical Organisation, *Annual Survey of Industries: Summary Results for the Factory Sector 1980-81.*

4 'Others'—mainly include railway workshops and other government factories which could not be classified under public corporation or co-operatives. Source. *Annual Survey of Industries 'Summary Results for the Factory Sector 1980-81.*

5 Nirmal Kumar Chandra, 'Growth of Foreign Capital and Its Importance in Indian Manufacturing', *Economic and Political Weekly*, Vol XXVI, Nos 11 and 12, Annual No 1991, pp 685-87.

6 Government of India, CSO, *Annual Survey of Industries: Summary Results for the Factory Sector 1980-81.*

7 Government of India, CSO, *Annual Survey of Industries, Summary Results for the Factory Sector 1988-89.*

8 Ibid.

9 Industrial Credit and Investment Corporation of India Limited, *Financial Performance of Companies, ICICI Portfolio 1990-91.*

10 Industrial Credit and Investment Corporation of India Limited, *Financial Performance of Companies, ICICI Portfolio 1980-81*, p 19.

11 Industrial Credit and Investment Corporation of India Limited, *Financial Performance of Companies, ICICI Portfolio 1990-91*, p 27.

Complexities of the Question of Sikh Nationality

Gopal Singh

While some scholars and religio-political organisations of the Sikhs, such as Akali Dals and SGPC, view the Sikhs as a nationality, certain Hindu chauvinists never tire of repeating that Sikhs are only a part of the larger Hindu community. The issue of Sikh nationality is actually more problematic.

THE complexities involved in the question of Sikh nationality have neither been properly comprehended nor adequately analysed by both the academics and the politicians. There has been a continuous, confused and motivated debate on this question right from the beginning of the century but without any final and convincing conclusions. On the one hand, we have had western authors[1] and certain religio-political organisations of the Sikhs, such as Shiromani Akali Dal (henceforth SAD) and Shiromani Gurudwara Prabandhak Committee (SGPC), according the Sikhs the status of a nation and indulging, in the case of the latter, in politically motivated propaganda. On the other hand, we have some Hindu chauvinists who never tire of repeating that Sikhs are only a part of the larger Hindu community, an assertion that irks the Sikhs because it denies them a distinct and separate identity.[2] The only serious attempt to grapple with this complex issue during the last few decades was made by K R Bombwall in his famous article 'Ethno-nationalism'.[3] Bombwall concedes the point that Sikhs are a politically conscious community but finds that the idea of their being a nation is problematic.[4]

In the first part of this paper, I join issue with those who claim that Sikhs are not a nationality. These include serious-minded scholars like K R Bombwall. In the second part, I engage myself in debate with those, including the communist parties, who support the 'Sikh-are-a-nation' thesis. The third part of the paper is devoted exclusively to my own understanding of the question of Sikh nationality.

I

The propaganda by the Hindu chauvinists, represented mainly by the Arya Samaj and the Rashtriya Swayam Sevak Sangh (RSS), that Sikhism was born out of Hinduism and therefore Sikhs are and will continue to remain a part of the larger Hindu community can be easily dispensed with. The thrust of their argument is that "history bears testimony that the Sikh creed was founded for the protection of Hindu society, its dharma and sanskriti".[5] To support their thesis, they cite the martyrdom by guru Teg Bahadur and the creation of the Khalsa Panth by guru Gobind Singh. They argue that guru Teg Bahadur laid down his life for the protection of Kashmiri pandits and that guru Gobind Singh created the Khalsa Panth, in 1699, to organise people militarily to fight the Mughal rulers.

Actually, much before the creation of the Khalsa Panth, which gave the Sikhs the five symbols of physical differentiation, the Sikhs had already established themselves as a separate community with a distinct identity. This point has been brilliantly discussed by Rajinder Kaur.[6] The Sikhs had their own institutions, symbols, scripture, script and place of pilgrimage (the Golden Temple).[7] So far as the sacrifices by guru Teg Bahadur, guru Gobind Singh, and also by guru Arjan Dev and guru Hargobind, are concerned, these cannot be interpreted the way the Hindu chauvinists do. These gurus fought against injustice, social inequality, exploitation and oppression; they fought against both the Muslims and the Hindus and gave a feeling of security to the exploited sections of the society comprising both Hindus and Muslims. For example, guru Gobind Singh fought his first battle against the Hindu kings of the Himachal hills.

Coming to a more serious discussion of the issues by K R Bombwall, he agrees that India is a "multi-ethnic and multinational state" and has no hesitation in describing Tamils, Bengalis and Andhraites as ethno-national groups. But so far as the Sikhs are concerned, though he agrees that they are an ethnic group, yet he has serious reservations about calling them a national group. One of the reservations he expresses is that "The Sikhs are by no means a monolithic social group", though soon after he asserts that the Sikhs as a "community have achieved a definite external differentiation (i e, differentiation *vis-a-vis* the adjacent social group, the Hindus) and its members have developed a distinct ethnic identity and common religio-cultural interests".[8]

He further says that "Sikhs are internally segmented. They are divided by caste, class and urban-rural cleavages".[9] He talks of caste divisions among the Sikhs, such as the jat Sikh landlords on the one hand and non-jat Sikhs, particularly the scheduled caste Sikhs, in the rural areas on the other, and the indifference of the latter to the demands for Punjabi Suba and for state autonomy, or, for that matter, to the Anandpur Sahib Resolution (ASR). He asserts that such divisions on caste and class lines are visible even in urban areas. Here, we have the urban Sikh trading community, popularly known as 'bhapas' (khatris, Aroras, etc) on the one hand and the daily wage-earner Sikhs, generally of lower castes, on the other. They we have caste-class division among artisans, such as carpenters (Ramgarhias), blacksmiths (Lohars) etc, right from the cities to the towns and the villages. But here my counter argument is: Do we not find these caste-class divisions in case of Tamils, Bengalis and Andhraites whom Bombwall has no hesitation in bringing under the category of 'ethno-nationalism'? At least on this ground, Bombwall should not deny the Sikh ethnic community the status of a national group.[10] Yet he continues expressing his doubts:

> It seems doubtful whether the broad Sikh masses have made 'the quantum jump involved in crossing the threshold from ethnic consciousness to national consciousness. The two are qualitatively different and national consciousness cannot be regarded as an extended form of ethnic consciousness.[11]

It seems to me that Bombwall is here falling in the trap of conceptual confusion. I believe that the Sikhs cannot be denied the status of a nationality simply because the community is not 'monolithic' and is 'internally segmented'. Because at least class divisions we find all around the world in what Bombwall has designated as 'ethno-national groups', and, in the case of India, caste-class divisions in all such groups are more than obvious.

Another serious reservation which Bombwall expresses is about what he calls "The SAD's split personality and dual orientation" By this he means that on the one hand the Akalis fight for their religious demands and on the other they fight for regional demands such as greater autonomy for states, particularly greater financial resources, inclusion of left-out Punjabi speaking areas in Punjab, a more favourable allocation of inter-state river water to Punjab, etc. And he concludes:

> The Akali doctrine of Sikh nationhood (and the related demand for a self-determined political status for Sikhs) is seen as a repudiation and disruption of the Punjabi nationality based on territory, language and culture [12]

Here I would like to make two brief comments. The first is about what Bombwall calls the split personality and dual orientation of the Akalis. There is no doubt that the SAD is a religion-based

party, and till recently a non-Sikh could not be its member. It is also true that not all the Sikhs are members of the Akali Dal. Quite a few Sikhs are members of the Congress, the communist parties, the BSP, the JD, etc. But when the Akalis raise regional demands, besides religious demands, one wonders how and why the Sikhs should be denied the status of a nationality on this basis? If this basis were to be considered valid, one would hesitate to call the Assamese or for that matter even the Kashmiris a nationality. Although the Kashmiris do not have a religion-based party, yet an overwhelming majority of them are Muslims. They have been raising a demand for secession on the basis of religious composition. On the other hand, the Assamese have also been demanding regional autonomy (AASU-AGP agitation of late 70s and early 80s) and recently even secession through ULFA. The basic issue before the Assamese agitators, besides autonomy, is the ouster of 'foreigners' (Bangladeshis, most of whom are Muslims). Secondly, not all the Assamese are members of the regional groups or parties. Many of them are members of the Congress Party, the Communist parties, the BJP, etc. Thirdly, and more importantly, there is another agitation within Assam, that of the Bodo tribe, for Bodoland. Then, should we assume on the basis of Bombwall's argument that Assamese or Kashmiris are not a nationality? On the other hand, if the Kashmiris or Assamese *are* a nationality, why should the Sikh community be denied the status of a nationality?

As regards the point that Akali doctrine of Sikh nationhood is (or should be) seen as a repudiation and disruption of Punjabi nationality based on language, territory and culture, I would pose a counter question: Who is the repository of the Punjabi nationality if at all anything of this nature exists today? After independence, the Hindus of Punjab have opposed even the regional demands raised by the Akalis, such as the demand for a unilingual state of Punjab. So far as the language and culture are concerned, the Hindus of Punjab, by disowning the Punjabi language, have made the Sikhs the sole custodian of the Punjabi language and culture. The Hindus, in fact, launched counter agitations both on the question of Punjabi Suba and on that of Punjabi language. I would elaborate this point later. Here it is sufficient to say that even on this point Bombwall's formulation is untenable.

Talking about the separatist movement of the Basques in Spain and the insistence on their distinct identities by Slovens and Croats in the former Yugoslavia, Bombwall says:

> The national consciousness can emerge even among ethnic groups which are economically as advanced as, or even more advanced than, the politically dominant groups in multi-ethnic states. What is crucial for the existence of a nation is its self-view or its psycho-cultural essence...[13]

I fully agree with this argument of Bombwall. At least on the basis of this argument, he should have had no hesitation in according the status of ethno-nationalism to the Sikh community. However, he concludes his debate on the positive note that in future the Sikhs 'can be a nation':

> The questions raised here do not necessarily imply a dogmatic rejection of the theory that Sikhs are a nation. What we have called ethno-nationalism may well evolve into a full state nationalism with all the political implications of the concept. The questions posed here are, in fact, a plea for a constructive academic debate on the issue involved.[14]

Bombwall's paper was first published in 1983, which means that he prepared it sometime in 1981-82. Had he written this piece after the happenings of 1984, he would probably have had a rethinking on the whole question. The Sikhs as a community were humiliated in Haryana when they were not permitted to go to Delhi during 1982 Asian games. They realised in 1984 that they were a minority community and can be persecuted and suppressed. Here I am referring to Operation Blue Star in June 1984 when their sanctum-sanctorum, the holiest of their holy places, the Golden Temple, along with other gurdwaras, was assaulted by regular armed forces. During Operation Woodrose in July 1984, rural Punjab was subjected to house to house search by the regular armed forces. And the biggest shock to the community came when thousands of Sikhs were massacred and burnt alive in Delhi, Kanpur, Bhilai, etc, after the assassination of Indira Gandhi in October 1984. These three events of 1984 not only sharpened the community consciousness of the Sikhs but also their national consciousness, and this happened in spite of the fact that there are caste-class cleavages and other internal differentiations and segmentations within the community. However, this is a point which I would elaborate and discuss further on.

II

The credit for evolving the thesis that the 'Sikhs are a nation' has been claimed by a number of groups and persons. These include Sardar Kapur Singh, Gurcharan Singh Tohra, Ganga Singh Dhillon, the SGPC, and even the members of the committee which prepared the draft of Anandpur Sahib Resolution of 1973.[15] Actually, the thesis had begun to be evolved much earlier. The SAD, under the presidentship of Master Tara Singh, had not only declared the Sikhs as a nation but had also articulated the demand for the creation of a Sikhistan in the years 1945-46. Earlier, soon after the Muslim League resolution of

1940 for the creation of an independent state of Pakistan on the basis of Jinnah's two-nation theory, the SAD had ambiguously talked about the demand for an 'Azaad Punjab' and a 'Sikh Homeland', etc.[16]

However, at the moment I want to emphasise the SAD's demand for an independent sovereign state of Sikhistan. I reproduce here the full text of a resolution adopted at Lahore sometimes in March-April 1946 by a very representative gathering of prominent Sikh leaders under the presidentship of Master Tara Singh:

> The Panth notes that at the present moment, on the eve of expected far-reaching changes in the constitution of the country, the desire on the part of the majorities to dominate the minorities is rising with great tempo, as is evidenced by the slogans of Akhand Hindustan and Pakistan. It further notes that in a situation so greatly charged with aggressive communalism, the minorities, especially the Sikhs, find themselves placed in a position in which they cannot safeguard their national existence against the high-handedness of a politically organised communal majority, which conviction is further strengthened by the experience of the working of Provincial Autonomy for nine years, resulting in grave attacks being made on the culture, and civic and political rights of the Sikhs in Punjab. After giving mature and thoughtful consideration to the foregoing, the Panth is strongly of the opinion that no safeguards and guarantees of a constitutional nature, no weightage or protection, promised to the Sikhs by any of the majority communities can be considered adequate to protect the Sikhs and ensure their free and unhindered growth as a nationality with a distinct religious, ideological, cultural and political character. In order to ensure the free and unfettered growth of the Sikh Panth, the Panth demands the splitting up of the existing province of the Punjab, with its unnatural boundaries, so as to constitute a separate autonomous Sikh state in those areas of the central, northern, eastern and south-eastern Punjab in which the overwhelming part of the Sikh population is concentrated, and which, because of the proprietors in it being mostly Sikhs and its general character being distinctly Sikh, is also *de facto* the Sikh Homeland—the area, extent, the status and the constitutional framework of such a state being left to be settled by negotiation between the accredited representatives of the Sikh Panth and other interested parties such as British government, the Hindus, and the Muslims; further resolving that the above demand is the unconditional, absolute and minimum demand and political objective of the Sikh Panth as a whole. The Panth visualises that this proposed state will be democratic in constitution and will have socialistic economic structure, with full protection of the culture and rights of the minorities.[17]

The main thrust of this resolution is that the Sikhs are a nationality and as such have a right to a sovereign Sikhistan.[18] It is an interesting fact that Akalis were not alone in demanding a sovereign homeland. The Communist Party in general and G Adhikari of this party in particular also advocated the demand of the Sikhs for an autonomous homeland. They believed that the Sikhs were a nationality by history, culture, economic way of life and language, etc.[19] In a booklet, *Sikh Homeland*, issued on the eve of Punjab assembly elections in 1945, G Adhikari advocated the right to self-determination to all nationalities, including the Sikhs. He said:

> Our party firmly believes that the edifice of an independent India, free from foreign control, must be based on three great pillars—complete democracy, self-determination to all nationalities and the well-being of our entire people... The people of various nationalities in India with their respective languages, cultures and historical traditions, whose homelands are today divided by the artificial boundaries created by the imperialists, must be free to form their sovereign constituent assemblies.
>
> The people of every national-territorial unit such as Pathanland, Baluchistan, Sind, western Punjab, central Punjab, Hindustan, Bihar, Rajasthan, Assam, Orissa, Andhra, Tamil Nadu, Kerala, Karnataka, Maharashtra, Gujarat and Bengal (with previous agreement for plebiscite of the Hindu and Muslim areas) should be able to form their own sovereign states in a free India, with full freedom for self-development in brotherly unity with each other.[20]

As for the Sikhs, after having established that they were a nationality on the basis of their common struggles, historical traditions, culture and language, etc, Adhikari spoke for an autonomous homeland of their own in the central Punjab where they, along with Hindus, constituted 65 per cent of the population. He wrote:

> The main homelands of the Sikhs, the Doaba, the Majha and the Malwa, lie scattered in the contiguous districts and the native states of the central Punjab. The whole villages after villages in these tracts are Sikhs. Here lies the cradle of Sikh people and their great historical traditions.
>
> The rise of Sikhism was something much more than a section of Hindus changing their form of worship. It was a great popular and cultural upheaval which roused and united a bulk of peasant Hindu tribes of the central Punjab—namely, the jats, rajputs, khatris, Aroras, ramgarhias, and the mazhils (*sic*, mazbhis). These sturdy peasant tribes were settled in the fertile regions of Doaba and Majha from times immemorial. There they built their village communities and developed agriculture. This region, however, lay in the path of every invader who came into India from the north. Again and again, these peaceful peasant communities were destroyed and scattered. They suffered under the reign of each invader and conqueror but they reformed themselves. It was under the rule of Mughal emperor-builders and of their mansabdars that the political and economic pressure on these peasant communities became intense and sustained. It was then that peasant tribes began to unite as a 'Sikh people'—to defend their life, their village communities and their peasant farms—under the inspiring leadership of the gurus.
>
> The rise of the militant Sikh movement under the latter gurus, especially under guru Gobind Singh—the sage of heroic martyrdom of Sikh warriors—is often understood as a chapter of religious persecution or religious wars. In reality it was the birth of 'a people'—peasant tribes uniting themselves into 'a people', shaping their language, creating their first inspiring folk literature—fighting to defend their way of life in their homelands. This popular upheaval, led by the Sikh gurus, which culminated in the emergence of the 'Sikh people' in many ways, was similar to the popular upheaval of the Maratha peasant tribes aroused by the saints of Maharashtra and united by Shivaji which in its turn led to the emergence of the 'Maharashtra people'. It is significant that both took place about the same time, i e, in the period of decline of the Mughal empire. Their subsequent history is also strikingly parallel. The awakened Sikh people built their own independent 12 tribe kingdoms—the 'misls'—in the Doaba and the Majha. The great Ranjit Singh, in the first quarter of the 19th century, unified them and built a strong fighting force...
>
> All these historical developments—the emergence of the Sikh people, the rise of the 12 'misls', their partial unification under Ranjit Singh, the formation of a virile language and the rise of powerful literature associated with it—made the Sikh people a leading cultural force in the central Punjab...[21]

How did the Communist Party (henceforth CP) come to adopt this stand? It appears to me that the party was over-enthusiastic about the definition of nationality as given by Lenin and Stalin. It forgot that this definition had emerged in the background of the conditions prevailing in Russia/Soviet Union. The adoption of this definition led to a distorted understanding of the developing Indian situation. However, it must be mentioned to the credit of CP that it reversed its stand on this critical issue around mid-1950s, and the today's main communist parties—the CPI and the CPI(M)—are staunch votaries of a strong and united India though they hold the view that India is a multinational state and every nationality must be given an opportunity to develop its own culture, identity, language, art and literature, etc. It is with this view that these two parties vehemently oppose the secessionist movements in Kashmir and Punjab.

Coming back to the SAD's demand for Sikhistan, I think it was a last-ditch battle for political survival as the partition of Punjab also meant a partition of the Sikh population, a development which stood to weaken the base of the SAD. The demand for a Sikh homeland was a panic reaction on the part of the SAD.

In this background, how does one look at the Sikh community from independence and partition till today? And how does one analyse and explain the political behaviour of the SAD during this period? In this connection, two points need to be emphasised right in the beginning. The first point is that the partition of Punjab was probably the bloodiest such event in human history, which resulted in the massacre of millions of people of three communities—the Sikhs, the Hindus and the Muslims—and the migration of virtually the entire Sikh-Hindu population from Pakistani Punjab to India and of Muslims from Indian Punjab to Pakistan.[22] This migration, nevertheless, gave the Sikhs a majority in six districts of Indian Punjab. This was an important development because the British, at least on paper, had denied the Sikhs an autonomous homeland arguing that the Sikhs were not in majority in any district of the pre-partition Punjab. This development re-awakened a hope in the SAD supremo Master Tara Singh to once again raise the demand for a Sikh homeland, of course within the union of India, a demand which went unheeded virtually for two decades. The second important point is that right from its inception in December 1920, the SAD has been a faction-ridden party, a theme which I have discussed in detail elsewhere.[23] What is the condition of the SAD today? Till recently, there were at least four Akali Dals—Akali Dal (Badal), Akali Dal (Longowal), Akali Dal (Mann), and Akali Dal (Manjit). On the other hand, there were at least 25 militant organisations of the Sikh youth fighting for an independent and sovereign state of Khalistan through violent means. Each one of these militant organisations owed allegiance to one or the other of at least three Panthak Committees. However, as I have noted elsewhere, in SAD's 72 years old history, there have always been three broad factions within the party—the moderates, the extremists and the militants.[24]

There is no doubt that the Sikh community, first under the leadership of Master Tara Singh and then under that of Sant Fateh Singh, had to launch many a struggles (morchas) even for the reorganisation of Punjab on linguistic basis. The Punjabi Suba was created in 1966 giving the Sikhs a majority of around 60 per cent of the total population. But after their failure in ministry-making during the period 1967-71 when Akali-led coalition ministry did not survive, and loss of power to Congress in 1972 elections, Akalis prepared a new action plan in the form of the Anandpur Sahib Resolution (1973) which demanded a geographical territory where the 'Khalsa shall be in a position of pre-eminence' (Khalsa ji-ka-bolbala). When this resolution was ratified in the 18th all-India Sikh Conference (general house of Sikhs) at Ludhiana, G S Tohra had already issued his booklet *Federal Polity*. Both the ASR and the *Federal Polity* declared the Sikhs as a nation and pleaded for greater autonomy to all states, leaving only foreign relations, defence, currency and communications to the union of India. Tohra advocated a federal structure on the pattern of the then Soviet constitution. In July-August 1982, the SAD started its morcha (agitation) under the leadership of late Sant Harchand Singh Longowal, after having invited Bhindranwale to join the morcha. Bhindranwale did join when his demands were also incorporated in the Akali charter of demands. It was a turning point both in the political history of Punjab and also of the SAD. A new phase of violence and terrorism started. This period witnessed storming of the Golden Temple and other gurdwaras in Punjab by the regular Indian armed forces at the instance of the then prime minister Indira Gandhi, who herself was assassinated by two Sikh guards, an incident which led to the massacre of innocent Sikhs in Delhi, Kanpur, etc, by the marauding-lumpen gangs.[25]

Among different factions of the Akalis one faction, right from the pre-partition days, has consisted of what I call 'homelanders'.[26] By 'homelanders' I mean those who have always advocated the idea of a sovereign Sikh homeland,[27] whether within the Union of India or outside it. The homelanders are the Khalistanis in today's context. The intellectual god father of the homelanders in post-independent India was late Sardar Kapur Singh[28] who created a following in the different universities of Punjab and among a section of Sikh intelligentsia.

So far as the issue of the Sikh community being a nationality is concerned, it seems to me that there has been a lot of confusion among the Sikhs over this issue. Firstly, the Sikhs belonging to parties like the congress and the communist parties have rejected this idea. Secondly, both among the leaders and members of the SAD, there has been a section which did not support this idea, for example Jivan Singh Umranangal and his followers. Therefore, the question that arises here is: Should the Sikhs be denied the status of a nationality just because some Sikhs, both Akalis and non-Akalis, are opposed to this idea? However, a more complex question that

needs to be answered is: If the Sikhs are a nationality, what are, then, the Hindus living in Punjab, and what is this thing called the 'Punjabi nationality' or Punjabyiat?

Before I come to my own views on these questions, I would discuss the views of those Sikh and western historians who claim that Sikhs are a nation. Paul R Brass[29] quotes Cunningham who put forth this view right in the beginning of this century. He also quotes Ganda Singh and Khushwant Singh, the two Sikh historians of eminence, who express the same view. Cunningham talks of the development of the Sikhs "from a sect into a people under guru Gobind Singh, and from a people to a nation under Ranjit Singh".[30] Khushwant Singh writes of the struggles of the Sikh forces against the British in 1848 as of a nation rising in arms, and of the second Anglo-Sikh war of 1848 as a national war of independence.[31] Ganda Singh goes further back and finds Banda Bahadur a hero of the Sikh nation in early part of the 18th century because of his struggles and victories against the Mughals. He writes:

> Although the successes of Banda Singh were but temporary, there was a revolution effected in the minds of people of which history often fails to take notice. A will was created in the ordinary masses to resist tyranny and to live and die for the national cause. The example set by Banda Singh and his companions in this respect was to serve as a beacon-light in the darker days to come. The idea of a national state long dead, once again became a living aspiration[32]...

To begin with, Brass does not seem to agree with this view-point of the historians. He believes that

> The Sikh historians and politicians have been engaged in a process of symbol selection from the events of the past, adapting those which would best support contemporary Sikh self-consciousness and rejecting those which would not.[33]

While talking of inconvenient symbols, he points out "a characteristic lack of congruence in pre-modern times between the corporate spirit of the people and the factional divisions of their leaders", "between the loyalties of fighting forces and the treachery of commanders", etc. He satirically mentions the alliance of the "cis-Sutlej kingdoms" with the British from 1809 against trans-Sutlej Sikh powers, and of the cis-Sutlej Sikh kingdom having turned the tide in favour of the British rule during the mutiny of 1857, thereby securing British imperialism in India "for another century" and the "loyalty" of surviving Sikh kingdoms to the "British Raj" during the nationalist movement and their "opposition to the main Sikh nationalist organisations and the internecine conflict."[34] However, what is interesting to note is that when Brass concludes his arguments, he tends to agree with the view of historians mentioned above:

> Modern nations are anyway built more upon the selection and manipulation of symbols from the past than the persistence of real political structures into the present.[35]

If one agrees with Ganda Singh's proposition that Banda Singh's victories, though short-lived, created national consciousness among the Sikh people and an aspiration for a nation state, and if one goes by this criterion, then the period of the Sikh national consciousness must start with the sixth guru, Hargobind, because he was the first to wage some battles against the Mughals. In any case, this period can be said to have started with the creation of the Khalsa Panth (1699) by Guru Gobind Singh who not only gave the community symbols of physical differentiation but also prepared them to fight militarily the tyranny of the Mughals. As for Khushwant Singh calling Anglo-Sikh wars as wars of (Sikh) national independence, one must point out, as does Brass, that during these wars a part of the community had aligned with the British and therefore the wars were in part wars within the community. This makes a labelling of these wars as 'national' a bit problematic.

III

As mentioned earlier, Bombwall raises the question whether the national consciousness among Sikhs is only an elite phenomenon or it has percolated among the masses. I really do not know what exactly is the view-point of Bombwall today because he expressed this particular doubt a decade ago.[36] At that time he tended to limit national consciousness to elites only. Since then dramatic developments have taken place in Punjab and elsewhere, particularly the incidents in 1984 which affected the psyche of Sikh community as a whole. Therefore I have no reservations about stating that national consciousness has percolated to the broad Sikh masses, despite the caste-class cleavages in the community and the disillusionment about the activities of the militant organisations. W H McLeod's main concern, in his book *Who Is a Sikh? The Problem of Sikh Identity*, is about the problem of 'sehjdhari' Sikhs as against the 'keshadhari' Sikhs.[37] However, to put a question mark on the Sikh identity in this manner in 1988-89 does not make sense. For by the end of 1980, this identity was well-settled.

As against Bombwall and McLeod, I perceive the historical development of Sikhism in different phases right from the period of the first guru till today. First was the phase of community formation which in my opinion was complete by the time of the martyrdom of fifth guru, Arjan Dev. By this time, Sikhs as a community had developed a distinct and separate identity. The trio of the guru, the 'granth' and the gurdwara was the focal point of the identity, and the institutions of sangat (congregation), pangat (taking the meals together in the same line irrespective of status or caste) and langar (free kitchen) went a long way in crystallising the identity. However, it was the construction of Golden Temple, with Harmandir Sahib as the spiritual seat and place of worship, the Akal Takht as a place for discussion of temporal affairs, and the wearing of two swords by the sixth guru as symbols of 'piri' and 'Miri', that completed the process of community formation.[38]

The second phase begins with the sixth guru and comes to an end in the post-Banda period of mass persecution of the Sikhs when quite a few new institutions were introduced and the community developed into an ethnic group. The most significant development of this period was the creation of Khalsa Panth by 10th guru on April 13, 1699, which not only gave the five physical symbols known as five Ks but also gave a psychological boost to the hitherto suppressed followers of the gurus, particularly the peasants, and inspired them to prepare militarily to fight against the Mughal tyrants. The adventures of Banda Singh after the death of 10th guru, in which he inflicted defeat after defeat on the Mughal armies, proved beyond any doubt that the military force created by the guru was capable not only of fighting against better organised forces but also of winning. After the persecution of Banda in most humiliating way, there was such a massive repression of the Sikhs that they were forced to flee to the jungles where they slowly reorganised and after some time started ruling over small areas. Thus began the period of the misls. During this period three institutions were evolved: the Dal Khalsa (different armed bands of the khalsa), Sarbat Khalsa (bi-annual general body meeting of the khalsa in the Golden Temple) and the Rakhi system (protecting everyone who paid taxes and remained loyal to the khalsa). This in my opinion was the period when the community became a full-fledged ethnic group.

The amalgamation of different misls into an empire with Lahore as its capital by Ranjit Singh is generally regarded as the golden period of the Sikh history and some historians like Cunningham assert that during this period the Sikhs became a nation. But I have a different point of view. It is true that Ranjit Singh ruled in the name of the khalsa, but he indulged in empire-building rather than serving the cause of the khalsa in the real sense of the term. More significantly, he abolished the two important institutions of Sikhism—and Dal Khalsa and the Sarbat Khalsa. In many ways, he permitted himself and the community to relapse into the orthodox Hindu rituals—thus diffusing the boundary

definitions of the two communities. One does not need much historical evidence to assert that he himself and quite a few Sikhs re-adopted brahmanical rituals against which all the Sikh gurus had fought so vigorously. Even the idols of Hindu gods and goddesses were placed in gurdwaras. As during his regime and in his lifetime, the Hindu rituals were conspicuous at the time of his death. Some of his wives/mistresses committed sati on his funeral pyre, something strictly prohibited in Sikhism and totally banned by the Sikh gurus.

Therefore, I believe that the nationality formation of the Sikhs took place during last 120 years or so, i e, from the beginning of the Namdhari or Kuka movement to the end of 1980s and through the various struggles against and the persecutions by the ruling powers. Baba Ram Singh and his followers of the Kuka movement fought against British imperialism on the one hand and for reforms in Sikhism on the other. It is well known that some 70 Kukas were blown out of the canon-mouth at Malerkotla by the British. The aim was to teach them a lesson rather than to punish them for a crime, and Ram Singh was exiled from Punjab to Burma to crush the movement. The British succeeded in their efforts but the movement left a deep imprint in the psyche of the Sikh peasantry. There is no doubt that there were some collaborationist elements among the Sikhs, particularly the landed Sikh aristocracy.

Another massive upsurge which was in congruence with Sikh national aspiration was to be seen during the Gurdwara Reform Movement (1920-25). During this movement hundreds of unarmed non-violent Sikhs were done to death when they went to liberate the gurdwaras (particularly Nankana Sahib) from the corrupt 'mahants' and thousands were put into jail. Also, the break away faction of the Sikh youth known as Babbars took to militancy. The Babbars, like Kukas, attacked two enemies—the British imperialists and their informers (mukhbirs) even if these were the Sikhs. The collaborationist Sikhs were denounced as 'jholi-chuks' (toadis) and were the main targets of their attacks. Like Kukas, the Babbars were crushed by the British when Gandhi denounced them as misguided patriots and the SGPC and SAD also went by the statement of Gandhi. The point which I want to emphasise here is that the heroic sacrifices made by Kukas and Babbars did create a national consciousness among the ordinary Sikh masses, particularly those inclined to puritanism.

During the partition, the Sikhs as a community suffered a great loss of life and property when they, along with the Hindus, were hounded out of Pakistani Punjab. I believe that the losses thus experienced by the community as a whole further strengthened the sense of national consciousness among the Sikhs. By this I do not mean to say of course that Hindus or Muslims did not suffer any loss of life and property. My point is altogether different.

As I have mentioned earlier, the three incidents of 1980s have finally consolidated the national consciousness among the Sikhs. It is difficult to foresee a dilution in this consciousness because in these incidents the Sikhs as a community suffered humiliation, unforgettable psychological blows, physical injuries and loss of life and property.

Therefore, I am of the view that Sikhs today are a nationality like any other nationality in India. I would be happy if someone comes out with a definition of nationality which Sikhs do not fit into.

Notes

1 See, for example, Joseph D Cunningham, *A History of the Sikhs from the Origin of the Nation to the Battles of the Sutlej*, S Chand and Co, Delhi, 1966, pp 120, 200.
2 This was generally the theme of the conflict between the Punjab Arya Samaj and the Sikhs in the last two decades of the 19th century.
3 K R Bombwall, 'Ethno-nationalism', *Punjab Journal of Politics*, Vol VII, No 2, July-December 1983 Reproduced in *Seminar*, No 294, February 1984, pp 44-53. Henceforth, I shall cite this paper only from the *Seminar*
4 Ibid, pp 49-53
5 Quoted from ibid, p 50.
6 Rajinder Kaur, *Sikh Identity and National Integration*, Intellectual Publishing House, New Delhi, 1992, pp 17-36.
7 Ibid.
8 K R Bombwall, op cit, pp 49-53.
9 Ibid, p 52.
10 I have discussed this point in more detail in part III of this paper
11 K R Bombwall, op cit, p 52.
12 Ibid, p 53
13 Ibid, p 52.
14 Ibid, p 53.
15 See, the 'Introduction' and 'Political Goals' of Anandpur Sahib Resolution, 1978, SGPC, Amritsar.
16 For details, see Rajinder Kaur, op cit, pp 43-49. See also, Baldev Raj Nayar, *Minority Politics in the Punjab*, Princeton University Press, Princeton, 1966, pp 76-97.
17 Quoted from Gurbachan Singh and Lal Singh Gyani, *The Idea of the Sikh State*, Lahore Book Shop, Lahore, 1946, pp 1-3.
18 The fear of deliberate and persistent attempts to devalue and liquidate the Sikh people in free India and the determination to resist such attempts have formed the refrain of numerous resolutions passed by the SAD and public announcements of the Akali leaders True, none of the SAD factions has defined Sikh nationalism in terms of a sovereign Sikh state as its objective. However, it was after the establishment of the present Punjab in which the Sikhs constitute a majority that the well known Sikh scholar-politician, the late Sardar Kapur Singh declared the Sikhs *sui generis* a "free and sovereign" people who had a *birth right to claim and establish a sovereign political status for themselves by creating homeland.* Referring to a resolution passed by the Akali Dal (Master Tara Singh) Working Committee on July 20, 1966, Kapur Singh stated that "a new Punjab should be given an autonomous constitutional status on the analogy of Jammu and Kashmir". As early as May 1965, the Akali Dal (Master), which spoke for a minority of the Akalis, asserted that "there was no alternative left for the Sikhs, in the interest of self-preservation, than to frame their demand for a self-determined political status within the republic of Union of India." The constitution of united Akali Dal, approved on September 2, 1974, included among the party's objectives "the preservation, among the Sikhs, of a consciousness of an independent Panthak identity and carving out a territory and era (desh and kal) wherein the *national sentiments and nationhood of the Sikh Panth* may find the fullest embodiment and expression." An SGPC pamphlet, *Sikh Ate Bharati Rajniti* (Sikhs and Indian politics), published in 1974, included five pages listing complaints of "economic attacks on the Sikhs by the centre", "injustice to Sikh religion", "political excesses against the Sikhs" and "discrimination and excesses on all sides". The theme of *Sikh Kaum nal Dhoka* (injustice to the Sikh nation) also figured prominently at the Ludhiana Akali Conference, held in October 1978. This theme also ran through the 45 points of the charter of demands of the Akali Dal (Longowal) submitted to the prime minister, late Indira Gandhi (see K R Bombwall, op cit, pp 51-52).
19 G Adhikari, *Sikh Homeland*, People's Publishing House, Bombay, 1945, pp 4-5.
20 Ibid, p 3.
21 Ibid, pp 5-6.
22 For details, see Satya M Rai, *Partition of Punjab: A Study of the Effects on Politics and Administration of Punjab*, Asia Publishing House, Bombay, 1965.
23 See Gopal Singh, 'Factional Politics in Akali Dal and the Homelanders', *Punjab Journal of Politics*. Vol XIV, Nos 1-2, 1990, pp 47-62.
24 Ibid, pp 48-50.
25 For details see, *Who Are the Guilty?*, PUDR and PUCL, Delhi, 1984.
26 Gopal Singh, op cit, pp 56-57.
27 Ibid.
28 For details, see his *Documents on Sikh Homeland*, edited by Jaswant Singh Mann, Chandigarh, 1969
29 Paul R Brass, *Language, Religion and Politics in North India*, Cambridge University Press, Cambridge, 1974, p 279.
30 Ibid.
31 Ibid, pp 279-80.
32 Ibid, p 279.
33 Ibid, p 280.
34 Ibid, pp 280-81.
35 Ibid, p 281.
36 K R Bombwall, op cit.
37 W H McLeod, *Who Is a Sikh? Problem of Sikh Identity*, Clarendon Press, Oxford, 1989.
38 For details, see Rajinder Kaur, op cit, pp 17-35.

Agricultural Growth in West Bengal

S Datta Ray

THIS relates to an article entitled, 'Agricultural Growth in West Bengal in the 1980s' (*EPW*, March 26). The authors have stated, "in the 1980s the BAES method of estimation (based on crop cutting samples) was adopted by GOWB" (*vide* para 1, Section II: Data and Methodology). They elucidated it by a note (numbered 7 in Notes at the end of the article) reading as "currently, estimates are prepared by the BAES on the basis of estimates of yield that are obtained from crop cutting experiments jointly conducted by BAES and the directorate of agriculture". There are grave factual inaccuracies and gaps in the authors' statements. Since I was director of BAES, though briefly (October 1990 to January 1992) I would like to set right below the wrong impressions created by the authors' above statement certifying the quality of the GOWB crop data of the 1980s which they used without revision unlike James K Boyce and came to some doubtful conclusions. The facts are: (i) The state agriculure department continued to change unilaterally the yield figures furnished by BAES at least of wheat throughout the period, 1981-82 to 1985-86. (ii) From 1986-87 a sea change occurred in the system of collection of crop data in the state in which BAES has only a minor role to play.

Regarding the crop area, the sampling design which was in operation till 1985-86 has been replaced by a new one (EARAS) at the instance of government of India whose efficacy (and statistical efficiency) has not yet been reported by its implementing agencies, viz, the land and land revenue department and the agricultural department. The field work which involves complete enumeration of C S plots in all the sample revenue 'mouzas' is done by the 'amins' of the land and land revenue department and estimation of crop area therefrom by the agriculture department. Under the scheme, 20 per cent of revenue mouzas are to be enumerated each year selected by way of sampling but the coverage could not reach even a modest 15 per cent mark till 1991-92. It is worth stating that such collection of plotwise area (both crop and non-crop) utilisation data in each of the four season in a year is an additional item of work for the amins and is not subject to any regular and systematic supervision by the departmental officers. Hence the quality of crop area data could hardly be certified to be acceptable without detailed examination.

Regarding crop cutting experiments, each season these amins are to send complete lists of plots growing seasonal crops in respect of a sub-sample of revenue mouzas to the district offices of BAES for subsequent selection of crop cutting plots. The sample crop cutting plots in each development block are selected in two independent sets—one for experimentation by Krishi Projukti Sahayaks (KPS) of the agriculture department and another by the regular investigating staff of BAES. Thus it is clear that the experiments are not jointly performed by the staff of the agriculture directorate and BAES as claimed by the authors, but independently. Though the subsequent arithmetical calculations needed for yield estimation are done in BAES, it has no say in the statistical/methodological work. For instance, under specific instruction of the state agriculture department which is the state authority for agricultural statistics, BAES takes an unweighted average of the two yield estimates of a crop in each block thrown up by the crop cutting results of experiments done independently by the two agencies differing so much in orientation, training, and supervision apparatus. This averaging of the two independent estimates at the block level is done, irrespective of differing numbers of crop cutting experiments performed by the two groups of workers, and also ignores results of statistical significance tests of the difference between the two yield estimates. It may be stated here that KPS themselves are responsible for agricultural development work in their respective localities, and hardly find time for such additional work necessitating timely visits of the experimental plots during the harvesting season. And after what Boyce exposed earlier on the attitudinal front of the agriculture authority in the state, would any one accept it (i e, the official crop production/yield estimates in 1980s) to be a legitimate baby of BAES, the unhappy partner in the current multi-agency system? In any case, the state government is yet to publish its justification for the adopted system of pooling the two sets of yield estimates which, I apprehend, are significantly different in magnitude for most of the crops.

Another disturbing issue is the likely large extent of loss of planned crop cutting experiments resulting from the current multi-agency system in operation. The seasonal crop plot lists despatched by the amins of the land and land revenue department seldom reach the BAES district offices in time, i e, by scheduled dates. It may be appreciated that unless the sample crop plot lists of a season are prepared well in advance of the beginning of harvesting of the related crop, the experimenters after receiving the selected crop cutting plot lists from BAES would not be able to conduct the experiments on the originally intended plots and would have to be contended at best with substitutes if allowed from late harvesting plots. During my short tenure as the head of BAES it was a shocking discovery that a very large percentage of scheduled crop cutting experiments could not be performed for various reasons, the principal ones among which were (i) harvesting of the seasonal crop prior to field visits by the experimenters and (ii) absence of the crop in the selected plots themselves presumably due to bad field work at the crop area enumeration stage. Even when substitution was allowed, a large number of targeted experiments could not be conducted due to shortness of available time. Substitution to any appreciable extent is in itself undesirable, being fraught with the risk of inducing bias in yield estimation. For instance, if the yield obtainable from the early harvesting plots differ in any significant magnitude from the late variety yield, the compiled yield rate in which early harvestable plots were not duly represented and the late harvested ones overrepresented, would not reflect the reality. Very often, early harvesting takes place in unirrigated high paddy fields and late harvesting occurs in low or irrigated lands. Since irrigated yield is usually much higher than the unirrigated, it is a near certainty that the compiled yield obtained by substitution of early harvesting plots by late ones would show bias beyond an acceptable limit. The bias may be further aggravated in actual field condition because the HYV seeds are cultivated in irrigated plots and local low yielding seeds sown in unirrigated ones. Further, loss of allotted experiments by any significant number for whatsoever reasons render the estimates prepared from the available data unamenable to valid statistical treatment and inference. Since three functionally different agencies are involved in collection of crop data and efficient co-ordination is a far cry in this land where nobody takes responsibility involving hard and sincere work, a very large number of targeted crop cutting experiments remain unperformed every season, wrecking the very bias of sound statistical estimation or inference.

Again, regarding the claim of a very large extent of HYV seeds coverage in the state particularly in the kharif season, one should make a close scrutiny of the method currently adopted by the agricultural department for its determination. The HYV area coverage of a crop is estimated by the proportion of crop cutting experiments reporting use of HYV seeds. When a large number of crop cutting experiments on the early harvesting local variety crop are missed, the performed experiments would be largely concentrated in irrigated plots sown with HYV seeds.

Under such circumstances, the representation of HYV plots in the set of conducted experiments would be disproportionately large. Thus such an estimate of HYV coverage would remain a suspect. In case of boro (or summer) paddy or wheat, substitution would, however, make no difference in estimation of HYV coverage because the local varieties are no longer cultivated in the respective season.

We feel that a researcher should examine the quality of the basic crop data of West Bengal in the 1980s and subsequent times before undertaking any serious study based on them, as did the renowned James K Boyce for an extensive earlier period. The point would be amply borne out by the following extract of a news item appearing in *The Statesman*, Calcutta (August 28, 1992) entitled, 'Basu sore at claim on rice production' written by its special representative. "Mr Jyoti Basu lost his temper at a high-level meeting held in his office at Writers' Buildings on Thursday to review the food situation especially the crumbling rationing system. The provocation was a recent statement by the agriculture minister, Nihar Bose, who claimed that West Bengal had become a major rice surplus state by producing a record 12 million tons in 1991-92... What irked the chief minister was that Mr Bose's assertion had already been disputed by the union food secretary Mr T Khanna, who, at a recent meeting on rationing in New Delhi, had said that West Bengal's claims, both in the field of land reforms and doubling of food production were 'highly suspect'... Already the centre has told West Bengal that if the state really had surplus rice, why was it ask(ing) for one million tons of highly subsidised rice from the centre every year?"

Child Marriages and State

Manu N Kulkarni

IT is very unfortunate that NGO leaders like Shankar Singh et al (*EPW*, June 4) defend child marriages in Rajasthan, when they assert, "The internal logic of child marriage is fairly sound. Child weddings take place primarily amongst OBCs and dalits and therefore most often poorer families." According to them "the 'muklava' or 'gohna' is delayed and the married girl does not go to the in-laws' place till the age of 18 which is the legal age of consent. There is sufficient internal pressure within rural communities to support any effort to delay the ceremony of mukhlava."

Will Singh and his friends provide family-level evidence regarding the delay in mukhlava among the married adolescent girls in Rajasthan? If one does a survey, girl-by-girl and ascertain when they got married and when they were sent to in-laws' house for mukhlava we would really come to know the time gap between marriage and mukhlava. In the absence of such evidence it is all a social hunch not supported by facts. In fact the pressures are different. The in-laws of the girls do not want the girls to go to school because she is 'married'. In one of my field visits in a village of Gwalior district of MP, I asked the mother of the girl who was married at 13, why the girl was not going to school, the mother replied that the in-laws and particularly the husband of the girl (age 20) does not want his 'girl-wife' to go to school lest she becomes more literate than him. Girls when 'sold' in marriage get a price (called natra in these districts of MP). Hence there are economic pressures for marrying girls early. These parents put forward the excuse of not getting bridegrooms later when girls grow. But the hidden agenda is to get the price for the girl! The Child Marriage Restraint Act is a non-performing act and the state alone cannot enforce the minimum age of marriage unless the NGOs, the parents of both the girl and the boy and the caste leaders join hands in this campaign against child marriage. The incident in Rajasthan where Banwari was gang raped because she campaigned against child marriage, is unfortunate, but that incident instead of slowing down the campaign should intensify it, and NGOs instead of defending child marriage should vehemently intensify their fight against early marriage of girls.

The districts of Mandsaur, Ratlam, Rajgarh and Guna in MP which are bordering Rajasthan have similar problems of child marriage and on akshaya tritiya (akha teej) in these districts thousands of girls are married in group marriages. In the last two years the collectors of these districts in MP have launched campaigns against child marriages and have successfully averted and postponed such marriages using persuasive, coercive and other social mobilisation techniques. In Mandsaur district the dynamic collector Ramsingh Tolia successfully used his government functionaries, the press, the NGOs and caste leaders to avert and postpone hundreds of child marriages in May 1994 among the OBCs like lohars, dhobis, kumavat, gujars, mali, chamar and patidar. He mobilised everybody in the district for this campaign and press reports have captured the events poignantly:

—In Narsinghpur Block Galyakhodi village the parent Madanlal cancelled the engagement of the girl child Manju just before the group marriage, when Koumi Ekta Committee and Nari Hitchintak volunteers approached him and explained him the consequences of girl child marriage (*Dainik Bhaskar*, Indore, May 10).

—Nehru Yuvak Kendra and Mahila Balvikas Adhikari in Umaheda village in Mandsaur district approached a family where girl child was to be married. The pandit, Shankarlal who was ready to solemnise the marriage turned around and said that he will never solemnise such a marriage which affects the life of the child and folded his book and 'pethi' and also pledged to tell other panditjis not to solemnise girl child marriages.

—The jatha in Sitamahu village filed a complaint with the police against four parents trying to marry their girls (12 years old) under the Child Marriage Restraint Act.

—Four school-going boys of Narasinhpur in Mandsaur pledged not to marry, despite the pressure of their parents, before reaching the age 20 and would complete their study (*Dainik Bhaskar*, May 8).

—Kharvahi village resident Phulsinha Dangi got his 12-year-old daughter Anita married to a 30-year-old man and on the muklava (gohna) day she fainted with vaginal ruptures and was admitted to district hospital and was treated by Manju Jain (*Sandhya Prakash*, Indore, May 16). Police complaint was filed and a case was registered.

—In Sitamahu block, Meriakhedi village, child-bridegroom Shankar Gurjar, learnt when he was ready to go in 'barat', that the marriage ceremony was cancelled, he threw his 'pagdi' and jumped from the cart and ran away to play with his friends (*Dashpur Darshan*, May 14).

—'Barat lauti' was the caption of a lead story in *Dainik Press* of May 13, in which six girls were stopped from wedlock when volunteers of Kaumi Ekta Parishad and government functionaries landed in the house of Ramnarayan Kumavat in Lodha village of Mandsaur district and stopped his four small daughters from facing the barat.

—In Ratana village the lady drum beater in the festivals, Geeta Devi, when approached by volunteers of campaign against child marriage, agreed not to beat the drum in the marriage of girls of her village and took a pledge before the goddess Durga of the village, that she would never do such things again.

Such small acts initiated by a cross section of village communities can alone bring awareness and build social pressures against child marriage. Campaigns are one time activities but the collectors have kept a vigil on such families who have cancelled the marriages so they do not perform the marriages of girls secretly. The girls of these families have to be put into school, which alone can empower these girls and schooling alone is the best weapon against child marriage.

STATE BANK OF BIKANER AND JAIPUR

Abridged Balance Sheet as on 31st March, 1994 & Profit and Loss Account for the year ended on 31st March, 1994

(000's omitted)

	AS ON 31.3.1994 Rs.	AS ON 31.3.1993 Rs.
CAPITAL AND LIABILITIES		
Capital	20,80,00	20,80,00
Reserves & Surplus	47,66,19	44,28,19
Deposits	34,29,81,51	29,26,33,77
Borrowings	1,13,09,00	1,14,04,83
Other Liabilities and provisions	6,79,64,64	5,40,96,70
TOTAL	42,91,01,34	36,46,43,49
ASSETS		
Cash and Balance with Reserve Bank of India	5,39,07,62	5,45,27,22
Balances with banks and money at call and short notice	1,80,84,38	78,11,12
Investments	15,14,45,62	10,59,40,60
Advances (net of provisions)	17,75,86,01	17,11,54,47
Fixed Assets	25,56,65	22,54,58
Other Assets	2,55,21,06	2,29,55,50
TOTAL	42,91,01,34	36,46,43,49
Contingent liabilities	4,89,90,14	5,94,64,11
Bills for collection	2,86,21,91	1,78,12,96

	Year ended on 31.3.1994 Rs.	Year ended on 31.3.1993 Rs.
I. INCOME		
Interest earned	4,04,67,47	3,83,44,29
Other Income	73,92,83	60,98,24
TOTAL	4,78,60,30	4,44,42,53
II. EXPENDITURE		
Interest expended	2,90,55,19	2,69,08,27
Operating expenses	1,40,42,64	1,27,86,93
Provisions and Contingencies	41,12,47	36,97,33
TOTAL	4,72,10,30	4,33,92,53
III. PROFIT		
Net Profit for the year	6,50,00	10,50,00
Profit brought forward	6	6
TOTAL	6,50,06	10,50,06
IV. APPROPRIATIONS		
Transfer to statutory reserves	1,75,00	3,34,50
Transfer to other reserves	1,63,00	4,24,30
Transfer to proposed dividend-@ 15%	3,12,00	2,91,20
Balance carried over to Balance Sheet	6	6
TOTAL	6,50,06	10,50,06

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- PROPOSED FOREST ACT: AN ASSESSMENT
- IS NATIONAL INTEREST BEING SERVED BY NARMADA PROJECT?
- GLOBALISATION AND SCHISM IN TIBETAN BUDDHISM
- PRIVATISATION AND PUBLIC SECTOR REFORM
- INTERNATIONAL RED CROSS AND INDIA
- CONTRABAND TRADE AND UNOFFICIAL CAPITAL TRANSFERS BETWEEN SRI LANKA AND INDIA
- SESHAN IN KURNOOL

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Vol XXIX No 30 July 23, 1994

Role of Labour Institutions

The presence of trade unions and protective labour legislation has been characterised as inhibitive of employment, growth and efficiency especially in the context of economic liberalisation and the consequent globalisation. Traditional labour institutions (such as, caste and gender-based) have been opposed in the name of efficiency and growth, even as social and political struggles for affirmative action in the labour market in favour of socially disadvantaged groups have gained momentum. Are these arguments supported by empirical evidence? **1938**

Hidden Treasures

While the official trade between India and Sri Lanka is bewilderingly paltry given the long-standing economic relations between the two countries, contraband trade and unofficial capital transfers between the two countries is large, though unestimated. Will the lifting of barriers to the movement of goods, services and capital between the two countries yield returns to the two governments? **1948**

Democracy in Practice

Indian electoral democracy has functioned as a means of recanalising the forms of traditional power and property into modern channels. And therefore, the violence of the armed landlord factions has fitted neatly into electoral combat. The sanctity of the elected representatives has lent legitimacy to the erstwhile armed lord. **1903**

Not Good Enough

The proposed Indian Forest Act based on the forest policy resolution of 1988 makes a departure from the colonial commercially-oriented, bureaucratic forest management practices. But the rights of forest dwellers remain ill-protected. **1909**

Selective Involvement

It is ironic but true that those who argue for minimum intervention of the state in economic activity are often strong advocates of the state taking a firm hand in maintaining law and order especially with reference to militant trade unions, mass actions, etc. **1929**

A First Step

Having decided to allow the International Red Cross to visit Jammu and Kashmir, the government should now take the international organisation's recommendations seriously. **1897**

In Exile

Globalisation has accentuated the weaknesses in Tibetan Buddhism in exile and has contributed to the growing demand for reform. **1926**

Water for All?

The Narmada Project confers bounties on a small, wealthy section of Gujarat's population to the detriment of large masses of those eking out a subsistence livelihood in the forests which are being submerged. Is there no alternative? **1957**

Traditional small water bodies not only have a tremendous irrigation potential but are also ecologically sound and could provide water supply to rural and urban populations. **1936**

Uneven Growth

Banking services have made much progress over the year, but regional distortions persist. **1925**

A Different Stroke

A nationalised health service could provide adequate and efficient health care for all at affordable cost But the concept has never been properly explored. **1913**

Reversal

While the BSP may still retain its dalit following, it may not have the same edge in state politics. **1907**

LETTERS TO EDITOR

Dangerous Proposal

NOW that the Indian government is bringing a new 'Plant Varieties Protection Act', it is indeed time to discuss how farmers' rights can be protected. But Suman Sahai's article (June 25) ignores one of the most dangerous aspects of the government's proposal. This is its claim to bring *all* the germplasm (biodiversity) in the country under control of the central state.

The fact is that farming communities, especially minorities and indigenous peoples, have been exploited and looted as much by their own traditional elites and national states as by multinationals. This has gone on through the taking of forest resources, through the confiscation of land under land acquisition powers for dams, urban expansion, defence projects or cheap sale to foreign companies. And now, on top of claiming land, water and forest, the Indian government is staking its claim to germplasm.

We cannot afford to be naive about the 'public sector'. The state has *not* in the past "produced seed for the farmers of Kalahandi as much as for the farmers of Leh". In the name of "subsidising" farmers and "helping the rural poor", it has rather by various pricing and trade and production controls utilised agricultural surplus for a heavy industry, urban-bureaucratic focused development. Its "public investment" has fostered irrational large irrigation projects and a capital-intensive chemical agriculture; the rural poor, indeed the entire rural sector, have been marginalised. Until forced to by GATT and 'globalisation', it has shown no interest in protection of biodiversity or farmers' rights.

This does not mean the state has no role to play, but we should not expect its class/caste character to change very much in the future. It is necessary to fight specifically for the rights of local communities over biodiversity: community rights (ownership and control) should be agreed to over germplasm, as well as over land, water and forest resources. The 'ignorance' and 'naivety' of farmers or adivasis is often used as a justification for 'protection' by a powerful 'ma-bap' state. Local communities can hire lawyers to defend their interests, they can give a share of royalties as taxes to the state or pay for public services—but we should fight the government proposal which gives the centralised state full control over germplasm as well as over utilisation of whatever resources and royalties come from this.

Incidentally, it is somewhat ironic that those who were most adamant against GATT on the grounds that it would 'force us to patent seeds' are now pointing to the openings that exist to evolve a truly *'sui generis'* system! The government should not use these openings to increase the powers of a centralised bureaucracy; instead we should go in the direction of empowerment of local communities.

GAIL OMVEDT

Kasegaon,
Maharashtra

HRD Expenditure

IN his letter (June 11) Paul Teunissen, while commenting on the article 'Fiscal Correction and Human Resource Development Expenditure at Central and State Levels' by S P Gupta and A K Sarkar (*EPW*, March 26), mentioned that the annual growth of HRD expenditure of the central government at constant (1980-81) prices has not been affected during the fiscal stabilisation years 1991-92, 1992-93 (RE) and 1993-94 (BE).

In justifying the statement he has cited some numbers which do not tally with figures given in Table 2 of the article. The critic has pointed out that the combination of the realised expenditure of HRD for the first two years 1991-92 and 1992-93 and the planned expenditure of the last fiscal year shows a 15 per cent rise in real terms of plan and non-plan HRD expenditure. According to the figures given in our study, the rise of HRD expenditure, taking the three years in question, is only 9.0 per cent. Taking into account the revised figures given in budget 1994-95 now available, there is a marginal rise at 9.5 per cent. It is not known how the critic has worked out the figure of 15 per cent rise in real terms.

The purpose of the study was to observe the annual growth rate of HRD expenditure at central and state government levels to trace the emerging tendency. The growth of annual central government HRD expenditure as shown in Table 2 of the study rose from a negative base of -7.71 per cent in 1990-91, to 5.3 per cent in 1991-92 which in reality is a marginal increase after base correction. In 1992-93 (RE) the growth rate is only 0.47 per cent over the previous year. In the year 1993-94 (BF) the growth rate is 8.78 per cent over the low base of growth of 0.47 per cent of 1992-93. However an attempt has been made to increase the level of HRD expenditure in the year 1993-94 in view of erosion of HRD expenditure in the earlier two years. These figures over the last three years support our statement that HRD expenditure in the central sector has been affected during the stabilisation period.

In recent years we observe significant variation of budgetary data at three different stages—the budget estimates, the revised estimates and the actuals. The figures given in the study have now undergone revision. The actual figures of five years would give a definite conclusion. In our study we attempted to discuss the tendency of the annual growth of HRD expenditure at constant prices for those years for which data were available at thepoint of time. We expect that expenditure allocation for HRD will increase in future years to reduce the social cost of fiscal stabilisation process.

A K SARKAR

New Delhi

ECONOMIC AND POLITICAL WEEKLY

Tarnished Jubilee

THE balance sheet of 25 years of bank nationalisation undoubtedly provides a telling lesson: the changes in the financial system, however revolutionary, are not very effective when the economic environment is inherently unbalanced and unequal, both regionally and functionally, and when structural changes in the real economy are not geared to correcting those imbalances and inequalities in an effective manner. Even so, what has been achieved under the public sector dispensation in commercial banking in particular and in the financial system generally, even in the midst of structural disabilities of the Indian economy, is commendable. While this progress has brought in its trail manifold problems—inefficiency, weak staff and financial structures, low profitability, large non-performing assets, bureaucratic interferences, etc—in their operations, the financial infrastructure created across the country over the years provides the necessary foundation so important for the more rapid and diversified development of the Indian economy.

The banking infrastructure existing today with its massive network of branches and staff support—comparable to the Indian railways and postal network—could never have been built by private sector initiative. Nor would the deposit base of the commercial and co-operative banking system, touching Rs 3,65,000 crore or roughly about 42 per cent of GDP at current market prices, ever have been created but for public sector banks. Despite the many problems, banks have been funnelling in additional deposit money of 17 to 18 per cent every year since the nationalisation of major banks in July 1969. The increase was over Rs 50,000 crore (16.9 per cent) during 1993-94 and it is likely to be more than Rs 62,500 crore during 1994-95. This has been in spite of the fierce competition from non-banking institutions and the capital market, and the lowering of rates of interest on bank deposits. The public ownership of banks has contributed a great deal to the stability and risklessness of savings in the form of bank deposits—features which are of great importance to the small savers. Bank deposits still contribute about 36 per cent of gross savings of the household sector in financial assets. If the Unit Trust of India's growth has been phenomenal, it has not only been due to the higher effective yield rate offered but also because of its public sector character. If the financial system has to remain stable, generate more savings, achieve a more diversified deployment of those funds both regionally and sectorally and continue to play a role in economic development, the public ownership character of the system needs to be retained and nurtured. Given managerial and operational freedom and dynamism, this can be entirely consistent with commercial or financial viability of the institutions constituting the system.

The philosophy and principles which had guided the nationalisation of banks—wider territorial and regional spread of branch network, faster mobilisation of financial savings, reorientation of credit deployment in favour of small and disadvantaged classes and elimination of bank credit pre-emption by the large borrowers, removal of control on banks by business houses, professionalisation of bank managements, and the provision of adequate training and reasonable terms of service for bank staff—all these were grounded in strong economic reasoning which is still valid. The problems and aberrations which have crept into the functioning and performance of banks can be resolved by a more thoughtful approach to managerial freedom and management restructuring with clarity in regard to corporate goals and objectives with checks and balances to eliminate bureaucratic interference. The *modus operandi* now being advocated to bring about a more efficient functioning of the banking system, namely, unbridled competition, is both narrow and naive in its approach and construction. Take the case of priority in computerisation. Adopting the culture and techniques of foreign banks, public sector banks are being pushed to undertake computerisation of frontline customer operations while the crying need is for computerisation of the back-up operations concerning accounts and inter-branch reconciliations.

A more telling case is that of the authorities' lukewarm attitude towards what as come to be known as twin constituents of social banking, namely, spread of branch network and priority sector lending. This attitude is sure to prove extremely short-sighted. Many banks in southern India, for instance, were vying with one another to grant credit for sectors and purposes which broadly constitute the priority sector; the proportions of such advances in their total bank credit ranged from 55 per cent to 60 per cent. When these banks were catapulted into the status of national banks where the competition was for bigger accounts, the share of their priority sector advances dwindled to as low as 35 per cent, far below even the 40 per cent ratio prescribed by the government.

The adverse consequences of this phenomenon have both regional and sectoral dimensions. The reasonably high level of industrial growth of over 8 per cent per annum attained during the 1980s was, to a great extent, contributed by the increased tempo of activities in manufacturing industries and other informal sectors in rural, semi-urban and small-town

centres. The contraction in assistance for priority sector advances by banks is sure to hurt the growth of those centres which have otherwise a significant potential for generating non-farm employment and production activities. More than 40 per cent of bank deposits are generated in such areas including small-size urban centres. Semi-urban centres produce about 20 per cent of bank deposits, but the most disquieting aspect has been that the banks have been increasingly desisting from expanding their lending activities in such areas. As against the prescribed target of 60 per cent, the credit-deposit ratio of these semi-urban branches, which had ranged from 52 per cent to 54 per cent during the 1980s, declined to 47.5 per cent in March 1992 and further to as low a figure as 39.9 per cent in March 1994. While it is true that the economies of semi-urban centres have trading as a dominant profile, such a sharp reduction in the proportion of deposits deployed as credit in these centres is indicative of an acutely biased credit delivery system which is hindering the goal of a more diversified pattern of development. Similarly, the reluctance of banks to expand lending business in rural and semi-urban areas would appear to give the impression that many of the existing bank branches in such centres are uneconomic, which, in turn, would make the banks even more reluctant to expand their branches.

This distorted attitude to banking development originates from the overriding strategy of competition now constituting the government's banking policy. The contention that low yield on advances for informal sectors is driving the banks from such lending is not entirely correct any more with 12 per cent interest even for small loans up to Rs 25,000 and with substantial tax concessions on rural lending, unless the banks prefer to seek a decidedly regressive nature of interest incidence on bank advances in general. In effect it is the bank's attitudinal bias against small borrowings and operations in rural and semi-urban areas which plays a role in preventing lendings to such parties rather than the low yield on such advances.

Against this background, what is called for now is a reassertion of the goals and strategies of bank nationalisation, ensuring that the banks do not jeopardise their own and the domestic economy's long-term interest. The operations of the regional rural banks (RRBs) and the co-operative banking system, while they may have some role to play in some specific areas, are too narrow in size to serve the sizeable credit needs of rural and informal sectors. Commercial banks will have to strengthen and expand their activities in these areas, if necessary through aggressive refinance facilities from the National Bank for Agricultural and Rural Development (NABARD) and the Small Industries Development Bank of India (SIDBI). There is no alternative to continuing a policy of promoting branch banking and pursuing directed credit arrangement. Secondly, banks will have to desist from getting involved excessively in unproductive or non-functional activities such as, investing, as well as lending against company shares and indulging in treasury operations which are being bred by the current encouragement to competition and profitability. The craving for 'other incomes', that is other than lending income, by public sector banks in competition with foreign banks and the proclivity to possess company shares in their investment portfolio have dangerous implications. They may jeopardise the stability of the banking assets, and worse, may serve as a source for financial scandals of the type that we have recently experienced.

A more fundamental issue that should be resolved in the current stage of development is the need for providing a powerful thrust to decentralisation in the banking structure. This process received a serious jolt after bank nationalisation, with banks having local specialisation acquiring national status and becoming impersonal organisations. The recent stipulation that new private sector banks should be headquartered in those centres which are devoid of banking has turned out to be a facade with the new banks preferring only nameplates in such centres while seeking plum business essentially in metropolitan cities. Likewise, the proposal to merge all the subsidiaries of State Bank of India (SBI) with the latter or into a separate giant bank smacks of a further process of centralisation. In this regard, the global ambitions of some of the existing private sector banks need to be curbed and they, along with the SBI subsidiaries, should be made to retain local characteristics and concentrate on serving the banking needs of their respective states and regions. Also, preference should be given to proposals for new private banks which would effectively operate in states devoid of banking headquarters, namely, Uttar Pradesh, Bihar, Madhya Pradesh and Orissa. The new approach should scrupulously observe the time-tested principle of not allowing manufacturing interests or even giant financial interests to establish banks in the country. Considering the fact that the country is already overbanked at the national level, it is advisable to encourage the private banks—new as well as the old ones—to be professionally owned and run, to remain small and retain local characteristics.

POLITICS

Criminals' Last Resort

NEWSPAPER reports about happenings in certain parts of India during the last few weeks tend to reinforce the impression that any criminal seeking immunity from prosecution can become either an MLA or a police officer.

Bihar, of course, takes the cake. But New Delhi is not far behind. Right in the heart of the capital, in a five-star hotel, on July 1, the high-profile Punjab police chief KPS Gill presided over a session of journalist-bashing conducted by his cops. The same day, in the Bihar state assembly, an MLA was busy beating up the state's minister of health. According to one estimate, among the members of the Bihar legislature, there are at least 20 MLAs, including a minister, who can claim an impressive list of crimes, ranging from murder to kidnapping. Not satisfied with such exploits outside the legislature, they have now begun to extend their activities within its precincts. The hero of the July 1 incident was Ranvir Yadav, an independent MLA, who is alleged to have been the brain behind a massacre of 13 'dalits' in a Bihar village in 1986. Yadav's grouse against the minister whom he assaulted was that he had refused to grant him his request for the transfer of some official. At around the same time, another MLA, Anand Mohan Singh (whose wife, Lovely Singh, recently won the Vaishali Lok Sabha seat, defeating the Janata Dal candidate) created a scene by entering the house, rushing to its well, overturning tables, uprooting microphones, swinging chairs and throwing papers all around. All this happened in front of the speaker, while chief minister Laloo Yadav was replying to the debate on the general budget. Singh's grouse was that two of his supporters in his wife's Vaishali constituency had been kidnapped and murdered by a ruling party MLA. Ironically, Singh himself has quite often been accused of similar crimes. Neither Yadav nor Singh has any regrets and is in a mood to apologise. While Yadav displays a cavalier attitude, saying "it's my style" (as quoted in a news report), Singh defends his act on the ground: "If there is bloodshed in the state, it is bound to stain the floor of the house" (again quoted in a news report).

Coming fast on the heels of the Bihar assembly events, on July 6 in the Madhya Pradesh legislative assembly a BJP MLA, Ram Dayal Prabhakar, allegedly "under the influence of liquor", snatched the sten-gun of his bodyguard and threatened to shoot the speaker of the assembly in the latter's chamber. His complaint against the speaker was that he had failed to allot him an 'E' type bungalow (apparently luxurious accommodation, reserved for senior MLAs).

Although the BJP has finally suspended Prabhakar from its legislature party, the unseemly incident exposes the BJP's lack of scruples in selecting its candidates.

The incidents related above were confined to the four walls of the august houses. The behaviour of our legislators outside these precincts keeps providing spicy staple for the press all through the year (the latest one involving a Haryana minister's misbehaviour on an Indian Airlines flight). After all this, the last laugh should be reserved for good old Lenin. It was he who used the term 'pigsty' (surely 'unparliamentary', according to our rules inherited from the colonial regime) to describe legislatures in so-called democracies.

BIHAR

Deepening Fissures

IT is over a month since the formal split in the Janata Dal parliamentary party in which 14 MPs formed a separate group headed by George Fernandes, now called Janata Dal (G). The leaders of the breakaway group expected similar splits in the state legislature parties, and their expectation did not prove to be totally unfounded. The most noticeable effect of the split in the central Janata Dal manifested itself in UP where a number of MLAs walked out of the parent group. However, to the chagrin of the leaders of the breakaway Janata Dal, they did not join the new group; they defected to the Samajwadi Party of the chief minister Mulayam Singh.

This behaviour of the former Janata Dal MLAs in UP provides a clue as to why the government of Laloo Prasad Yadav in Bihar is still intact—despite the fact that 10 of the 14 breakaway JD MPs represented Bihar, and that one of these MPs, Nitish Kumar, who has emerged as one of the leading candidates for the post of chief minister in the state, seems to have been the most active agent behind the split in the Janata Dal. Clearly, a major split in the Bihar Janata Dal has not yet taken place because the party MLAs in the state belong to the ruling group. Other factors which seem to have contributed to this behaviour of the state JD MLAs are the decision by the CPI, CPI(M) and other state parties not to withdraw their support to the government in the wake of the JD split, and the fact that Laloo Prasad Yadav still enjoys a large measure of popularity among the state OBCs, especially yadavs towards whose appeasement the machinery of his government has particularly been geared.

Laloo Prasad Yadav's leading rival Nitish Kumar is a kurmi, a bhumihar caste not part of the state OBCs, and he has been campaigning for the inclusion of the kurmis in the OBCs' list. This fact may well have consolidated the support for Laloo Prasad among the yadavs and other backwards in the state populace whose numbers are not insubstantial. The OBC MLAs of the state Janata Dal cannot be expected to be unaware of these facts. Further, the next assembly elections in the state are slated for March 1995, a clear eight months away, and, if past trends are any indication, the JD members in the state may begin to weigh their options only towards the eve of the elections.

Does this mean that the Laloo Prasad government is firmly entrenched and that there is no immediate likelihood of its fall? If one were to go by the recent resignations of three senior ministers from the Laloo government—one of whom joined the Samajwadi Party and the two others have declared their loyalty to the JD(G)—there are deep fissures among the leadership of the state Janata Dal. The two ministers who have walked over to the JD(G) ostensibly resigned in protest against the alleged attack on the "senior socialist leader" George Fernandes at Muzaffarpur by JD activists of the Laloo Prasad camp. If JD(G) can manoeuvre similar senior level walk-overs from the Laloo Prasad group in the immediate future, it may impel a number of lower-level JD members to follow their step. A factor that is likely to come to the rescue of Laloo Prasad Yadav is the requirement that only one-third members of a legislature party can separate out to form a new group without losing their membership in the assembly. A lot will depend too on the continued support of the left and other regional parties to the Laloo Prasad government. It is improbable that the JD MLAs, even if they are discontented with Laloo Prasad for one reason or another, will risk their membership of the house and, in the longer run, their political future, by aligning themselves, so early before the elections, with a party whose base among the populace of the state is yet to be tested.

TELECOMMUNICATIONS

Limiting Conditions

THE government is taking its time over establishing guidelines for the entry of the private sector in basic telephone services. After the policy was announced, two committees were set up, one headed by the D Sen Gupta of the telecom division of the ICICI and the other by the Telecom Commission member M G Joshi, to look into and evolve guidelines for the entry of the private sector. Both these sets of recommendations are now with the government which has reportedly submitted them to the law ministry. But clearly the delay in announcing the guidelines is not only because of procedural hassles.

There is apparently little consensus on these guidelines within the concerned ministries which are being pulled in different directions by contending beneficiary lobbies. The telecom policy, it may be recalled, made provisions for private sector participation on telephone services on an agreed tariff and revenue sharing basis, among other far-reaching changes in the sector. While guidelines were yet to be formulated, there was the promise of a minor eldorado for private parties, Indian and especially foreign.

The two committee reports appear to have stunted this hope to a limited extent. The major contentious issue was the criteria to be used for demarcating and, therefore, limiting the extent of participation of the private sector. The Sen Gupta committee has recommended that only secondary switching areas with at least 60 per cent rural population and a potential for 1,00,000 lines should be opened to private parties. Exclusive operation is to be allowed to the licensee in the area for a period of five years with a growth potential of 3,00,000 lines in contiguous reserved areas. Initially only a limited number of areas are to be identified for private sector entry. The committee demands transparency in the operations of the licensee regarding cost structures, operations and service conditions. There is however, no provision for the government taking over services during an emergency, only that the former can direct the operator to provide certain services. It has also recommended the mandatory take over of DoT employees and assets in the area by the private licensee. Further, it has recommended foreign equity participation of 51 per cent and other conditions as per existing legislations. A separation of licensing, regulation and operation is to take place by constituting autonomous bodies. The Joshi committee endorses most of the recommendations of the Sen Gupta committee. It, is, however, in favour of restricting equity participation to 40 per cent. The committee has pointed out that this is so in several countries, and in China equity participation is restricted to 16 per cent.

Given these recommendations, it is obvious why the government is dragging its feet. There are pressures, especially from the US companies, that equity participation up to 51 per cent should be allowed and that the conditions for entry must be made more flexible, as for example that the proportion of rural population in the secondary switching areas should not be a limiting factor. On the other hand, telecom employees and industry associations like the Telecom Equipment Manufacturers Association of India had opposed 51 per cent equity participation.

Interestingly, these changes in the telecommunication sector in India are taking place in an international environment where the responsibility for basic telephone services has been steadfastly retained by the state. In many countries, including Singapore and France, basic services have not been opened up for private participation. Even in the UK, New Zealand and Germany, which are currently restructuring their tele-

communications network, basic consumer services are being retained by the state.

SRI LANKA

Uncertain Days

IF president D B Wijetunga hoped to catch the opposition on the wrong foot when he dissolved the parliament on June 24 and announced fresh elections in August, six months ahead of schedule, the idea seems to have backfired. For it is the UNP rather than the SLFP, the leading constituent of the opposition grouping the People's Alliance, which is showing confusion. As reports about the filing of nominations trickle in, there are indications that the UNP's list of candidates is causing dissension among the rank and file, aggravating the already tense situation in the party. Creating further ripples, Hema Premadasa, widow of the assassinated president, who had reportedly refused a ticket, came to the filing office only to find that her name had been excluded from the UNP's list of 23 candidates for Colombo's 20 districts. In the Sri Lankan system there are no candidates for each seat, but each party has to file a list of candidates for each district. Apart from the two major parties, the others in the fray are the Nav Sama Samaj party in alliance with the JVP and other like-minded parties, and from the north, the Muslim Congress, the TUNF, a combination of PLOT, TELO and EROS, and other Tamil parties.

The president's calculations in announcing elections ahead of schedule are obvious enough. The presidential elections are in November and the party which is in office has a better chance of winning those polls. However, the UNP received a severe rubbing in March when in a regional election in the south, the People's Alliance (PA) devastated the UNP opponents after a spectacular campaign led by the SLFP's charismatic leader Chandrika Kumarantunge. Within the UNP, there have been rumblings of discontent. While it managed to wean away as many as six legislators from the SLFP, just before the dissolution of parliament, it has subsequently lost its star candidate and long time member, Gamini Fonseka who has crossed over to the PA. While Fonseka will not contest the elections, he has been included in PA's national list. (This is a list of candidates which each party may nominate to parliament.) The president has attempted some reorganisation with a view to strengthening the party, but these have not gone down well with all. For instance, the induction into the cabinet of Gamini Dissanayake, who had gone over to the opposition for two years before he made a come back, has not been welcomed. Nor has the removal of Sirisena Cooray from the party secretary's post although he continues to be in the cabinet.

It is not even as if Wijetunga has been able to present to the people the promise of better times ahead. His recent budget, while it included a number of hand-outs such as low-priced bread, pension schemes, was in fact a populist budget without much substance and little thought to a long-term economic strategy. Another factor is the Tamil question—Wijetunga's Tamil bashing in the last local elections in the south found no takers. The declaration of elections in Jaffna has been opposed by many parties. They point out that large sections of the northern district comprising Jaffna and Killinochchi are very much under LTTE control, barring small areas and a string of islets off the peninsula which have been cleared by the army. This would mean there were only about 6,000 voters in the cleared areas instead of the 6,00,000 voters in the area. While most of the Tamil parties have filed their nominations, LTTE has not made its presence felt in any way in the election process so far. It is not clear either whether it has called for a boycott of the polls, but in any case, it would be impossible for parties and their candidates to move about for campaigning in the LTTE-held areas.

The situation is not, therefore, all hunky-dory for the UNP as the president hoped it would be when he dissolved the parliament and announced early elections.

PALESTINE

Seeking Capital

THE violence at the Gaza-Israeli border crossing of Erez on July 17 in which two people were killed and several wounded highlights another dimension of the problems faced by the Palestine national authority, namely, the economic. The violence occurred when Israeli soldiers manning the check-point refused to allow the Palestinian workers from the Gaza Strip to cross over into Israel. It is not difficult to make out why it led to a riot by the workers, for about 25,000 of them work in Israel and cross over everyday. It is likely that these 25,000 do not form part of the 60 per cent of the Gazans, out of the total 8,50,000, who are without work. While these figures are an ample evidence of the criminal neglect of the Palestinian economy under Israeli occupation, they also point to the enormity of the task of the autonomy government which has to build this economy almost from the scratch.

The most difficult part of the task is to muster enough capital to invest in the fledgling Palestinian economy. Given the fact that Palestine was till now and still continues to be in part a colonial territory, most of this capital has to be secured from outside. Although a promise of such capital was not built into the accord which brought the autonomous status to selected Palestinian territories, the leading broker to the accord, the US, had assured the PLO that it would use its influence to help the new Palestinian authority in this matter. So far about $ 2.4 billion of international aid has been pledged for Palestinian economic development over the next five years including $ 1.2 billion by the World Bank, but already Yasser Arafat has complained that these funds have been slow in coming. Part of the reason is that the PLO is apparently resisting control of the aid givers in the matter of the expenditure of this money, something on which the latter have been insisting. As a World Bank official said recently: "The chairman [Yasser Arafat] does not want to be accountable... [But] we will not replenish these accounts until we get appropriate vouchers." Arafat, on his part, has asserted that he "will never accept controls on the money". He seems to be aware of the dangers to which such foreign controls can lead. As he added: "We didn't finish military occupation to get economic occupation."

However, there is no evidence so far that these assertions are anything more than mere political hyperbole. Certain actions of the PLO, in fact, indicate just the contrary. One of these is the appointment by Arafat of the Strategic and Development Policy Advisors (SDPA), a New York and Paris based institute of experts in finance, industrial policy and economic development, as advisors to the Palestinian administration. The SDPA, it may be noted, has been organised and will be headed by a French-American Gabriel Banon, an industrial development advisor to the late French president Georges Pompidou, and it will work closely with Hogan and Hartson, a law firm, and TAMS, an engineering firm, both of which are American. Professedly, the PLO has appointed the SDPA not only as consultant on economic policy matters, but also to negotiate and liaise on its behalf with international financial institutions and firms investing their money in Palestine, so that their control over Palestinian economy can be warded off. Nor can one fault PLO, in this era when cross-border intellectual expertise is available at a cost, for engaging a foreign institute to advise it on policy matters and to negotiate on its behalf. However, intellectual advice, especially when it comes from the experts belonging to the capitalist and the former imperial countries, is never free of the ideological baggage of a certain kind; nor, indeed, can it be said to be completely free of political motivation. There is a danger, therefore, that in its ostensible effort to keep off neo-imperialism of one kind, the PLO may fall victim to neo-imperialism of another kind: that of the economic and financial experts from the 'first world'. Already, while making a reference to the SDPA, Arafat has talked of building a "free and efficient economy". For those who have looked at the PLO as an organisation with a progressive orientation, these words evoke uncomfortable associations.

Alang Marine

ALANG MARINE, an existing profit-making company which originally acquired an existing division of Chowgule and Co, is today one of the largest private sector shipyards in the country and is located on the western coast of the country with facilities for ship building and ship repairs under one roof. The yard enjoys proximity to the major coastal highway connecting Bhavnagar to Okha, via Veraval/Porbandar which ensures intrinsic advantages of a wide sea frontage, navigability and proximity to user locations. The existing infrastructure has the capacity for repairing and building ships up to 4,000 tonnes deadweight and can demolish ships up to 40,000 light displacement tonnage in addition to being able to undertake fabrication jobs for the offshore and port industry. The company is entering the capital market with an offer for sale of 7,51,500 equity shares of Rs 10 each at a premium of Rs 30 per share. The issue is being made to enable it to enlist its shares on the stock exchanges. The share offer is being made by the promoters whose stake in the company will stand reduced to 75 per cent after the issue. The public issue which opens for subscription on July 25 will be lead managed by Weizmann.

Tainwala Polycontainers

Tainwala Polycontainers, promoted by Tainwala Chemicals and Plastics and Ramesh Tainwala, is setting up a plant for the manufacture of extrusion blow moulded high molecular high density polyethylene (HMHDPE) containers (of up to 220 litres capacity) with a capacity of 2.5 lakh numbers per annum. HMHDPE containers are used for packaging of chemicals, dyestuffs, bulk pharmaceuticals, explosives and petrochemicals and have several advantages over conventional mild steel drums because they are lighter, have better resistance to chemicals, and are more cost effective. The Rs 13.2 crore-project is to be set up in technical collaboration with S T Soffiaggio Technical Sri of Italy at Silvassa, an 'A' category backward area, in the Dadra and Nagar Haveli area. The backward area status of the project will ensue in exemption from sales tax for a period of 15 years and from tax for a period of five years. The project is to be financed through equity capital of Rs 7.8 crore and term loans of Rs 5.4 crore. Commercial production is expected to commence in December 1994. To part finance the project the company is entering the capital market with a public issue of 23,50,000 equity shares of Rs 10 each at par. The issue will be open for public subscription on August 1 and will be lead managed by SCICI and Indbank Merchant Banking Services. The promoters stake will stand at 70 per cent of the Rs 7.8 crore post issue equity capital.

Ranisagar Cement

Ranisagar Cement Company, which has been promoted by D S Bhandari and S P Sehgal, is setting up a fully integrated project to manufacture 200 tpd of portland cement. The first phase of the project, which envisaged setting up 75 tpd of the capacity, has already been completed and commercial production commenced in March this year. The project is located at Ranisagar between Ajmer and Beawar and is to be financed through equity capital of Rs 6.5 crore, a term loan of Rs 1.0 crore from State Bank of Hyderabad, a deferred payment guarantee of Rs 47 lakh from the Bank of Rajasthan and a state subsidy of Rs 20 lakh. To part finance the project the company is entering the capital market on August 8 with a public issue of 42,80,000 equity shares of Rs 10 each at par.

Bommidala Aquamarine

Bommidala Aquamarine, promoted by the Bommidala group of Andhra Pradesh, is setting up a shrimp farm in the Nellore district at a total cost of Rs 10.3 crore. The company has already completed the first phase of the project which involved 12.5 hectares of shrimp farm and is now planning an integrated project which will have facilities for an in-house hatchery, farm and processing plant with its own marketing set-up. The project which has been appraised by Vysya Bank is to be financed through equity capital of Rs 6.2 crore, term loan of Rs 4.0 crore from Vysya Bank and subsidy of Rs 2.0 lakh. To part finance the project the company is entering the capital market on August 10 with a public issue of 46,74,100 equity shares of Rs 10 each at par

Bagwe Udyog

Bagwe Udyog is a merchant exporter and manufacturer of copper, brass and other copper alloy tubes. The company now proposes to set up a 100 per cent export-oriented unit as part of its expansion project for augmenting its manufacturing capacity of redrawing copper and copper alloy tubes from 1,155 mtpa to 2,955 mtpa. The project estimated to cost Rs 12.2 crore is being set up in the Raigad district about 80 km from Bombay. The project enjoys financial and equity participation by Videocon Leasing and Industrial Finance (VLIF) and is expected to commence commercial production by October 1994. The company is already exporting its products to the US, UK, UAE, Taiwan and Bahrain. To part finance the project the company is entering the capital market with a public issue of 13,79,100 equity shares of Rs 10 each which will be offered at a premium of Rs 10 per share. The issue will be lead managed by SBI Capital Markets and VLIF.

Liberty Shoes

A part of the Rs 100 crore Liberty group of companies, Liberty Shoes is entering the capital market on August 9 with a public issue of 12,70,000 equity shares of Rs 10 each which will be offered at a premium of Rs 89 per share. The issue is to part finance the company's plans for setting up a project for the manufacture of 6,00,000 pairs of leather shoes and 9,60,000 pairs of non-leather shoes. In addition to this project, which is estimated to cost Rs 23.6 crore and is to be set up in the Karnal district of Haryana, the company also proposes to open premier leather goods showrooms in major cities.

HEG

The largest exporter of graphite electrodes in the country accounting for 55 per cent of total graphite electrode exports from the country, HEG has been receiving the prestigious 'Capexil' export award for the last eight years consecutively. A multiproduct company, HEG belongs to the Rs 700 crore LNJ Bhilwara group and is also engaged in the manufacture of sponge iron, textiles and cotton knitwear besides carrying on oil drilling operations. The company is now undertaking a modernisation-cum-expansion programme at a total outlay of Rs 200 crore which includes Rs 25 crore for the installation of a modern fuel efficient baking furnace and an impregnation shop for the graphite plant, Rs 22 crore for a 'waste recovery system' for the sponge iron plant and Rs 25 crore for installation of 9,216 additional spindles. An additional Rs 65 crore for setting up a 13 mw hydel power plant at the Tawa Hydel project under the advice and guidance of Hydro Quebec International of Canada is also in the pipeline. Further the company plans to add another 50,000 spindles at a cost of about Rs 170 crore which is expected to be completed in 1995-96. The company plans to raise funds for its modernisation-cum-expansion project through a Euro-issue or through private placement to foreign institutional investors.

Fiscal year 1993-94 has ended with an industrial growth of 3 per cent as against 2.3 per cent in 1992-93 and (-) 0.2 per cent in 1991-92. Electricity generation has grown by 7.3 per cent and manufacturing by 2.2 per cent. Within manufacturing, capital goods and consumer non-durable goods have shown a decline in output. At the two-digit category level, food products, some varieties of textiles and electrical machinery registered decline in production. While the inflation rate has again moved up to 10 7 per cent, there has occurred some moderation in monetary growth following reduced RBI credit to the centre and reduction in non-food advances which have balanced the continuing injection of liquidity through accretion of foreign assets.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	July 2, 1994	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100 0	267 3	1 4	10 7	6 9	3.5	3.6	10 8	7.0	13.6	12.1
Primary Articles	32 3	274 4	2 3	11 8	3 8	5 9	5.7	11.5	3.0	15.3	17.1
Food Articles	17 4	304 4	3 2	8 2	2 3	8.6	4.8	4.4	5 4	20.9	18.9
Non-Food Articles	10 1	286 2	0 7	21 3	3.4	2.1	5.2	24 9	–1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	280 2	0 8	10 2	18 8	0.8	3.4	13.1	15 2	13.2	14.4
Manufactured Products	57 0	260 8	1 0	10.1	6.7	2.6	2.4	9.9	7.9	12.6	8.9
Food Products	10 1	273 0	2 9	11.7	8 5	8.3	8.9	12 3	6.8	10.2	13.2
Food Index (computed)	27 5	292 9	2 8	9.4	4.3	8.5	6.1	7.0	5 8	17.2	16.8
All Commodities (Average Basis) (April-June 25, 1994)	100 0	263 7	-	9 4	8 4	11 1	6.5	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	269[4]	0.7	9.8	6.1	0 7	0.8	9.9	6 1	13.9	13.6
Urban Non-Man Emp (1984 85=100)	222[2]	0.5	8.3	7.3	–	8.3	–	6 8	13 6	13.4
Agri Lab (July 60 to June 61=100)	1175[5]	0.9	13.2	–1.9	0.9	-1.4	11.6	0 7	21.9	16.6

Money and Banking (Rs crore)	June 24, 1994	Variation (Per Cent)					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M3)	456185	2508 (0 6)	22619 (5.2)	17905 (4.9)	65827 (17 9)	49344 (15.5)	51653 (19.4)
Currency with the Public	90689	–603 (–0.7)	8491 (10.3)	6124 (9 0)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	361344	903 (0.3)	12504 (3.6)	3944 (1.3)	50112 (16.9)	41741 (16 3)	43392 (20.5)
Net Bank Credit to Govt	217056	1720 (0.8)	13270 (6.5)	14094 (8.0)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	236755	-2882 (-1.2)	–488 (–0.2)	1669 (0.8)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Reserve Money	147588	3225 (2 4)	8966 (6.5)	2562 (2.3)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	98490	203 (0.2)	1707 (1.8)	9200 (9.5)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	327179	305 (0.1)	13365 (4.3)	9817 (3.7)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	164584	-2720 (-1 6)	962 (0.6)	2703 (1.8)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food advances	152438	-2693 (-1 7)	–277 (–0.2)	–130 (–0.1)	7476 (5.1)	24317 (20 1)	120922 (8.4)
Investments	145350	1643 (1 1)	12957 (9.8)	6544 (6.2)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	March 1994	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages						
			1993-94	1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	263.8	225.4 (3.0)	218.9 (2.3)	2.3	-0.2	8 4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	307.0	229 2 (2.5)	223.7 (0 5)	0 5	0.4	4.5	6.3	7.9	3 8	6.2
Manufacturing	77.1	248.3	215 3 (2.2)	210.6 (2.1)	2.1	–1.8	9 1	0.6	8 7	7.9	9.3
Electricity	11.4	325.1	289.7 (7.3)	269 9 (5 0)	5 0	8.5	7.8	10.8	9.5	7 7	10.3

Capital Market	July 22, 1994	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	4103 (90.0)	4324	2160 (–23 3)	3600	4333	2037	4286	3779 (65.7)	2281 (–46.8)	4285 (266.9)
National Index (1983-84=100)	1945 (92 0)	2039	1013 (–21 0)	1765	2041	934	2055	1830 (79.2)	1021 (–48.1)	1968 (234.1)

Foreign Trade	May 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
		1994-95	1993-94				
Exports: Rs crore	5661	11898 (9 8)	10832 (41.4)	69547 (30 4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1805	3793 (9.7)	3459 (29 7)	22173 (20.4)	18421 (3.1)	17866 (–1 5)	18143 (9.1)
Imports: Rs crore	6037	12181 (12 2)	10852 (4.6)	72806 (15 7)	62923 (31 5)	47851 (10.8)	43193 (22.0)
US $ mn	1924	3883 (12 1)	3465 (–4.1)	23212 (6.8)	21726 (11.9)	19411 (–19.4)	24073 (13.2)
Non-POL US $ mn	-	-	–	17559 (14 6)	15319 (9.1)	14047 (–22.2)	18045 (3.1)
Balance of Trade: Rs crore	-376	283	–21	–3259	-9,572	–3,809	–10,640
US $ mn	–119	–90	–6	1039	–3,305	–1,545	–5,930

Foreign Exchange Reserves	July 8, 1994	Year Ago	Mar 31 1994	Mar 31, 1993	Variation Over						
					Month	Year	Fiscal Year So Far		1993-94	1992-93	1991-92
							1994-95	1993-94			
Rs crore	51653	21148	47626	20196	2341	30505	4027	952	27430	5385	10223
US $ mn	16478	6728	15176	6452	768	9750	1302	276	8724	731	3383

Industrial Production

(Rs crore)

Index Numbers of Industrial Production: Use-Based Classification (1980-81=100)	Weights	Average for April-March 1993-94	1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
Basic industries	394.1772	242.5	232.9	232.9	226.8	213.1	199.4	189.2	172.2	163.2
		(4.1)	(2.7)	(2.7)	(6.4)	(6.9)	(5.4)	(9.9)	(5.5)	
Capital goods industries	164.2713	252.5	266.5	266.5	266.8	291.7	251.4	206.6	192.9	166.3
		(-5.3)	(-0.1)	(-0.1)	(-8.5)	(16.0)	(21.7)	(7.1)	(16.0)	
Intermediate goods industries	205.0679	202.6	182.4	182.4	173.1	176.9	168.8	162.0	144.9	140.8
		(11.1)	(5.3)	(5.3)	(-2.1)	(4.8)	(4.2)	(11.8)	(2.9)	
Consumer goods industries	236.4835	197.8	194.3	194.3	190.8	189.0	177.0	166.2	160.0	145.7
		(1.8)	(1.8)	(1.8)	(-1.0)	(6.7)	(6.5)	(3.9)	(9.8)	
Consumer durables	25.5001	364.0	317.7	317.7	320.6	359.7	325.0	317.5	259.6	241.3
		(14.6)	(-0.9)	(-0.9)	(-10.9)	(10.7)	(2.4)	(22.3)	(7.6)	
Consumer Non-Durables	210.9635	177.7	179.4	179.4	175.0	168.3	159.1	148.0	147.9	134.1
		(-0.9)	(2.5)	(2.5)	(4.0)	(5.7)	(7.6)	(0.0)	(10.3)	

Groupwise Index Numbers of Industrial Production (1980-81=100)	Weights	Average for 1993-94	1992-93	1991-92	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
20-21 Food products	5.33	157.0	173.7	166.2	173.7	166.2'	169.8	150.9	148.5	139.0
		(-9.6)	(4.5)		(4.5)	(-2.1)	(12.5)	(1.6)	(6.8)	(4.4)
22 Beverages, tobacco and tobacco products	1.57	136.4	113.6	118.9	113.6	118.9	104.8	103.0	92.1	84.9
		(20.1)	(-4.5)		(-4.5)	(13.5)	(1.7)	(11.8)	(8.5)	(-13.8)
23 Cotton textiles	12.31	144.0	138.6	126.2	138.6	126.2	126.6	112.3	107.8	111.2
		(3.9)	(9.8)		(9.8)	(-0.3)	(12.7)	(4.2)	(-3.1)	(-1.2)
24 Jute, hemp and mesta textiles	2.00	99.0	85.9	90.4	85.9	90.4	101.6	97.4	101.9	91.0
		(15.3)	(-5.0)		(-5.0)	(-11.0)	(4.3)	(-4.4)	(12.0)	(-10.0)
25 Other textiles (incl wearing apparel other than footwear)	0.82	73.0	76.3	97.2	76.3	97.2	103.2	151.7	134.2	91.8
		(-4.3)	(-21.5)		(-21.5)	(-5.8)	(-32.0)	(13.0)	(46.2)	(5.4)
27 Wood and wood products, furniture and fixtures	0.45	199.3	190.5	185.0	190.5	185.0	197.2	176.0	171.7	161.7
		(4.6)	(3.0)		(3.0)	(-6.2)	(12.0)	(2.5)	(6.2)	(-34.3)
28 Paper and paper products and printing, publishing and allied industries	3.23	224.1	210.9	209.6	210.9	209.6	198.0	181.5	171.3	166.3
		(6.3)	(0.6)		(0.6)	(5.9)	(9.1)	(6.0)	(3.0)	(1.9)
29 Leather, leather and fur products (except repair)	0.49	204.8	191.9	196.7	191.9	196.7	194.3	188.3	177.3	185.5
		(6.7)	(-2.4)		(-2.4)	(1.2)	(3.2)	(6.2)	(-4.4)	(4.4)
30 Rubber, plastic, petroleum and coal products	4.00	187.1	176.9	172.9	176.9	172.9	174.0	173.5	168.3	155.1
		(5.8)	(2.3)		(2.3)	(-0.6)	(0.3)	(3.1)	(8.5)	(3.7)
31 Chemicals and chemical products except petroleum and coal products	12.51	296.2	276.6	262.8	276.6	262.8	254.1	247.6	236.6	200.9
		(7.1)	(5.3)		(5.3)	(3.4)	(2.6)	(4.6)	(17.8)	(14.5)
32 Non-metallic mineral products	3.00	214.1	209.2	205.2	209.2	205.2	193.1	189.9	184.6	158.1
		(2.3)	(1.9)		(1.9)	(6.3)	(1.7)	(2.9)	(16.8)	(-1.4)
33 Basic metal and alloy products	9.80	176.6	167.7	168.5	167.7	168.5	158.8	143.7	144.9	135.6
		(5.3)	(-0.5)		(-0.5)	(6.1)	(10.5)	(-0.8)	(6.9)	(6.9)
34 Metal products and parts except machinery and transport equipment	2.29	127.8	126.1	140.0	126.1	140.0	143.1	142.6	133.5	129.6
		(1.3)	(-9.9)		(-9.9)	(-2.2)	(0.4)	(6.8)	(3.0)	(4.2)
35 Machinery, machine tools and parts except electrical machinery	6.24	183.5	177.0	184.4	177.0	184.4	186.9	171.9	161.1	139.2
		(3.7)	(-4.0)		(-4.0)	(-1.3)	(8.7)	(6.7)	(15.7)	(-1.8)
36 Electrical machinery, apparatus and appliances, etc	5.78	444.4	478.7	493.6	478.7	493.6	563.6	459.2	348.2	335.2
		(-7.2)	(-3.0)		(-3.0)	(-12.4)	(2.7)	(31.9)	(3.9)	(31.6)
37 Transport equipment and parts	6.39	211.8	199.3	191.5	199.3	191.5	192.5	181.1	172.5	151.8
		(6.3)	(4.1)*		(4.1)	(-0.5)	(6.3)	(5.0)	(13.6)	(4.8)
38 Other manufacturing industries	0.90	260.5	279.1	269.9	279.1	269.9	321.8	333.2	305.6	272.1
		(-6.7)	(3.4)		(3.4)	(-16.1)	(-3.4)	(9.0)	(12.3)	(15.6)
Total manufacturing	77.11	215.3	210.6	206.2	210.6	206.2	207.8	190.7	175.6	161.5
		(2.2)	(2.1)		(2.1)	(-0.8)	(9.0)	(8.6)	(8.7)	(7.9)

Company Finances

Public Limited Companies	1993-94	1992-93	1991-92	1990-91	1990-91	1989-90	1988-89	1988-89	1987-88	1986-87'
No of companies	1600	1600	648	648	2131	2131	2131	622	622	622
Sales	158360	133572	80929	67937	97315	84016	68796	44555	37764	34049
Operating profit	25597	20727	5374	4456	5300	3705	2153	1999	1245	1378
Interest	9193	8742	5142	4045	5644	4856	3981	2422	2066	1826
Gross profit	16404	11985	10516	8501	10944	8561	6134	4421	3311	3204
Depreciation	4950	5023	—	—	3982	3616	3041	1991	1830	1506
Taxation	1933	1658	2078	466	1893	1445	957	726	566	510
Net profit	9543	5325	3775	3428	3946	2574	1488	1454	833	955
Gross profit as percentage of sales	10.4	9.0	13.0	12.5	11.2	10.2	8.9	9.9	8.8	9.4

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript ⁷ stands for July. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year (iii) — means not available

SREE MEENAKSHI MILLS

High Raw Material Cost

SREE MEENAKSHI MILLS, which had accumulated losses of up to Rs 5.4 crore, has managed to turn around in 1992-93 by posting a net profit of Rs 50 lakh on a 14.5 per cent higher net sales. The company's operating profit more than trebled over the previous year and a smaller rise in interest and depreciation charges enabled it to post a profit during the year. However the company's margins remain at a low level with the textile industry going through a difficult phase. The fall in the cotton crop as compared to earlier estimates and exports of cotton coupled with an increase in consumption with increased spindleage in the industry as a whole led to a sharp rise in cotton prices which ruled high from February to November 1992. The company claims that its performance could have been better but for the slump in the domestic and international markets up to October 1992 and the high raw material cost which could not be absorbed by the yarn market. The hike in energy cost and wages in addition to the overall increase in input costs adversely affected the company's margins.

Production of cotton yarn, staple fibre yarn and polyester/cotton blended yarn and cloth was lower at 6,321 mt, 227 mt and 72.5 lakh metres, respectively, as against 6,778 mt, 356 mt and 77.7 lakh metres produced last year. Sale was also lower at 4,034 mt, 286 mt and 69.9 lakh metres of cotton yarn, staple fibre yarn and polyester/cotton blended yarn and cloth as against 4,139 mt, 314 mt and 75.7 lakh metres in the previous year. However, the company managed to improve net sales in value terms due to improved realisation on all its products.

Exports improved by 15.7 per cent over the previous year and the company's products were reportedly well received in overseas markets such as Morocco, Mauritius, USA, Turkey, Italy, Belgium and Bangladesh. It now plans to tap new markets like Israel.

Meanwhile, the company's modernisation/rationalisation scheme was expected to be completed in 1993-94. In order to increase its production capacity and flexibility the company plans to install 34 new ring frames which will be utilised mainly for the production of finer/export counts of cotton yarn. Further, the company has also diversified into multi-fibre yarns like polyester-viscose and acrylic yarns.

JAIN IRRIGATION

Rise in Sales

Jain Irrigation which went public in October 1988 has since come a long way with its net sales increasing more than 15 fold by 1992-93. The company's net sales rose by 78 per cent and operating profit by 61.9 per cent over the previous year. Engaged in the manufacture of micro irrigation systems encompassing irrigation through strip-tubing, emitters, jets and mini sprinklers the company produced 4,363 mt of biwall, polytube drippers and fittings, 245 mt of filters, filtration equipment, 10 mt of controllers, control valves, 1,340 mt of extruded, moulded and fabricated plastic goods and 285 moulds and dies in 1992-93. The company's extensive marketing efforts in new areas of central and eastern Indian states seem to have paid off with domestic sales soaring by 63.2 per cent to Rs 41 crore. Exports more than doubled to Rs 21.6 crore accounting for up to 34 per cent of net sales. The boost in exports was provided by the pvc foam/rigid sheets line started during the latter part of the year following the implementation of the company's expansion programme. The rise in domestic sales and exports to south-east Asia, west Asia, Europe and north America was despite adverse conditions prevailing in the domestic and international markets. A sharp rise in interest and depreciation charges somewhat checked the rise in profits and gross and net profit increased by 57.9 per cent and 49.8 per cent, respectively. The company raised the dividend rate from 21 per cent last year to 24 per cent.

The company's expansion programme which envisaged raising of capacity from 25,000 acres to 66,000 acres of irrigation systems was completed and a part of the newly installed capacity was utilised during the year. Further, it has also implemented the expansion of its 100 per cent export-oriented unit (EOU) by increasing the capacity for pvc foam/rigid sheets from 1,800 mt to 4,200 mt and that of injection moulded products from 150 mt to 300 mt per annum. The diversification of the 100 per cent EOU for manufacture of polycarbonate sheets which was under implementation was expected to commence commercial production in 1993-94.

Meanwhile, with the conversion of part 'A' of the 36,21,744 partly convertible debentures (PCD) issued in March/April 1992 into two equity shares of Rs 10 each at a premium of Rs 30 per share resulted in an increase in the company's equity capital to Rs 10.3 crore. The PCD issue was made to finance the company's expansion-cum-diversification plans.

For the year 1993-94 the company improved its performance further and notched up a net profit of Rs 13.3 crore on net sales of Rs 92.7 crore.

ITC CLASSIC FINANCE

International Dimension

Promoted by three wholly-owned subsidiaries of ITC, ITC Classic Finance (formerly Classic Financial Services and Enterprises), which has emerged as one of the leading non-banking financial companies in the country, fared well in 1992-93. While the company's total income increased by 67.1 per cent over the previous year, operating profit was higher by 69 per cent and despite a sharp increase in interest charges, net profit rose by 76.6 per cent. Encouraged by its improved performance the company raised the dividend rate from 31 per cent to 36 per cent in 1992-93. With offices in Bombay, Bangalore, Calcutta, Delhi, Hyderabad, Madras and Dubai, the company has established a national presence and added an international dimension to its business. Its Dubai branch provides investment advisory services, financial consultancy and facilities to Indian corporates to market their issues to NRIs. The company's collection of deposits improved from Rs 35.8 crore in 1991-92 to Rs 58.7 crore in 1992-93.

Engaged in the business of leasing, hire-purchase, capital market operations/investment advisory services, merchant banking, trade finance operations and OTC operations, the company recently entered the capital market with a premium rights-cum-public issue of equity shares (premium of Rs 50 per share for the rights issue and Rs 90 per share for the general public and others). The issue aggregating Rs 122 crore (including premium) which will increase the company's equity capital to Rs 30 crore (Rs 36.1 crore after exercise of warrants) was made to part finance its plans for growth, to strengthen its equity base and net worth in order to enhance its ability to leverage, and to invest in a few joint ventures: a proposed asset management company, a trustee company and a stock-broking company; the company's alliance with the Peregrine group has gone sour and the proposed joint venture has been scrapped.

For the year ended March 1994, as per its latest unaudited results the company has surpassed the projections made during its recent foray into the capital market by earning a net profit of Rs 17.3 crore on a total income of Rs 102 crore as against a projected total income and net profit of Rs 83.4 crore and Rs 16.5 crore, respectively. Following the deregulation of the financial services sector in the country, the company foresees good growth prospects for itself and projects its total income to touch Rs 136.4 crore with net profit at Rs 43.6 crore in 1994-95.

(Rs lakh)

Financial Indicators	Sree Meenakshi Mills		Jain Irrigation		ITC Classic Finance		Rohit Pulp and Paper		Shreyans Industries	
	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992
Income/appropriations										
1 Net sales	7056	6164	6267	3519	5154	3239	5772	5049	4903	3147
2 Value of production	7099	6419	6773	3477	5154	3239	5954	5078	5099	3310
3 *Total income*	7171	6448	7136	3544	5618	3362	6016	5120	5250	3399
4 Raw materials/stores and spares consumed	4640	4331	3916	1749	0	0	3080	2377	2544	1454
5 Other manufacturing expenses	620	551	487	270	0	0	1667	1423	853	603
6 Remuneration to employees	847	829	115	86	161	95	327	300	299	237
7 Other expenses	539	576	1159	538	748	479	484	450	417	323
8 *Operating profit*	525	161	1459	901	4709	2788	458	570	1137	782
9 Interest	254	233	386	234	2561	1282	158	141	540	268
10 *Gross profit*	259	6	1045	662	2167	1451	307	434	602	525
11 Depreciation	209	207	197	96	1413	1024	230	198	322	217
12 *Profit before tax*	50	-201	848	566	754	427	77	236	280	308
13 Tax provision	0	0	0	0	0	0	12	95	0	11
14 *Profit after tax*	50	-201	848	566	754	427	65	141	280	297
15 Dividends	0	0	127	63	260	205	44	40	92	55
16 Retained profit	50	-201	721	503	494	222	21	101	188	242
Liabilities/assets										
17 Paid-up capital	355	225	1026	302	1407	780	244	160	603	205
18 Reserves and surplus	1605	1687	3824	930	4329	700	1409	1011	2280	899
19 Long term loans	701	721	4222	2790	10308	7602	1215	1116	2650	3334
20 Short term loans	1441	1344	2143	2198	4255	2122	286	415	1462	1199
21 Of which bank borrowings	1179	1057	545	2051	1937	1265	43	164	0	0
22 Gross fixed assets	4886	4779	6516	2809	10008	6653	3219	2818	6011	4705
23 Accumulated depreciation	1956	1615	349	153	3436	2200	1249	1021	1407	1085
24 Inventories	1256	1154	2738	1383	5645	4018	1251	949	1094	983
25 Total assets/liabilities	6228	5934	13059	7124	22256	12332	4289	3627	7882	6578
Miscellaneous items										
26 Excise duty	121	114	0	0	0	0	345	256	97	73
27 Gross value added	1354	1173	1402	956	4534	2742	806	884	1335	986
28 Total foreign exchange income	1628	1407	2162	1004	4	0	257	130	9	0
29 Total foreign exchange outgo	584	50	3501	976	33	2	932	601	180	343
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	113.29	103.88	47.99	49.40	23.16	26.27	134.58	139.21	62.21	47.84
31 Sales to total net assets (%)	172.01	154.99	55.88	56.58	25.39	28.91	183.01	186.86	70.09	55.83
32 Gross value added to gross fixed assets (%)	27.71	24.54	21.52	34.03	45.30	41.21	25.04	31.37	22.21	20.96
33 Return on investment (gross profit to total assets) (%)	4.16	0.10	8.00	9.29	9.74	11.77	7.16	11.97	7.64	7.98
34 Gross profit to sales (gross margin) (%)	3.67	0.10	16.67	18.81	42.05	44.80	5.32	8.60	12.28	16.68
35 Operating profit to sales (%)	7.44	2.61	23.28	25.60	91.37	86.08	7.93	11.29	23.19	24.85
36 Profit before tax to sales (%)	0.71	-3.26	13.53	16.08	14.63	13.18	1.33	4.67	5.71	9.79
37 Tax provision to profit before tax (%)	0.00	0.00	0.00	0.00	0.00	0.00	15.58	40.25	0.00	3.57
38 Profit after tax to net worth (return on equity) (%)	2.55	-10.51	17.48	45.94	13.15	28.85	3.93	12.04	9.71	26.90
39 Dividend (%)	0.00	0.00	24.00	21.00	36.00	31.00	25.00	25.00	20.00	27.00
40 Earning per share (Rs)	1.41	-8.93	8.27	18.74	5.94	6.70	2.66	8.81	4.64	14.49
41 Book value per share (Rs)	-2.90	-12.58	47.27	40.79	45.28	21.67	67.75	73.19	47.81	53.85
42 P/E ratio (based on latest and corresponding last year's price)	30.53	0.00	28.13	6.47	39.55	24.63	39.42	6.10	19.38	3.24
43 Debt-equity ratio (adjusted for revaluation) (%)	680.58	-254.77	87.05	226.46	179.71	513.65	73.50	95.30	91.92	301.99
44 Short term bank borrowings to inventories (%)	93.87	91.59	19.91	148.30	34.31	31.48	3.44	17.28	0.00	0.00
45 Sundry creditors to sundry debtors (%)	160.87	206.25	43.50	44.79	21.14	11.21	94.67	100.78	37.61	33.07
46 Total remuneration to employees to gross value added (%)	62.56	70.67	8.20	9.00	3.55	3.46	40.57	33.94	22.40	24.04
47 Total remuneration to employees to value of production (%)	11.93	12.91	1.70	2.47	3.12	2.93	5.49	5.91	5.86	7.16
48 Gross fixed assets formation (%)	2.24	1.85	131.97	77.58	50.43	0	14.23	13.49	27.76	72.91
49 Growth in inventories (%)	8.84	15.28	97.98	97.57	40.49	0	31.82	16.16	11.29	204.33

ROHIT PULP AND PAPER

Fall in Margins

Rohit Pulp and Paper, which is engaged in the manufacture of paper and paper board, secondary lead and secondary tin, saw a drastic fall in its profitability in 1992-93. While net sales increased by 14.3 per cent over the previous year, operating and gross profits saw a 19.7 per cent and 29.3 per cent fall, respectively, while net profit fell by more than 50 per cent. The sharp rise in cost of imported pulp and waste paper which resulted from the devaluation of the rupee and saw the import content of raw material rise from 28.6 per cent in 1991-92 to 41.2 per cent coupled with the steep escalation in the cost of other raw materials such as rice straw and bagasse (85 per cent), chemicals (26 per cent) and power (10 per cent), led to the fall in operating profit while a 12 per cent rise in interest cost led to fall in gross profit. A further 16.2 per cent rise in depreciation charges accentuated the fall in profit and even a 87.4 per cent fall in tax provision could not check the slump in net profit.

Despite an increase in production of paper and paper boards, which is the highest contributor to net sales, from 26,689 mt last year to 27,351 mt, operations were affected due to the shut down of the board machine for 13 days for modification. Moreover, though the metal division achieved a production of 2,277 mt of secondary lead during the year as against 520 mt of secondary lead in the five months of the previous year, realisation suffered due to a fall in domestic prices following a similar fall in international prices.

Meanwhile, the company completed the modernisation-cum-expansion of its pulp mill as also the second phase of the electrical switchyard renovation and modernisation and is now contemplating ways and means for increasing the capacity for manufacturing writing and printing paper and improving the product mix by manufacture of value added products. It is also examining the viability of installing high pressure boilers for co-generation of power.

The company's equity capital rose to Rs 2.4 crore during the year following the issue of equity shares on rights basis at a premium of Rs 60 in the ratio of two shares for every five shares held. With this though there has been an improvement in the debt-equity ratio, the company's book value which stood at Rs 73.2 last year has fallen to Rs 67.8 and earnings per share has fallen from Rs 8.8 to Rs 2.7.

For the year 1993-94 the company improved its performance by procuring its main raw material, rice straw, as well as imported pulp and waste paper at lower prices as compared to 1992-93 leading to a rise in net profit to Rs 2.1 crore with net sales rising to Rs 64.5 crore.

SHREYANS INDUSTRIES

Modernisation Pays

Shreyans Industries (formerly Shreyans Paper Mills), promoted by Vardhman Spinning and engaged in the manufacture of pulp and writing and printing paper, has failed to improve its performance in 1992-93. Despite a 55.8 per cent rise in net sales the company's net profit fell by 5.7 per cent over the previous year. The 45.4 per cent rise in operating profit was diluted due to the sharp increase in interest charges (up 101 per cent) and depreciation provision (up 48.4 per cent). The modernisation programme carried out at its paper division last year, however, proved beneficial with production of paper rising substantially from 14,581 mt to 19,164 mt and the reduced consumption of specific energy per tonne of production. The spinning unit which made its entry into the export market also saw a more than 100 per cent rise in production from 1,114 mt of yarn to 2,347 mt. Sales were also higher at 18,995 mt and 2,209 mt of paper and cotton yarn, respectively, as against 14,179 mt and 1,018 mt sold last year.

Meanwhile, the automation scheme for the paper machine was completed in July 1993 and the company expects this to give a boost to its performance in future through higher production levels and consequently higher profitability. The scheme for treatment of trade effluents which was under implementation was expected to be ready shortly. The company completed the commissioning of 22,320 spindles at its spinning division in March 1993 and the balance spindles were expected to be installed during 1993-94. To part finance the setting up of a spinning unit with a capacity of 25,000 spindles in the Ludhiana district of Punjab, the company had entered the capital market in 1991-92 with an issue of partly convertible debentures. During 1992-93 the company's equity capital rose to Rs 6 crore following the conversion of these debentures. The full impact of the working of the new unit is expected to be felt in the years to come.

The company plans to augment the capacity of its paper division in the near future and proposes to add certain balancing equipment in the spinning division in order to increase exports.

For the year ended March 1994, the company's net sales have improved to Rs 71.7 crore while net profit, as per the unaudited results, have risen to Rs 4.7 crore giving an earning per share of Rs 7.9 on an equity capital of Rs 6 crore.

International Red Cross and India

A G Noorani

The government's decision to allow the International Committee of the Red Cross to visit Jammu and Kashmir has earned it much credit. But the visit would prove futile if the committee's proposals for providing humanitarian services in the state are rejected.

THE International Committee of the Red Cross has submitted detailed proposals to the union home ministry for making available humanitarian services in Jammu and Kashmir,' Amit Baruah of *The Hindu* reported (May 31). This follows a week-long visit to the state in March by an ICRC team led by its regional delegate, David Delaproz. According to the newsreport, the ICRC "has sought regular visiting rights to detainees in jails and detention centres, permission for setting up medical outposts to aid the injured apart from organising programmes to provide specialised training for the security forces". This covers dissemination of humanitarian law among them. The proposals made on April 6 are being considered by the government of India.

One must hope that it will accept them. Its decision to allow the ICRC team to visit the state for a 'survey' earned it much credit, deservedly. A survey is futile unless it is followed up by provision of relief. It is absurd to suggest, as some do, that the medicines should be made available to local Red Cross societies for distribution. Everyone knows the problems this will create which are well known and best left unstated. If the proposals are rejected the credit earned will be dissipated.

In a talk with pressmen in New Delhi on June 5, David Delaproz revealed that the ICRC has submitted a set of proposals to the government of Pakistan for provision of humanitarian services in Pak-occupied Kashmir. An ICRC team had recently visited the area, he mentioned, soon after its visit to the state in March for 'survey' proposals. Proposals to both sides were communicated almost simultaneously. But the two sets are not necessarily identical (*The Statesman*, June 6).

Unfortunately for all its high fame and enormous respect for its manifest impartiality earned over decades of service, factual information about the ICRC is sparse. Civil libertarians ought to take keen interest. A lot of information about the organisation is available in its Annual Report for 1993. For instance, little is known about its services in tracing people separated from their families, known as the tracing activities. Throughout 1993 the ICRC's regional delegation based in New Delhi, which covers India, Bangladesh, Bhutan, Nepal and Myanmar, monitored the situation of some 1,75,000 refugees from Sri Lanka in some 130 camps in Tamil Nadu and, what is more, kept them informed of ICRC activities in their home country. "The ICRC continued to provide tracing services for refugees who had been separated from their families and to issue travel documents to various refugees temporarily residing in India and accepted for permanent resettlement in third countries."

As the report makes clear, in law the work of the ICRC is based upon the Geneva Conventions and their additional protocols and the resolutions adopted by International Conferences of the Red Cross and Red Crescent. Almost all states are bound by the famous four Geneva Conventions of August 12, 1949, which in times of armed conflict, protect wounded, sick and shipwrecked members of the armed forces, prisoners of war and civilians. On June 8, 1977 two protocols were adopted. They reaffirm and amplify the humanitarian rules governing the conduct of hostilities (Protocol I) and to extend the body of humanitarian law applicable in armed conflict which is *not* of an international character. India has ratified the Geneva Conventions but it has *not* ratified the additional protocols. The Annual Report reveals that during his visit to New Delhi on March 9 and 10, 1993, the delegate-general for Asia and Pacific of the ICRC raised with both the home secretary and the foreign secretary "the question of India's possible ratification of the Additional Protocols".

Should not the PUCL and the PUDR press the government of India for their ratification? They should also take keener interest in the ICRC's proposals, mentioned above, in respect of Kashmir. The report says:

> The legal bases of any action undertaken by the ICRC may be summed up as follows:
>
> In the four Geneva Conventions of 1949 and Additional Protocol I, the international community gave the ICRC a mandate in the event of international armed conflict. In particular, the ICRC has the right to visit prisoners of war and civilian internees. The Conventions also confer on the ICRC a broad right of initiative.
>
> In situation of armed conflict which are not international in character, the ICRC also has a right of initiative recognised by the states and enshrined in the four Geneva Conventions.
>
> In the event of internal disturbances and tension, and in any other situation which warrants humanitarian action, the ICRC has a right of humanitarian initiative which is recognised in the Statutes of the International Red Cross and Red Crescent Movement and allows it to offer its services to governments without that offer constituting interference in the internal affairs of the State.

Article 3, common to all the four Conventions provides for ICRC's role "in the case of armed conflict not of an international character occurring in the territory" of a signatory to the Convention.

This is the essence of the ICRC's style. It is humanitarian and sensitive. It is not legalistic or intrusive. It seeks to build up an effective international humanitarian law by persuading states to formulate and ratify appropriate binding international conventions. Last year, it convened at Geneva the International Conference for the Protection of War Victims. It is hoped that by 1995 concrete results will be achieved.

The *International Red Cross Handbook* contains all the pertinent documents including full texts of the Geneva Conventions, Additional Protocols, the Hague Conventions of old, the statutes of the International Red Cross and other documents including those pertaining to the international organisation of the Red Cross as a League of Red Cross societies with the ICRC at the apex. A bi-monthly journal of the ICRC, *International Review of the Red Cross*, published from Geneva contains erudite articles on developments in humanitarian law and documents on the organisations' work. The ICRC works closely with the International Institute of Humanitarian Law in San Remo, Italy. Besides, the researches at the Henry Dumant Institute at Geneva make a solid contribution to the development of the law. Indian lawyers and civil libertarians must not fail to make their contributions to these noble endeavours.

ABN·AMRO Bank N.V.

INDIAN BRANCHES

(Incorporated in the Netherlands with Limited Liability)

BALANCE SHEET AS ON 31ST MARCH, 1994

	Schedule	As on 31.03.1994 Rs. in 000's	As on 31.03.1993 Rs. in 000's
CAPITAL AND LIABILITIES			
Capital	1	150,000	150,000
Reserves and Surplus	2	528,262	378,451
Deposits	3	6,921,654	3,044,669
Borrowings	4	1,642,699	1,646,271
Other Liabilities and Provisions	5	367,324	324,320
TOTAL		9,609,939	5,543,711
ASSETS			
Cash and Balances with the Reserve Bank of India	6	410,017	568,601
Balances with Banks and Money at Call and Short Notice	7	45,508	199,395
Investments	8	2,882,730	1,230,303
Advances	9	5,846,207	3,157,337
Fixed Assets	10	124,444	136,115
Other Assets	11	301,033	251,960
TOTAL		9,609,939	5,543,711
Contingent Liabilities	12	21,682,540	19,027,589
Bills for Collection		3,091,312	2,456,298
Notes to Accounts	17		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1994

	Schedule	Year Ended 31.03.1994 Rs. in 000's	Year Ended 31.03.1993 Rs. in 000
I. INCOME			
Interest earned	13	842,447	750,726
Other income	14	180,895	217,908
TOTAL		1,023,342	968,634
II. EXPENDITURE			
Interest expended	15	404,272	453,410
Operating expenses	16	188,903	155,759
Provisions and contingencies		280,356	198,914
TOTAL		873,531	808,083
III. PROFIT			
Net profit for the year		149,811	160,551
Profit brought forward from last year		216,106	152,050
TOTAL		365,917	312,601
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		29,962	32,110
Transfer to Property Investment Reserve		7,500	48,050
Transfer to Head Office		-	16,335
Balance carried forward to Balance Sheet		328,455	216,106
TOTAL		365,917	312,601
Notes to Accounts	17		

Per our report of even date attached

Sd/-
For S. R. BATLIBOI & COMPANY
Chartered Accountants

Sd/-
Per Nawshir H. Mirza
A Partner

Bombay: July 18, 1994

Sd/-
Ashok Kapur
General Manager—India

ABN·AMRO Bank N.V.

INDIAN BRANCHES

(Incorporated in the Netherlands with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1994

	As on 31.03.1994 Rs. in 000's	As on 31.03.1993 Rs. in 000's
Schedule 1—Capital		
I. Amount of Deposit kept with the Reserve Bank of India under Section 11(2)(b) of the Banking Regulation Act, 1949	107,200	77,200
II. Amount brought into India by way of start-up Capital for a new branch	150,000	150,000
Schedule 2—Reserves and Surplus		
I. Statutory Reserves (Reserves u/s 11(2)(b)(ii) of the Banking Regulation Act, 1949)		
Opening Balance	83,355	51,245
Additions during the year	29,962	32,110
	113,317	83,355
II. Capital Reserves	3,741	3,741
	3,741	3,741
III. Property Investment Reserve		
Opening Balance	75,249	27,199
Additions during the year	7,500	48,050
	82,749	75,249
IV. Balance of Profit	328,455	216,106
	528,262	378,451
Schedule 3—Deposits		
A I. Demand Deposits		
i) From Banks	52,515	2,946
ii) From Others	689,513	507,005
II. Savings Bank Deposits	203,822	136,112
III. Term Deposits		
i) From Banks	352,399	355,912
ii) From Others	5,623,405	2,042,694
	6,921,654	3,044,669
B i) Deposits of branches in India	6,921,654	3,044,669
ii) Deposits of branches outside India	-	-
	6,921,654	3,044,669

	As on 31.03.1994 Rs. in 000's	As on 31.03.1993 Rs. in 000's
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	700,000	1,272,600
ii) Other Banks	55,495	281,973
iii) Other institutions and agencies	391,353	-
II. Borrowings outside India	495,851	91,698
	1,642,699	1,646,271
Secured borrowings included in I & II above—Rs. Nil		
Schedule 5—Other Liabilities and Provisions		
I. Bills payable	84,623	109,385
II. Inter-office adjustments (net)	29,291	40,039
III. Interest accrued	92,485	42,399
IV. Others (including provisions)	160,925	132,497
	367,324	324,320
Schedule 6—Cash and Balances with the Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	12,028	11,579
II. Balances with the Reserve Bank of India		
i) In Current Accounts	397,989	557,022
ii) In Other Accounts	-	-
	410,017	568,601
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balances with Banks In Current Accounts	4,121	18,584
ii) Money at Call and Short Notice With Banks	-	93,706
	4,121	112,290
II. Outside India In Current Accounts	41,387	87,105
	45,508	199,395

ABN·AMRO Bank N.V.

INDIAN BRANCHES

(Incorporated in the Netherlands with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1994

	As on 31.03.1994 Rs. in 000's	As on 31.03.1993 Rs. in 000's
Schedule 8—Investments		
I. Investments in India		
i) Government Securities	2,449,543	1,031,046
ii) Other Approved Securities	46,510	51,225
iii) Shares	–	–
iv) Others	386,677	148,032
	2,882,730	1,230,303
Other Investments include:		
Commercial Paper	383,860	145,215
Unit Trust of India Initial Capital (at cost)	50	50
Unit Scheme 1964 Repurchase price Rs. 3,420; Previous year Rs. 3,600)	2,767	2,767
	386,677	148,032
Schedule 9—Advances		
A. i) Bills purchased and discounted	2,305,417	1,849,126
ii) Cash credits, overdrafts and loans repayable on demand	3,981,815	1,990,069
iii) Term loans	23,333	5,000
	6,310,565	3,844,195
Less: Bills rediscounted	464,358	686,858
	5,846,207	3,157,337
B. i) Secured by Tangible Assets	3,602,086	1,988,157
ii) Covered by Bank/ Government Guarantees	1,366,456	1,156,705
iii) Unsecured	1,342,023	699,333
	6,310,565	3,844,195
Less: Bills rediscounted	464,358	686,858
	5,846,207	3,157,337
C. I. Advances in India		
i) Priority Sector	2,611,245	755,611
ii) Public Sector	65,884	144,251
iii) Banks	–	–
iv) Others	3,633,436	2,944,333
	6,310,565	3,844,195
Less: Bills rediscounted	464,358	686,858
	5,846,207	3,157,337

	As on 31.03.1994 Rs. in 000's	As on 31.03.1993 Rs. in 000's
Schedule 10—Fixed Assets		
I. Premises		
i) At cost as on 31st March of the preceding year	81,885	26,909
ii) Additions during the year	204	54,976
iii) Deductions during the year	–	–
iv) Depreciation to date	(8,107)	(3,977)
	73,982	77,908
II. Other Fixed Assets		
i) At cost as on 31st March of the preceding year	78,116	46,230
ii) Additions during the year	19,405	32,705
iii) Deductions during the year	(789)	(819)
iv) Depreciation to date	(46,270)	(19,909)
	50,462	58,207
	124,444	136,115
Schedule 11—Other Assets		
I. Interest Accrued	131,285	93,094
II. Advance Tax and Tax Deducted at Source Less Provisions	18,573	14,781
III. Stationery and Stamps	92	4
IV. Others	151,083	144,081
	301,033	251,960
Schedule 12—Contingent Liabilities		
I. Claims against Bank not acknowledged as Debts (including Rs. 30,924 thousands for matters referred to in Note no. 2.1)	35,337	102,198
II. Liabilities for Partly Paid Investments	4	4
III. Liability on Account of Outstanding Forward Exchange Contracts	15,686,153	15,050,657
IV. Guarantees given on behalf of Constituents		
i) In India	2,896,902	952,579
ii) Outside India	321,371	308,334
V. Acceptances, Endorsements and Other Obligations	2,278,415	1,926,959
VI. Other items for which Bank is contingently liable	464,358	686,858
	21,682,540	19,027,589

ABN·AMRO Bank N.V.

INDIAN BRANCHES

(Incorporated in the Netherlands with Limited Liability)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1994

	Year Ended 31.03.1994 Rs. in 000's	Year Ended 31.03.1993 Rs. in 000's
Schedule 13—Interest Earned		
I. Interest/Discount on Advances/Bills	603,976	538,053
II. Income on Investments	222,129	147,413
III. Interest on balances with the Reserve Bank of India and other Inter-Bank Funds	13,383	58,703
IV. Others	2,959	6,557
	842,447	750,726
Schedule 14—Other Income		
I. Commission, Exchange and Brokerage	58,224	51,000
II. Profit on Sale of Investments (Net)	55	1,489
III. Loss on Revaluation of Investments (Net)	(1,580)	(2,375)
IV. (Loss)/Profit on Sale of Land, Buildings and Other Assets (Net)	(63)	281
V. Profit on Exchange Transactions	116,386	163,400
VI. Miscellaneous Income	7,873	4,113
	180,895	217,908
Schedule 15—Interest Expended		
I. Interest on Deposits	300,630	243,770
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	76,944	103,195
III. Others	26,698	106,445
	404,272	453,410

	Year Ended 31.03.1994 Rs. in 000's	Year Ended 31.03.1993 Rs. in 000's
Schedule 16—Operating Expenses		
I. Payments to and Provision for Employees	51,762	39,845
II. Rents, Taxes and Lighting	24,127	22,046
III. Printing and Stationery	6,064	6,316
IV. Advertisement and Publicity	2,973	4,665
V. Depreciation on Bank's Property (refer note no. 2.2)	30,491	14,510
VI. Directors' Fees, Allowances and Expenses	13	10
VII. Auditors' Fees and Expenses	130	207
VIII. Law Charges	762	936
IX. Postage, Telegrams, Telephones	13,914	12,074
X. Repairs and Maintenance	18,888	15,986
XI. Insurance	3,168	2,818
XII. Other Expenditure	23,430	19,748
XIII. Head Office Charges	13,181	16,598
	188,903	155,759

Schedule 17—Notes Forming Part of the Accounts for the Year Ended 31st March, 1994

1. **Principal Accounting Policies**

1.1. General

The accompanying financial statements have been prepared according to the historical cost convention and conform to the generally accepted accounting principles and to the practices prevailing within the banking industry in India

1.2. Foreign Currency Translation

a) Assets and liabilities in foreign currencies as well as outstanding forward exchange contracts are revalued at the appropriate year end rates as speci'ied by FEDAI and the resultant gains or losses have been taken to the Profit and Loss Account

b) The balances held under Foreign Currency Non Resident (A) deposits scheme are stated at the rates specified by the Reserve Bank of India from time to time.

c) Outstanding forward exchange contracts have been disclosed as contingent liabilities at the contracted rates

1.3. Investments

a) The Bank's entire investment portfolio has been treated as "Current Investments" and the same has been valued at the lower of cost and market value in aggregate, categorywise, as per the guidelines issued by the Reserve Bank of India

The market value for this purpose has been ascertained on the basis of "Yield to Maturity" method wherever reliable Stock Exchange quotations are not available.

The cost for this purpose is the cost of acquisition and in case of Zero Coupon Bonds, includes discount accrued over the remaining tenure of the security

Seshan in Kurnool

K Balagopal

Indian electoral democracy has undoubtedly led to a lot of political awakening among the poor and the oppressed, and even a certain amount of empowerment of these classes. But in its principal aspect it has functioned less as a means of ascertaining and enthroning the will of the majority than as a means of sharing out patronage, power and property among the rich and the powerful. From the village sarpanch to the MLA, most of the elected representatives today are leaders of gangs armed to the teeth, and the consequent terror is a decisive factor in deciding elections.

THE Chief Election Commissioner of India evokes a lot of absurd images. An unconstitutional temper dedicated to a constitutional passion, a cantankerous arbitrariness forever insistent about rectitude and propriety in others, met from the other side with solemn arguments about breach of constitutional authority by politicians who recognise no constitutional basis for the authority they exercise, and who have so efficiently shaped the electoral process into an instrument of power and plunder that they find it infuriating that a mere public servant can upset the rules devised and smugly worked out among themselves, for themselves and by themselves: that is surely a setting that can only call forth images of absurdity. What enrages politicians so much about Seshan is that he is so much like them: arbitrary, arrogant, an unruly bully when he can get away with it and a model of humble rectitude when the courts pull him up. And while perforce the two of them debate the matter in terms of a dubious disjunction between legality and popular sovereignty, one may more fruitfully reflect that it is in the nature of human affairs that all right things are attempted by the wrong people; that it takes excesses to make moderation possible; that reason is given a hearing only when it is taken to unreasonable lengths; and that it is prohibited to human beings that right things may be achieved by right persons using right means advocated to just the right extent.

Seshan looks (at least in his photographs) and behaves so much like a bull that one is tempted to call him a bull in a china shop, except that Indian politics is no chinaware, neither in fragility nor innocence (and one is of course not talking of aesthetics). One could describe his effort at electoral reform as tilting at windmills, except that the windmills themselves are so genuinely scared that there is evidently something to his effort that is not merely quixotic. One could see in him a sadhu preaching to a dacoit gang, but this is one sadhu who speaks the dacoits' language. One could call him a fool rushing in where angels know better, but then a lot of angels appear to look forward with genuine hope to what this fool can do.

One could, therefore, do worse than to take Seshan a little more seriously. It requires no great intellectual effort to recognise that while he may trim the excesses of electoral combats a little, he cannot finish the task of making India a full-fledged electoral democracy. But that little is firstly, not worthless by itself, and secondly, in all human effort at reform and change, what is often more important than the material alteration achieved is the value-system generated thereby, for that value-system creates an altered culture that shapes future social behaviour. Human beings live by the values their culture believes in, and the creation of new values, the consolidation of a new value-framework for human social behaviour, which will in turn impel people to take on the systemic obstacles to change, is what every effort at change principally achieves. The change achieved can only be slight in the case of a lone effort by a cantankerous individual whose intentions are not always very straight or very clear, but it is nevertheless worth taking seriously. In particular, it is important to look at the cultural and systemic obstacles that Seshan's effort, taken deservedly or not at face value, will have to face, in the hinterland of Indian democracy.

The people of Kurnool district in the Rayalaseema region of Andhra Pradesh have had election after election forced upon them, while the discerning among them know better than anybody else that their society and culture are least ready for electoral democracy of any kind. First, the parliament member from Nandyal resigned and the people were directed to elect the nation's prime minister to parliament, and with a record lead to boot. And then Vijaya Bhaskar Reddy, the member of parliament from Kurnool and union law minister, was made chief minister of the state, which meant that he too had to be elected to the state assembly. Panyam was vacated for him and the people were directed to elect the chief minister ("otherwise there will be no development for Kurnool"). They did their best and did elect him, but the 'big man' was not happy with the votes he did not get. He said in public meeting after public meeting after getting elected, that he knew who had campaigned against him and would 'take care of them, whether they are high or low'. And then, of course, the parliament seat of Kurnool vacated by him had to be filled, and who should be the Congress candidate but his son? It was his seat that he had vacated, the better to serve the people, and who should the inheritance go to but his dear son, whether according to the Hindu or any other property law? And so the people of Kurnool were directed to elect the son to parliament on May 26 this year, and they have dutifully done so, except that he scraped through with a rather small lead. So base is the people's ingratitude, even to men that have served them for decades and are bent on serving them for ever, from father to son, from father to son, from father to son...

ELECTIONS IN KURNOOL

But that is not our story. Our story is what exactly does the electoral process mean in a district like Kurnool; and what must happen before electoral democracy becomes a thing of substance there; and how little of it comes within the purview of the Election Commission, whether that consists of one, two or three members; whether there is a chief among them who is more equal than the others; and whether that chief will be Seshan in perpetuity. This is of course not at all to say that what the EC can do is altogether immaterial, nor that the recent debate about its reconstitution is a vacuous debate. The people of Kurnool themselves did not think so during the by-election this May. The least literate of them had heard of this miracle man called Seshan who had put the fear of the law in the hearts of the lawless lords of their lives, and they were so curious to know what the creature looks like that when Seshan stopped off at a small town in Kurnool constituency on the way to Mantralayam (he seems to visit gods as frequently as politicians do), villagers flocked around as if he were a film star.

Jagadurti is a village off the Hyderabad-Bangalore national highway. It is ruled by former sarpanch Lakshmi Reddy, an elderly man, an uncle of sorts of chief minister Vijaya Bhaskar Reddy. This old man evidently belongs to an era that pre-dates even notional democracy, for he takes pride in the fact that there is little of it in his village. No sir, nobody campaigns for any party other than the party he supports—which happens to be the Congress but could well

be the Telugu Desam Party some day—in his village. It has never happened, and it would be improper if it ever did happen. He himself sits as the poll agent inside the booth, and people show him the stamped ballot paper before consigning it to the box. It has always been so. It is a tradition of the village, and it would be improper if anybody violated it today. Will the opposition party find a poll agent in the village? Well, nobody from the village would actually sit as an opposition agent in the village, for that would also be improper and contrary to the traditions of the village. But since it is said that according to some statutory vanity all candidates have a right to have their agents in every booth, even if they are so poorly off that nobody from the village will sit on their behalf, well then, they can get an agent from outside and he would be treated as an honoured guest, according to the village traditions. But such an agent should in turn respect the village traditions and not behave impolitely. That would be improper. Finally, he has heard of some stupid electoral rule or fancy that all the votes of a village cannot be cast for a single candidate, even if the village has no tradition of differing in such matters, and that if there is hundred per cent unanimity there will be a repoll, which he thinks is utterly stupid and undemocratic, but as such is the law, he himself sees to it that the opposition candidate gets the last 10 per cent of the votes. The people will be directed to vote for the worthless fellow.

This is not an isolated village. There are plenty of villages in the district where landlords who are close relatives or followers of the chief minister rule life with such completeness. What happens to those who resist their authority? They can be killed. They can be banished from the village and their property destroyed or seized. It should not be thought this violence is committed by some paid agents or hirelings of the landlord. The landlord's loyal following would normally consist of quite ordinary villagers who would lynch the disobedient with a genuine sense of outrage. There is for instance this complaint made by the Telugu Desam Party to the Chief Election Commissioner about the SI of police, Kodumur, who they alleged had forced a TDP supporter to remove the party flag and banner from his house. The SI's explanation is that the man's village is close to the chief minister's native village Laddagiri, right on the road in fact, from Laddagiri to the mandal headquarters, and so if this man continued to sport TDP insignia he would cause needless provocation to the men of Laddagiri passing by, and as the loyalty of that village to Vijaya Bhaskar Reddy's family is well known, that would have fatal consequences. That is why, the SI insists, he had advised the TDP supporter, in his own interest and as part of the policeman's official duty to prevent cognisable offences, to remove the party banner and flag and "silently vote for the TDP in the anonymity of the polling booth if he wanted to", an act of thoughtful charity and dutiful policing that the TDP leaders misunderstood. Whatever the honesty of the policeman's explanation, the fact that he chose this as a credible explanation reveals a lot about society in rural Kurnool.

There is another Lakshmi Reddy, an even closer uncle of the chief minister, who rules over the village of Lakkasagaram. This is an airtight monarchy into which not a single whiff of liberty has ever entered. Even N T Rama Rao on his electoral visits to the area would pass by this village and hold meetings elsewhere. A stranger who enters the village cannot and will not be allowed to talk to the residents directly. The residents themselves would be either too scared to talk or would regard such liberty quite sincerely as an outrage. Any talking that is to be done will be done by Lakshmi Reddy, and that is that. It would be difficult to convince many (though mercifully not all) people of the village that there is anything wrong in this.

It can be argued (and landlords frequently do argue) that quite apart from the last 10 per cent or so of the votes that those who rule the village will themselves direct to be cast for the opposition in case of uncomfortable unanimity in the village, there is nothing at all to prevent at least the courageous of the dissenters from voting for the opposition in the anonymity of the polling booth (and if you do not have the courage, why ever should you dissent?). The possibility certainly does exist, and seems to have been utilised is sizeable measure this May, going by the final result. And the possibility has certainly been enhanced by Seshan. The earlier practice was either that the voter shows the stamped ballot paper to the landlord's agent sitting inside the booth before putting it in the box; or that the polling agent would himself stamp each ballot paper and hand it over the voter to personally put in the box, as a token of democracy; or worse still that four or five of the landlord's men would themselves stamp all the ballot papers (including some in favour of the opposition) without troubling voters to come all the way to the booth, and put them all in the box, in the presence of the gaping poll officials. And there would be no opposition agent sitting in the booth to protest; or if there is one and that one did protest, or if the representatives of the opposition candidate came there and protested, there would be bomb-throwing and violence and possibly a murder or two. Seshan's insistence on deploying large contingents of paramilitary at the booths, and on strictly preventing big groups of persons from moving around on poll day has encouraged the TDP to send its agents from outside the district to each booth to protest at every malpractice. They could not prevent all impersonation, for the agents from outside could not possibly know who is who in each village, and where they did try, in Vijaya Bhaskar Reddy's native village Laddagiri, they were physically driven out of the village. Yet the presence of the police and the opposition poll agents did cut down the rigging in most villages. The decision of the Election Commission not to count votes booth-wise, which would reveal which locality voted sizeably for whom, also gave courage to the voters to exercise their choice more freely than ever.

Limited Change

All this has helped, and many have publicly acknowledged the victory of Seshan in making the recent by-election to the Kurnool parliament seat more democratic than any election before it in the district. And yet elections are not won by voters deciding in the secret of their hearts whom to vote for and exercising that choice in the secret of the polling booth. The liberty to campaign and create a climate of opinion in favour of the opposition candidate is an essential aspect of electoral democracy, and this is where the rules and procedures of the Election Commission are of little help against the entrenched social terror exercised by the armed landlords. It is impossible to provide heavy police escort for every campaign meeting of every candidate in every village. And even if that were possible, that would only apply to the campaign meetings held by outsiders coming to the village, meetings of the kind that are by their nature possible at most once in each village of a constituency even in the most intense campaign. One cannot think of any security at all for villagers living in the village and campaigning by word of mouth in the village. Even if they go unmolested prior to the poll out of fear of the action that the very arbitrary and unpredictable Seshan may take, after the poll is over, the result is declared, Seshan's men are back in Delhi, and Seshan's jurisdiction over the happenings in Kurnool is terminated, there can and will be retaliatory murders and arson targeted at those in the village who openly sided with the opposition candidate. Tell anti-Congress voters in Kurnool to exercise not merely their vote but the whole gamut of their political liberty freely, and they will ask you in return: "Will you be with us in the village after the poll is over? You won't? Then don't advise us".

Apart from the liberty to differ from the 'big men' of the village and openly express the difference, what is even more basically required is a culture in which such liberty is recognised and prized. Whereas what prevails in Rayalaseema is a culture in which the human traits of loyalty and faith are tied to the feudal-patriarchal mode of society, so that the liberty we are speaking of may well be seen as an illegitimate disloyalty to the natural leaders and elders of society, and would be recognised as legitimate only if there is an opposition faction within the

dominant class to whom the loyalty can be transferred. Existing conjointly as this trait does with a proneness to violent expression of anger, which is again sharper in Rayalaseema than elsewhere, it can mean that the desire for individual liberty may attract violent hostility from one's own fellow creatures, persons of one's own class, caste and family. Even in factional conflicts among followers of different Reddy landlords, the violent anger and hatred that can and does divide close kith and kin is startling to an observer unfamiliar with the specific mode of feudal culture dominant in Rayalaseema.

If we leave aside the generality of the feudal-patriarchal culture, not every village of Kurnool or any of the Rayalaseema districts answers completely to the above description. There are plenty of villages where some degree of freedom from social terror does exist. But there are equally plenty of villages which landlords such as the two Lakshmi Reddys described above rule totally with their gangs armed invariably with country-made bombs, and often also guns. Over the last decade and half, Rayalaseema warlordism has constituted itself into a structure that has MLAs and ministers at the top, civil and excise contractors, smugglers and less disreputable businessmen at the middle, and village landlords at the base. It determines and dominates all spheres of political as well as civil society. Chief minister Vijaya Bhaskar Reddy has for long been a seemingly gentlemanly operator situated in the upper echelons of this warlord structure, though after becoming chief minister he has shown that he possesses quite ungentlemanly fangs in addition to a gentlemanly demeanour.

The guns at one time used to be mostly illegal weapons acquired or made at home. The bombs, of course, are made locally, and (Manmohan Singh, please take note) if the manufacture is legalised and its extent properly estimated it would make a sizeable addition to the GDP of Rayalaseema without any further investment. The people themselves joke that bombs are as cheaply available as putrefied vegetables. But in the last five years or so guns have also multiplied in number and gun licences are easier to obtain now as quite a few of the warlords have risen to important positions in the state government. Vijaya Bhaskar Reddy, Mysoora Reddy and Diwakar Reddy (from Kurnool, Cuddapah and Anantapur districts, in that order) have been and are in powerful positions.. And the principal Congress dissident, Y S Rajasekhar Reddy from Cuddapah is an archetypal warlord. Gun licences are therefore much easier to obtain, with their own men at the top. You commit a murder and apply for a gun licence as you fear retaliation, for the police have 'falsely implicated you in the case'; the kith and kin of the deceased apply for a gun licence exhibiting the corpse of the man you have slain as proof of a bona fide threat to life. As both of you have your own men as MLAs and ministers at Hyderabad, both get gun licences in due course. The granting of such licences is supposed to be preceded by a local police enquiry concerning the applicant's criminal proclivities, but such inconveniences are easily avoided. As policemen bemoan these days, "these fellows do not even give their home addresses in the application. They give a Hyderabad address and get hold of some MLA or minister who ensures that the local police dutifully certify that the man has no criminal record locally and get the licence, and it is only when we see the fellow going around with a gun back home that we realise he has gone and got a gun licence".

The point is that this weaponry increases the terror they exercise. The terror is a means of property acquisition; it is a means of political power and patronage. All manner of petty local bullies gather around these armed lords, and constitute a formidable obstacle to any democratic assertion, whether electoral or otherwise.

These armed gangs are anachronistically described as 'rural factions' in police and administrative parlance, though they have evidently outgrown their origins in village factionalism. It is a paradox that they are today seen (though not always vocally condemned) as an obstacle to democracy and development, for it is precisely the kind of political democracy and the kind of economic development that India has had that is at the root of the evolution of warlord gangs from their pre-independence roots in what may be properly called village factionalism. Village factions born of conflict between Reddy landlords (but also a few non-Reddy landlords and elders of close-knit castes as the Boyas, too) over property and power (and some times women) have a long history in the Rayalaseema districts. Every slight, imagined or real, had to be avenged as viciously as every substantial challenge to one's power, property or prestige. Assault, murder and burning of houses and cornstacks was the principal means of the assertion of one's strength and 'manhood'. And, of course, each such attack had to be avenged with equal 'manliness' from the other side. This meant the creation of hereditary enmity that went on from generation to generation, often until one family was either exterminated or driven out of the village. It also meant the creation of loyal gangs from out of poorer castemen and lower castes by each warring side, and as the gangs indulged in mutual violence, subsidiary enmity between fresh families lower down the social scale would be created. These gangs (even today) are different from urban mafias in two respects: one is that they are made up not of professional criminals but peasants (though they do involve themselves in illicit activity such as smuggling forest produce, growing opium or making liquor illegally), and the second is that what binds the gang to the master is not only pecuniary or other material benefit (though there is often plenty of it) but also an intense feudal loyalty, the loyalty owed as a matter of traditional 'dharma', to the 'elders' of the village, which means either upper caste landlords or the hereditary elders of each caste, especially the tight-knit castes such as the very militant and clannish Boyas. Over this factionalism was super-imposed another trait that Rayalaseema inherited from the anarchy that followed the demise of the 'war state' of the Rayas of Vijayanagar: the rule of armed chieftains (sometimes called 'polegars') over groups of villages, a few or hundreds in extent, a rule that amounted to little more than plain plunder by the chieftain and his violent gang of castemen and followers.

The British did their bit to subdue this two-tiered feudal structure of violence, or at least to come to terms with it. They failed, no doubt because for them it represented merely a problem of public order and crime. But political democracy and economic development of the post-independence period has peculiarly enhanced, politicised and modernised the phenomenon. Indian electoral democracy has undoubtedly led to a lot of political awakening among the poor and the oppressed, and even a certain amount of empowerment of these classes. But in its principal aspect it has functioned less as a means of ascertaining and enthroning the will of the majority than as a means of sharing out patronage, power and property among the rich and the powerful. It has functioned too as a means of recanalising the forms of traditional power and property into modern channels. And therefore, the violence of the armed landlord factions has fitted neatly into electoral combat, while the sanctity and the position of an 'elected representative' has lent ideological legitimacy as well as some amount of 'state power' to the erstwhile armed lord. From the village sarpanch to the MLA, most of the elected representatives today are leaders of gangs armed to the teeth, and the consequent terror is a decisive factor in deciding elections.

Quarry-Based Economy

As for economic development in Rayalaseema, the semi-arid region has little potential for growth based on agricultural prosperity. It is on the other hand rich in minerals and commercially valuable slab stone, and hence quarrying and processing is a major economic activity. This rough work suits the rough culture of the region, and it was soon enough discovered that whoever controls the gun and the bomb also controls the quarry-based industry and trade. The guns and the gangs that had first come into being in village factional fights turned their attention—just as they turned their attention to electoral

politics--to the quarrying and polishing of stone. The units are allowed to be owned and operated by harmless entrepreneurs (it is too much of a bother looking after the economics of running the enterprises) and the armed warlord gangs step in as 'protectors' and collect tolls on every piece of material quarried or shifted out.

And then there are the civil and excise contracts offered by the public sector economy, such as contracts for the laying of roads, the digging of canals and the vending of liquor in retail. Indeed, everything monopolised by the state, whether it is forests, public works or liquor, creates contractors in its execution, transport and retail vending, and if you can drive out all competitors at the auction you can take the contract for a high profit margin, and then either execute it, or (if that is too much of a bother) subcontract it out to somebody else. Once again, therefore, the bomb and the gun helped to create a monopoly in public works and other contracts. Territory is parcelled out among the warlords into zones where none competes against another, and if any outsider enters the fray he is either politely bought out or abruptly bombed out.

Thus the economy and politics of post-independence India helped develop the feuding village factions into big mafias that use armed terror as a decisive means of dominating politics and the economy. And also, gradually, the whole of social life. All social problems and conflicts end up at the palatial houses of the warlords, to be decided with the threat or infliction of violence, and according to the very primitive notions of equity, morality and fairness that the warlords possess. Disputes of property, contract, marriage, divorce and every conceivable familial and inter-personal problem finds an abrupt and final resolution there. The problems are robbed of their delicacy, sensitivity, robbed of their social, political and ethical dimensions and reduced either to the customary feudal-patriarchal notions of rectitude or—one does not know whether this is worse or better—mere calculation of factional political advantage.

It is in such a society that we are speaking of the Election Commission's dicta. Till now, in faction-ridden villages of Rayalaseema, the people have had some freedom only when two gangsters are at loggerheads, thereby giving the people a chance to 'play one devil against the other' as the people themselves say. But looking at it this way involves romanticising the people as helpless victims of armed gangs, whereas a lot of them are, simultaneously and knowingly, loyal partisans in the warfare. They are not an innocent entity waiting to be liberated from the mafias but are in sizeable measure faithful and conscious participants in the violence and the terror that robs their society of democracy and justice. One may then (following a strong current philosophical fashion) question this notion of democracy and justice as alien, occidental or elitist, but the test is not an eclectic relativism that decrees to each what they believe they want, but whether a given social structure and culture, and the way they mould human traits in society, are conducive to the promotion of a life which assures the full development of each person (concurrently with the full development of all). If this criterion too is described as a western value, one can either point out that there is a grain of it in the Buddha, or else say so much the worse for the east-west dichotomy.

Without the notion of a democracy and justice that transcends the feudal-patriarchal culture of Rayalaseema, the only freedom available to people within the culture, a freedom that they exercise with great violence, is the freedom to change masters and suffer more violence in the process. The May 26 by-election in Kurnool saw explicit group violence and police firing at the village of Eerladinne. This village is close to Kothakota, the native village of Prakash Reddy, nephew of the chief minister. Only a few years ago, this bearded young man was regarded as Vijaya Bhaskar Reddy's political heir. Government officials in Kurnool did his bidding though he was not even an MLA. And it was this man that master-minded the shameless drama of abduction and wrongful confinement of prospective candidates at the time of P V Narasimha Rao's Nandyal election. He was also at the forefront of the massive rigging that heralded the prime minister's entry to parliament. It was predicted that this Prakash Reddy would rise to heights in the state's politics.

But he was only a nephew and not the son That was his tragedy. For the chief minister does have a son, Suryaprakash Reddy by name, apparently a good-for-nothing in political warfare, but a son nevertheless. Gradually the son rose and the nephew set, and when the son was openly promoted as the Congress candidate for the Kurnool by-poll, the nephew defected to the eager Telugu Desam Party, which habitually waits at the back door to lap up disenchanted Congress gangsters as they come out, and spends time in the interval lecturing the people about the evils of the culture of the gun promoted by the Congress in Rayalaseema. Having joined the TDP, Prakash Reddy vowed to defeat the chief minister's son.

Eerladinne is one of the half a dozen villages in the neighbourhood of Prakash Reddy's native Kothakota, that were entirely under that man's thumb. They had lived in feudal peace, voting and living as Prakash Reddy desired. The obedience, as we have said above, is due partly to the traditional and willing loyalty that a powerful Reddy commands, and partly to the terror induced by the proximity of his guns. When such leaders switch parties, the people too normally switch their electoral loyalties. Thus soon there was the strange sight of all the walls in Kothakota being adorned with yellow-coloured posters of a smiling N T Rama Rao, whereas that man would not have been able to do so much as hold an election rally in the village in the past.

But Eerladinne alone of the domain of Prakash Reddy did not switch over completely. A couple of local Reddys decided to stay with the chief minister, and so the village split into two, one section passionately loyal to Prakash Reddy in his new apparel and the other full of a new-found passion against him. As it happened, the election booth was located near the houses of those loyal to Prakash Reddy. On poll day, when the renegades went to vote the loyalists deliberately picked up a quarrel with them and chased them away with a rain of stones and sticks. But the renegades were not deterred. They regrouped by afternoon and went in a bunch in a couple of tractors and voted for the Congress, defying the loyalists' wrath. This defiance is undoubtedly a democratic assertion, but in the interest of another Reddy. And moreover soon they may have to pay heavily for it if the Telugu Desam Party comes to power, a not unlikely eventuality in the coming elections, in which case Prakash Reddy is bound to become a powerful man.

Not all of India is Kurnool, but there is a little bit of Kurnool in the most civilised part of the country. And there are, of course, whole regions of the country, including certain metropolitan slums, that are no different from Kurnool. Whatever form and meaning we give to electoral democracy as an instrument of representative government, the social structure and culture of a sizeable part of India is a hindrance to it. Much change needs to take place at the level of social structure and culture before it can become genuinely representative, once again whatever formal alterations may be made. While this has been so for a long time, the fast deterioration of the political establishment that we see today has its concomitant in an increasing resort to suppressive violence by the rich and the powerful, a violence against which the unorganised weak have no defence unless they happen to be part of a rival gang.

This situation is enough to defeat any bureaucratic attempt to make democratic political choice in elections a reality. To say this is not to advocate defeatism but to point out that the task of evolving a genuine representative democracy in India is much bigger than would be deduced from the debate centred on P V Narasimha Rao's childish attempts to cut Seshan to size. It is a much more difficult, cultural and political task than voting against the constitutional amendment dreamt up by a prime minister whose imagination cannot rise above that of a village patwari.

Cracks in the Alliance

Amaresh Mishra

The BSP has made no pretence of pursuing radical politics. A mainstream following which it has sought to mobilise by seeking the support of the Muslims is now in jeopardy.

WITH the open revolt of a BSP minister in Uttar Pradesh against the central leadership of his party, the wheel has turned a full circle. While Kanshi Ram appears to have temporarily warded off what proved to be a critical moment in his half year long rise to political prominence indications are that problems within the BSP run deeper and politics in the state may be entering a period of permanent instability.

The current drama began when Masud, the state education minister and a high ranking BSP leader who was the party's prime representative in the 'minority quota' of the SP-BSP government, resigned in June alleging a pronounced 'anti-Muslim' bias in the party leadership. Masud's tirade was specifically directed at the BSP's national leader and ex-MP Mayavati whom he accused of making wild statements which amounted to questioning the loyalty of Muslims. He also went on to allege widespread factionalism in the ranks of the BSP largely due to the efforts of Mayavati to run the party as her personal property with the tacit support of Kanshi Ram. The name of the BSP supremo was thus also directly dragged into the controversy and the attacks on Mayavati ultimately became a tirade for a change in the party's leadership.

Ironically, this development took place after the successful conclusion of the mid-summer by-elections in the state which saw the SP-BSP combine winning comfortably, four out of the six assembly seats against its main rival the BJP. Despite capturing two seats the latter returned from the polls with its vote percentage down by more than 2 per cent and the loss of the Bhagwantnagar seat from Unnao district, formerly held by the party. The defeat in Unnao as also the lowering of the victory margin in Kasganj, Etah which was one of the two seats that had returned the former chief minister Kalyan Singh with a comfortable majority in the last elections, showed what is increasingly becoming evident after the political consolidation of Mulayam Singh, viz, the drawing away from the BJP of a significant chunk of the backward caste vote which had stuck by it during the assembly elections. The party's victory in the Meerut parliamentary polls and the Hastinapur assembly segment from the same district also in no way detracted from this fundamental point: these fell into a familiar pattern prevailing in west UP where the upper castes and the jats are still by and large with the BJP while the SP is weak. The BSP on the other hand has been unable to recoup its position in the area and incidents like the Meerut firing have further contributed seemingly, to the party's continued downslide.

More than the BSP, the elections in fact were seen as a triumph for Mulayam Singh: during its course the chief minister made it a point to personally visit the areas from where the BSP candidates were fighting. The BJP's weakened position amongst the backwards was also attributed to the personal involvement of Mulayam to woo these sections in different parties. The BSP's position was also weakened by the fact that the party did not appear overly keen to ensure the win of a few of its candidates, a point which was raised by Masud when he accused Mayavati of deliberately trying to orchestrate the defeat of the party's candidate from Ghazipur.

The ruckus within the BSP, however, possessed both an internal and external dimension; for one it had more than a casual link with Mulayam Singh's strategy to weaken the party from within so that if it decides to withdraw support from the government at any future date, the chief minister can wean away a substantial number of legislators. Here the chief minister's apparent effort has been to isolate the BSP by slowly weaning away the support of the backwards and the Muslims so that ultimately the BSP is left with only its dalit base.

Such a scenario will virtually amount to ousting the BSP from the mainstream political arena and reverse the party's trend; for the BSP, which in any case is not into any form of radical politics, the extension and consolidation of its constituency beyond the dalits, especially amongst the backwards and Muslims is vital if it has to remain in the mainstream. It was perhaps with this in mind that Kanshi Ram had taken several steps to specifically woo the Muslims: he had directed the teaching of Urdu in the BSP's state office in Lucknow, and issued statements which labelled Mahmud Ghazni as the liberator of dalits in Kanpur. The BSP chief was visualising a probable dalit-Muslim combination for the future which would have proved detrimental to Mulayam Singh.

Anticipating this, the chief minister too had adopted the Urdu plank: in recent months he has announced state policy in favour of vigorously pursuing the promotion of the language, both as a compulsory part of the three-language formula at the expense of Sanskrit and further incentives like large-scale recruitment of Urdu teachers. Most of these measures like the grant of the second language status to Urdu were actually introduced by the Congress ministries of the 1980s and it is still not certain how far they will go beyond the cosmetic sops handed out due to political compulsions to the most cultivated of all languages in the Indian subcontinent, a language which is fast facing extinction in the very home of its spread and refinement.

The contention for Muslim support apparently was a major factor in Masud's tirade against the BSP. Most of his statements steered cleared of blaming Mulayam in any way and even went on to endorse the pro-minority role of the present government. Leaders of the Samajwadi Party also issued statements in favour of the rebel leader and Kanshi Ram was clearly put on the defensive, both on the Muslim question and the issue of the Mayavati. The BSP chief and his lieutenants retaliated by issuing statements both against the rebels and the Mulayam government. Much of the counter-attack was directly aimed at the chief minister and it appeared that the BSP would withdraw on the day of the 'anti-defection' rally which Kanshi Ram had called for on July 10. The very labelling of the event as an anti-defection on exercise carried anti-Mulayam overtones as the chief minister has engineered the biggest defections of all times in the state; more particularly, it was meant to demonstrate the strength of the BSP leadership as a deterrent against the dissidents and their 'backers'. The political temperature of the state had risen, and on the eve rally newspapers and analysts began predicting the fall of the government.

As it turned out, the outcome proved to be anti-climatic. Kanshi Ram refrained from going all out against the chief minister preferring to point out only some obvious anomalies like his weak resistance to brahmanical forces. By stating that since the same forces are also arraigned against the chief minister, the BSP leader baled out the government and offered his continued support. He then went on to lambast the rebels finally coming down on Masud in what amounted to a tirade against a single personality, uncharacteristic for a leader of national standing. This style of functioning, however, was apparent even in the approach towards Mulayam Singh where criticisms were more in the form of personal complaints.

Kanshi Ram's apparent climbdown, however, was only natural. All indications were that if support was withdrawn, the BSP would split and a number of MLAs would cross over to the SP. Internally the BSP was actually jolted by the trouble in its ranks and it is doubtful whether it could have sustained a split. For, in recent months the party has clearly moved away from even its characteristic 'grass roots rhetorics' and mobilisation, whose raised pitch had led to several clashes in the UP countryside. Now, as is apparent from the various moves of Kanshi Ram, the party is trying to build its own constituency through top-level politicking. Its failure, however, to cultivate a second constituency beyond the dalits left the BSP devoid of a mainstream position of supremacy. But since its existence now depends on maintaining this slot, withdrawal from the Mulayam government at this juncture could have proved suicidal.

After all, despite all efforts, the BSP is finding it hard to win acceptance in the mainstream arena. Apart from the political factors, it has yet to cultivate a chunk from amongst the bureaucracy and appears to be losing support from amongst the dalit bureaucrats as well. In the July 10 speech, Kanshi Ram attacked dalit bureaucrats in particular for failing to work in the interest of the Bahujan Samaj, and earlier, despite stringent opposition from the BSP, a police official was given a lucrative post by the Mulayam government and another retained his office even after he was transferred. The row with dalit bureaucrats possesses another interesting dimension; while the BSP is trying to forge a social unity of the Bahujan ranks the latter are showing a tendency to split along the lines of socio-economic status. This has happened with the privileged in the countryside only recently. Now the officialdom too is not prepared to sink its natural differences for the sake of artificial unity.

Yet even though Kanshi Ram has won a reprieve for his party, his position has actually weakened. He has had to offer concessions to Mulayam like restraining Mayavati and very significantly, his support to the Mulayam regime did not include the extracting of any conditions like protection to the dalits and effective governance. In the past the BSP chief used to demarcate his position by raising certain issues ag nst the government. But this time the attacks were mainly personal and incidental, the issues missing entirely from the agenda. There was also a hint of frustration with the Muslims and Kanshi Ram mentioned the fact that after the Masud episode he has lost confidence in the Muslim intelligentsia as well as the 'Mullas'. This was, indeed, a far-reaching statement supported as it was by appeals which spoke of going slow on dalit-Muslim solidarity. In all this, it is possible that Kanshi Ram is buying time and waiting for the re-emergence of a favourable situation. But it is equally possible that for the BSP the slide down from politics from above has begun just as the Meerut firing incident two months ago had signalled the end of euphoria for sentiments from 'below'. It is possible that especially given the political vacuum in the state the BSP may be able to retain its dalit base but from now on it is highly unlikely that despite its shrill tone, the party will carry the same edge at the political level. This is seen from the fact that not many concessions were wrenched from the Mulayam government—at most the chief minister yielded to demands of evicting Masud from his government bungalow and is reportedly considering a reshuffle of his ministry. But the contention between the two key figures has moved on to a different plane and in the days to come, political uncertainty with the prospect of sudden and dramatic happenings will continue to dog the state. The situation will also further exacerbate the existing political vacuum, which in spite of the presence of a number of mainstream forces and so much activity, only becomes more and more obvious with the passage of time.

Proposed Forest Act: An Assessment

Sharad Kulkarni

The proposed Conservation of Forests and Natural Eco-Systems Act is an improvement on the existing forest legislation. However, certain provisions of the bill go against the interests of the people, particularly adivasis and other forest dwelling communities.

IN 1980, the central government had circulated a draft of the proposed Indian Forest Act that was harshly criticised for its anti-adivasi and anti-people approach.[1] The government took notice of this opposition to the bill and it was not introduced in the parliament. Later, in 1985 the department of forest was transferred from the ministry of agriculture to the newly constituted ministry of environment and forests. It was the ministry of environment and forests that drafted the National Forest Policy Resolution approved by the parliament in December 1988.[2]

National Forest Policy Resolution, 1988

It was categorically stated in the resolution that the principal aim of the forest policy must be to ensure environmental stability and maintenance of ecological balance including atmospheric equilibrium which are vital for the sustenance of all life forms, human, animal and plant. The derivation of direct economic benefit must be subordinated to this principal aim.

The policy statement asserted that the existing forests and forest lands should be fully protected and their productivity improved, so as to continue to provide sustenance to tribal population. The national goal should be to have a minimum of one-third of the total area in the country under forest or tree cover. A massive need-based and time-bound programme of afforestation and tree planting should be undertaken. It was stated that the life of tribals and other poor people living within and near forests revolves around forests and the rights and concessions enjoyed by them should be fully protected.

The resolution had a special article on tribal people and forests. It was stated that having regard to the symbiotic relationship between the tribal people and forests, all agencies responsible for forest management should see that the tribal people are closely associated in the protection, regeneration and development of forests so as to provide them gainful employment. Efforts should be made to contain shifting cultivation. The practice of providing forest produce at subsidised prices to industries should be discouraged.

Thus the new forest policy resolution made a departure from the commercially oriented, bureaucratic forest management practices.

Forest (Conservation) Acts, 1980 and 1988

After the inclusion of forests in the Concurrent List through the 42nd Amendment to the Constitution in 1976, the government issued the Forest (Conservation) Ordinance on October 25, 1980 prohibiting the state governments from allowing the use of forest lands for any purpose without the approval of the central government. The ordinance was later passed into an Act (No 69 of 1980).

But somehow, the government was not satisfied with the powers conferred on it under the Act of 1980 and tried to increase these with the Forest (Conservation) Amendment Act of 1988. The amendment forbade the state governments to assign by way of lease or otherwise any forest land or any portion thereof, to any private person or to any authority, corporation or agency of any other organisation not owned, managed or controlled by government, without previous sanction of the central government.

Conservation of Forests and Natural Eco-Systems Bill

After the adoption of the national forest policy resolution, it became necessary to remove the wide disparity between the approach of the resolution and that of the prevailing legislation.[3] The law in force was and is still the Indian Forest Act of 1927 as amended by different state governments from time to time. The act was meant to consolidate the law relating to forests, the transit of forest-produce, and the duty leviable on timber and other forest produce, thus to tighten the control of the government over forests. The national forest policy resolution of 1988 had accepted environmental stability and maintenance of ecological balance as the principal aim of forest policy. The government has now come up with a draft forest bill to remove the contradictions between policy and legislation.

Preamble: The preamble to the proposed Conservation of Forests and Natural Eco-Systems Act states that it would "provide for the restoration, conservation and management of forests and natural eco-systems and matters connected therewith and incidental thereto". It is further added that "it is imperative and expedient to conserve forests and natural eco-systems to ensure environmental well-being and stability, preserve natural heritage, augment and safeguard bio-diversity and fulfil the basic needs of the people on the principles of sound ecological management and optimum bio-mass production on a long-term basis, as well as to revive and restore degraded forests and natural eco-systems".

Usufruct Rights: The bill is divided into 14 chapters. Chapter one gives definitions of the terms used in it. Since 1990, the government has been encouraging joint management of forests, giving usufruct rights to those who protect forests. It has, therefore, become necessary to define the term 'usufructs'. It has been defined as under: "Usufructs means forest produce that may be obtained from dead plants, or the produce of or harvest from living plants including grasses, sedges, forbes, herbs, creepers, vines, shrubs and trees, without their uprooting, felling, coppicing, pollarding or destroying, or otherwise debarking or damaging in such a manner so as to hamper or impair [their] natural growth or to threaten [their] survival' (Section 1(29)).

Reserved Forests. The second chapter lays down provisions relating to reserved forests. As in the Act of 1927, the state governments have been empowered to constitute reserved forests on any land which is the property of those governments or over which they have proprietary rights. In doing so, they have to follow the procedure laid down in the Act.

As mentioned earlier, forest is an item in the Concurrent List. But the central government wants to have an upper hand in the management of forests. With this intention, a provision not found in the 1927 Act has now been added. It provides that "where the central government... deems it essential and expedient to constitute a reserved forest, and where the state government has not constituted such a forest, the central government may give directions to the state government to constitute a reserve forest within a prescribed time and to follow the procedure laid down... in this regard (Section 3(2)).

Shifting Cultivation. In the Act of 1927 the state governments were empowered to permit or prohibit the practice of shifting cultivation in reserved forests. However, it was specifically mentioned that the practice of shifting cultivation shall in all cases be deemed a privilege subject to control, restrictions and abolition by the state government (Section 10(5)). In the proposed Act, it is laid down that the state governments can permit the practice of shifting cultivation for a period not exceeding three years, by which time the practice of shifting cultivation is to be extinguished and the alternatives to be provided for rehabilitating the families

that may have been practising shifting cultivation are to be laid down (Section 10(3)).

Claims over Forest Land and Produce: The proposed Act contains a provision that may adversely affect the rights of forest dwelling communities over forest produce. It is laid down that "in the case of a claim to pasturage or to forest produce, a right of way or a water course, the forest settlement officer shall pass an order admitting or rejecting the same, in whole or in part, after considering the viewpoint of the presenting officer, or of the divisional forest officer" (Section 12). In the Act of 1927, only a claim to right of pasture or to forest produce was mentioned (Section 12). The inclusion of a right of way or a water course is bound to create disputes and clashes. This can be avoided if this provision is deleted.

There is another provision in the proposed Act that is likely to lead to conflicts between the people and the forest department. It is provided that "The forest settlement officer shall not, except with the prior approval of the state government, admit claims to pasturage or to forest produce in the proposed reserved forest, (1) if the claimant is a person of a village or town which does not have contiguous boundary with such forest, or (2) the claimant is a beneficiary of any village forest or part thereof so constituted under chapter IV of this Act" (Section 15(3)). The provision that the claimant should be a person residing in a village or town with a contiguous boundary with the forest is reasonable. However, the provision that the claimant should not be a beneficiary of any village forest does not make sense. During certain seasons, a majority of the approximately four million persons collect some forest produce from the village forest. These persons should not be deprived of this right over non-wood forest produce in the reserved forests.

Encroachments: Special provisions have been made to prevent encroachments on lands in the reserved forests. The forest officers are empowered to confiscate the crops on the encroached lands.

De-reservation: The power to de-reserve reserved forest or part thereof was given to the state governments in the Indian Forest Act of 1927 (Section 27). However, the Forest (Conservation) Act of 1980 withdrew this power and laid down that "notwithstanding anything contained in any other law for the time being in force in a state, no state government or any other authority shall make, except with prior approval of the central government, any order directing that any reserved forest (within the meaning of the expression 'reserved forest' in any law for the time being in force in that state) or any portion thereof shall cease to be reserved". This restriction is made more strict in the proposed Act. It is laid down that "the state government may, by notification in the official gazette, direct that from a date fixed by such notification any land or any portion thereof reserved under this Act shall cease to be a reserved forest; provided that no such notification shall be issued unless a clearance has been obtained from the central government or any officer so empowered by the central government in this behalf; provided further that no such clearance shall be granted by or on behalf of the central government for regularisation of unauthorised occupation of any reserved forest or portion thereof, if such occupation is of a period after coming into force of this Act, without resolution to that effect being passed by both the houses of parliament" (Section 27(1)).

The supremacy of the central government over state governments has been made quite explicit by a special provision in the Act relating to reserved forests. It has already been mentioned that the central government is empowered to give directions to the state governments to constitute reserved forests within a prescribed time over certain forest land or any land which is the property of the state governments (Section 3(2)). It has further been provided in the proposed Act that if the direction to the state government under the said section has not been implemented by the state government, the central government may direct the stoppage of all exploitation by the state governments of the area in question till such time as the directions of the central government are carried out. Anyone who violates such directions or abides in the violation of the same shall be liable for punishment as mentioned in Section 78 (Section 27(A)). This and similar such provisions may exacerbate the conflicts between the central government and the state governments.

Protected Forests: Chapter three is related to matters connected with protected forests. In the Act of 1927, there was no provision to declare a protected forest to be not protected. However, such a power was presumed and was exercised by the state governments from time to time. In the proposed Act, strict provisions have been made to declare protected forest as no more protected. It is provided that "the state government may, by notification in the official gazette, direct that from a date fixed by such notification, any land or any portion thereof protected under this Act shall cease to be a protected forest, provided that, no such notification shall be issued unless a clearance has been obtained from the central government or any officer so empowered by the central government in this behalf; provided further that no such clearance shall be granted by or on behalf of the central government for regularisation of unauthorised occupation of any protected forest or portion thereof, if such occupation is of a period after coming into force of this Act, without a resolution to that effect being passed by both the houses of parliament" (Section 34(1)).

The provision is very complicated and will obstruct the execution of development projects covered under protected forests.

Village Forest: The three-fold classification of forests, viz, reserve, protected and village forest, in the Act of 1927 has been followed in the proposed Act. However, village forests were given little importance in the Act of 1927. There was only one small section dealing with the village forests in the Act of 1927 (Section 28). In the proposed Act, there are several provisions relating to village forests. National Forest Policy Resolution has emphasised people's participation in forest conservation and management. The government of India is encouraging the practice of joint forest management. It is, therefore, natural that these ideas should find place in the proposed Act. Provisions relating to village forests are quite important from the point of view of adivasi and other forest dwelling communities and need a close scrutiny.

Under the proposed Act, state governments are empowered to constitute village forest over any land (except land under reserve forest) over which it has proprietary rights or any land at the disposal of the village community or to which the village community has access by way of any right, concession or privilege, with a view to conserve or develop such land or to manage it on the principles of sustained bio-mass production for the collective benefit of the said village community.

Village forests are to be managed through the village community and guidelines for such management have been laid down in the proposed Act. Before constituting a village forest, an authorised officer of the state government shall ascertain the extent and nature of the rights of government or of private persons or of villagers other than the village to whom the said forest is to be entrusted for management. The village shall be represented by its panchayat or any other local body representing the village. These rights should be extinguished, or, where this is not possible, two or more villages should mutually agree to share the usufructuary rights, before the notification of the village forest is made, subject to the rights of individuals, the government or any other village. The village concerned shall enjoy the usufructs, fuel-wood and other rights and privileges in accordance with a management plan prepared by the local body in consultation with the designated representatives of the forest department. The management plans shall also prescribe the duties of the villages in matters relating to the protection and management of such forests.

The village community, individually and the local body collectively, shall restrict the usage of the village forests to the extent and nature provided for in the management plan. The management plan shall also recognise the usufructuary rights, including those over grass and fuel-wood, of any individual of the

community who has been responsible for the raising and the protection of the specific forest produce. It is clearly stated that the proprietary rights of the state government shall be protected. The local body has been empowered to levy a compensation, not exceeding Rs 3,000 on any person who violates the rules laid down for the maintenance of village forests.

Ultimately, the power of control over the village forests will be in the hands of the state government. It is laid down that where the state government or its authorised officer is satisfied that the local body or the residents of the village are either unable to protect the village forest or to abide by the prescribed management plan, the state government or the authorised officer may pass an order taking over the management of the forest after giving the villagers or the local body an opportunity to present their case.

The local body is supposed to undertake certain functions. It is laid down that "the local body shall... (1) as far as possible, afforest all land under its charge and embarkments of roads, canals, railway lines, tanks and the like; (2) regulate the grazing of cattle on such land under afforestation for such period and in the manner deemed fit and shall make every possible effort to improve such land by reseeding of grasses, planting of fodder or in any other appropriate manner; (3) encourage plantation of trees and groves on the private landholdings by the respective owners and raise nurseries to provide seedlings and other planting material for the same, on such terms as may be deemed fit" (Section 34, AA2).

There is also a provision empowering the local body to assign a part of the village forest or the land under its charge to individuals for afforestation and protection on mutually agreed terms and conditions including enjoyment of usufructs and other forest produce. It is recommended that in such allotment preference should be given to the landless, marginal and small farmers of the village, in that order. If the individual to whom such land is allotted uses that land for any purpose other than afforestation and cultivation of grass and fodder, he shall be summarily evicted and shall also be liable to punishment. The proposed Act empowers the local bodies to levy a special tax to provide funds for protection and development of village forest and community lands, and for afforestation and grass and fodder development on private holdings. This power is likely to be misused to the advantage of the rural powerful and rich in the villages.

Village Forest Development Fund: The bill provides that "the state government shall establish a special fund called the Village Forest Development Fund and shall contribute to such fund annually an amount which shall not be less than 5 per cent of the gross revenue of the forest department of the state and 25 per cent of the forest development tax to be levied under the provisions of this Act". The state government can, from the village forest development fund, advance loans to the local bodies managing village forests for afforestation and development of such village forests. The loans so advanced shall be recovered from the local body from the revenue received through the sale of forest produce harvested from the village forests. The above-mentioned provisions appear to be very liberal. However, there is a provision that makes a mockery of all these pious proclamations. This provision says that the state government may declare all or any of the provisions of chapter three relating to protected forests to be applicable to village forests. Thus, it can declare any village forests as protected forests keeping the sword of damocles hanging over the local body managing a village forest (Section 34, AA4).

We mentioned earlier that the government can constitute a village forest on any land except the land under the reserved forests. There is a possibility that some of the degraded lands under protected forests will be transferred to constitute village forests. There is a special provision for such lands transferred from protected forest to village forest. It says that wherever the village forest has been created out of any protected forest, all the provisions of chapter three (relating to protected forest) shall apply a priori to such village forest or part thereof (Section 34, A(a)4). This provision nullifies all the concessions given for the development of village forests. This is not joint forest management but a subservient assignment.

Forest on Non-Government Lands: There were some provisions in the Act of 1927 to control forests over lands that were not the property of government. There are numerous elaborate provisions in the proposed Act to regulate and control what may be called private forests. The state governments have been authorised to prevent activities like breaking up or clearing of land for cultivation and tree felling for certain purposes after giving an opportunity to the person concerned to present his case. If the person concerned fails to comply with the directions given by the state government, it can take over management of such forests or natural ecosystems. During the period of management, the state government shall receive all the revenues from the working and management of forests and shall pay the original owner the compensation decided by it after taking over of management. The state government can terminate such management and hand over possession to the original owner.

A provision is made for the protection of forests or natural ecosystems on the request of their owner(s). Such a provision is made for the first time in the forest legislation.

Tree Grower: Another very peculiar provision is for the registration of tree grower. It is provided that any owner may register himself as a tree grower with the divisional forest officer in respect of such land on which he has raised plantations in the manner prescribed by the state government. The state government may prescribe certain criteria for eligibility for registration like minimum number of trees, minimum area of plantation or both. Any registered tree grower may use as he likes the forest produce on his plantation and may fell the trees with prior permission of the authority in case such permission is necessary. If such permission is not granted within 60 days of the receipt of intimation, it shall be deemed as granted. The registered tree grower can request for permit to transport the forest produce from his plantation to some other place for processing or sale. The state government can extend facilities and technical advice to the registered tree grower. The divisional forest officer can cancel such registration after recording reasons in writing and giving the tree grower an opportunity of being heard. All these provisions are basically for raising plantations by the companies and firms. It is already provided in the definition that persons include a firm or a company. Thus companies are assured that if they are registered as tree growers, they will be eligible to obtain permits for felling of trees and their transport

Tree growers acquire a unique exemption under the provisions of the proposed Act. It lays down that notwithstanding anything contained in any other law for the time being in force, any land which is utilised by the owner for the purpose of tree growing or raising grass and other fodder shall be deemed to be plantation forest and shall not be included in agricultural landholding for the purpose of ceiling laws (Section 38 D). This exemption is available to only registered tree growers and not for plantation of horticultural species like tea, coffee, palm and rubber. In the draft of the national forest policy resolution circulated in 1987, there was a provision that exemption from the existing land ceiling laws should be given to new plantations on degraded lands outside the forest (Section 4(9)). This was dropped when the resolution was presented to the parliament. This provision is now brought back for registered tree growers. This may encourage individuals and companies to evade land ceiling laws and will again give rise to the ownership of big landholdings by individuals and especially companies.

Plantation on Private Lands: The proposed Act contains some provisions to assist the owners for raising plantations on their lands. As pointed out earlier, the owner may be a person, a firm or a company. An owner can request for assistance after giving details of the land to be bought under plantation, species to be planted and other related information.

After due investigation, the divisional forest officer can offer to provide requisite financial or other assistance including planting material on mutually agreed terms and conditions. The state government may provide loans and subsidy for raising a plantation, its management and harvest, and prescribe the method of recovery. The owner shall not alienate the land or the ownership of plantation except in the manner provided for in the agreement. The owner shall be entitled to the forest produce in accordance with the provisions in the agreement.

Assignment of Government Land to Individuals for Afforestation: The bill proposes to empower the state government to assign government land to individuals for the purposes of afforestation. However, the government cannot assign any land from reserved or protected forests. The procedure for such assignment can be the same as the assignment of village forest lands to individuals laid down in Section 34 AA. The assignee shall be entitled to usufruct from the plantation raised by him and also to the final harvest. The government can take back the assigned land if it finds that the terms and conditions of the assignment are violated.

Agro-Forests: It was mentioned above that the state governments are asked to stop the practice of shifting cultivation in the protected forests. However, if the practice of shifting cultivation is on any land owned by an individual or a community, the state government may declare that land as agro-forest. The procedure for constituting agro-forest is the same as for constituting village forests (Section 38, F, 2f). However, the state government shall not constitute any agro-forest in an area having overall gradient of more than 30 degrees. The central or the state government may make rules for the management of agro-forests, prescribing minimum period of protection for shifting cultivation requiring clearing of trees, and for providing financial and technical assistance in the management of such forests.

Prohibition on Felling of Trees: The state government is empowered to prohibit cutting, damaging, destroying, felling or removing any class or kind of trees in any urban or rural area or part thereof. The state government can constitute a Tree Authority for the notified urban and rural area and lay down duties and powers of such authority.

Duty on Timber and Other Forest Produce: The central government may levy a duty on all timber or other forest produce which is produced in the territories under the jurisdiction of the Act or which is brought from any place outside the territories under its jurisdiction. The state government can continue to levy any duty on all timber and other forest produce until a provision to the contrary is made by the parliament. In respect of forest produce disposed by the state government by sale or otherwise, the state government may levy a duty called Forest Development Tax at a rate not exceeding 15 per cent of the value assessed or amount of consideration paid therefor. This tax shall be in addition to any duty or tax payable in respect of such produce under any other law in force. The amount received from the tax shall be deposited in a special fund and shall not be a part of the Consolidated Fund of the state. The amount shall be used exclusively for re-forestation, forest protection and other auxiliary purposes connected with tree planting, forest development programmes and the welfare of the people dwelling in forest, and of the weaker sections of the people dependent on forest produce for their livelihood.

Control of Trade, Possession and Transit of Timber and Other Forest Produce: Several provisions have been made to control the trade, possession and transit of timber and other forest produce. It has also been provided that no person shall manufacture within a reserved or protected forest or within two kms from the limits of such forests, charcoal, lime, bricks, catechu, catechin and any other product which requires timber, fire-wood or any other forest produce for its manufacture. Provisions are also made to prohibit and regulate the establishment of a sawmill or a sawpit in any specified area and for the collection of drift and stranded timber.

Offences: Punishments for several offences under the provisions of the proposed Act have been provided for. All offences under this Act shall be cognisable and any forest officer, police officer or revenue officer, may, without order from a magistrate and without warrant, arrest and detain in custody any person who has committed any offences under this Act.

Cattle Trespass: There are provisions to regulate trespassing of cattle in reserve, protected and village forests. Penalties for such offences have been made very severe.

Assessment

On the whole, the proposed Act is based on the National Forest Resolution of 1988. There is a definite change from the colonial and regulatory tone of the Indian Forest Act of 1927. The provisions relating to village forests and regulation of sawmills introduce desirable changes.

However, certain provisions go against the interests of the people, particularly adivasis and other forest dwelling communities, and should be modified or deleted. Such is the provision that the forest settlement officer shall not, except with the prior approval of the state, admit a claim to pasturage or forest produce in the proposed reserve forest if the claimant is not a resident of a village or town with contiguous boundary with such forest or is a beneficiary of any village forest or part thereof. The proposed Act encourages the constitution of village forest and it is possible that a number of village forests are constituted in the near future. Many of those with some rights over the produce in village forest may also be the gatherers of non-wood forest produce in reserve forest. This provision will very harshly affect them and, therefore, it should be deleted. It is provided that notification to de-reserve any reserved forest by the state government can only be issued after a clearance has been obtained from the central government. However, no such clearance shall be granted by the central government for regularisation of unauthorised occupation of any reserve forest or portion thereof, if such occupation is of a period after coming into force of this Act, without a resolution to that effect being passed by both houses of parliament. While it is necessary to see that there are no further encroachment on any land under reserve forest, this can be done without making it subject to a parliamentary resolution. The provision implies that the state governments and even the central government cannot be trusted to check the encroachment on reserved forest land. A similar provision has also been made in the case of protected forests and needs deletion. The control of the forest department over the management of village forests has been very rigorous and may lead to conflicts between the village community and forest officials. These provisions need to be amended. The provision that whenever the village forest has been constituted out of a protected forest, all the provisions relating to protected forests will apply to it or part thereof, is quite unnecessary and repugnant to the spirit of the constitution of village forest.

It is possible that the exemption of the plantations of a registered tree grower from the Land Ceiling Act may be misused by rich individuals and particularly big corporations. A similar provision in the draft of the National Forest Resolution was deleted when it was submitted to the parliament. On the whole, the Act is definitely an improvement on the prevailing Indian Forest Act of 1927 and the one that was proposed in 1980. It can be further improved if the changes indicated above are made before it is introduced in the parliament.

Notes

1 For a critical review of forest legislation, see Chattrapati Singh, *Common Property and Common Poverty: India's Forests, Forest Dwellers and the Law*, Oxford University Press, Delhi, 1986. For a criticism of the draft of the Forest Bill, 1980, see Sharad Kulkarni, 'Encroachment on Forest: Government versus People', *EPW*, Vol XVII, No 3, January 16, 1982, pp 55-59.

2 For details, see Sharad Kulkarni, 'Forest Legislation and Tribals: Comments on Forest Policy Resolution', *EPW*, Vol XXII, No 50, December 12, 1987, pp 2143-48.

3 Sharad Kulkarni, 'Forests: Law versus Policy', *EPW*, Vol XXIV, No 16, April 22, 1989, pp 859-62.

Distorted Perspective on Health Care

Thomas George

The only solution to the many problems of providing health care for all would be a nationalised health system.

DESPITE all the rhetoric about "adjustment with a human face" that the Narasimha Rao-Manmohan Singh and the pro-government Media Cabal have been dishing out, there is absolutely no doubt that the government of India's structural adjustment programme (SAP) is having deleterious effects on social welfare. Confirmation for this fact comes from no less a source than the World Bank itself, the prime motivator of the programme. In its *India Health Financing Study* (May 1993) a country-specific document complementary to the better known *World Development Report* 1993, it says, "In the face of budgetary pressure and the start of the adjustment process, the health sector faces a critical decision point today" (p 88). The Bank was acutely concerned because the very first budget under the SAP drastically reduced the already meagre allocation for health. In the 1992-93 budget, central allocation to health was Rs 303 crore the same as the previous year. However, this included Rs 58 crore, for AIDS control committed by the World Bank. So in fact, the actual allocation was Rs 245 crore, a cut of 20 per cent. The ministry of health and family welfare absorbed this fierce reduction by simply slashing allocations for various important programmes. Thus, for example, the National Malaria Eradication Programme got Rs 50 crore compared to Rs 83 crore the previous year, allocation for tuberculosis was cut from Rs 16 crore to Rs 13.5 crore and some ongoing programmes like the control of encephalitis, filaria and guinea-worm received no funds at all. The World Bank was worried that too much and too sudden a reduction in social welfare activities would provoke widespread unrest. Subsequent budgets have reflected the Bank's concern and there has been some rise in allocations for health although even today it remains a miserable 0.58 per cent of the budget.

The fundamental problem with health care provision in India is that it is seen as a gift bestowed on the (undeserving?) poor by a paternal government, and not as a right inseparable from the right to life. In spite of the excellent and erudite recommendations of numerous committees, of which, undoubtedly the Bhore Committee was the finest, only a parody of a universal health care network exists. The government—both central and state—plead paucity of resources. This cry is echoed by the World Bank too. But the hollowness of this argument has been repeatedly exposed, most recently in "People's Health in People's Hands" (Foundation for Research in Community Health, Bombay) which documents how a complete and comprehensive health care system would cost only Rs 150 per capita, simultaneously addressing the needs of the people and the professional aspirations of the health care personnel.

However a necessary prerequisite for the success of this system is a responsive social ambience, i e, a society in which policies are not determined by a greedy few who manipulate everything to their narrow ends, but by the people at large.

Since the World Bank is not generally troubled by such esoteric considerations as the creation of a more egalitarian society, it concentrates on the symptoms of the illness, rather than on the underlying rot in the system.

Hence it identifies the chief causes of the failure of the public health system in India as: too much emphasis on hospitals at the cost of primary health centres; hospitals depend too much on grants from the government and make little effort to recover costs through user fees, and medical education is heavily subsidised and takes away a large part of the budget for health.

Although much of the criticism it makes is eminently sensible, it is also eminently superficial. Thus, for example, it is true that the PHCs lack medicines and basic equipment, that vehicles are often without fuel or drivers, that health care personnel are apathetic, or worse not present at all. But all these are not primarily due to poor management, and will not respond to quick-fix solutions. They are rather symptomatic of a social system in which the needs of the general public- who are the users of government facilities- are simply ignored or at best minimally provided for to ensure social peace. It reflects the power relations in which an elite rules in the name of the people but behaves much like the Raj of yester year.

It is true that many honest and concerned people have remarked on the overemphasis of hospital-based care. But there is a qualitative difference between this criticism and that of the World Bank—the former recognises that the basic cause of most mortality and morbidity in India is due to poverty and its multiple manifestations notably, communicable diseases arising out of poor water and atrocious sanitation. They, therefore, suggest that poverty eradication should be the basic goal of development activities. Important secondary goals should be provision of safe water and sanitation. But this should not be at the cost of shutting down the already minimal hospital care facilities. In effect, the World Bank's advice that hospitals should be self-supporting and that the money should be 'redirected' to primary health care means starving them of the means to keep functioning. Anyone who has utilised or even visited a government hospital—with a very few exceptions—will know that they are no islands of opulence. In fact, they are barely pulling along and their closure will mean misery for the poor who use them. User fees are a mere mirage, for no one who can afford anything uses a government hospital bribes ('transaction costs' as the World Bank calls them), notwithstanding, they are the only source of surgical and even minimally advanced medical care for the poor.

The natural corollary of subsidised medical education would be a nationalised health system. It is the government's abdication of its responsibility in this regard, and it's not merely permitting but encouraging a rapacious private sector that has allowed "high private returns" from medical education. The entire philosophy of ensuring low cost medical education is to ensure low cost medical care. And this can come only from a nationalised health system. Any fear that it will be inefficient is ill-founded. In countries with social systems as different as the UK and China, nationalised health systems have proved highly effective. Accountability is the key and a responsive health system will be almost natural in a responsive society. In brief, what India needs is an accountable, decentralised, nationalised health system, the funds for which can be found by redirection from wasteful sectors like defence.

The World Bank, however, hemmed in by its twin concerns of ensuring low taxes which means little money for social welfare, while simultaneously maintaining social peace, attempts to manoeuvre in the strait-jacket of the budget. It is no wonder, therefore, that these recommendations are either vague or superficial. Their desire to maintain the present unequal social structure pre-empts any meaningful and far-reaching reform. Instead of redesigning they are content with tinkering and that is why following this policy document will mean that 'Health for All' continues to remain a distant dream.

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

BALANCE SHEET OF THE INDIAN BRANCHES AS ON 31 MARCH, 1994

CAPITAL AND LIABILITIES	SCHEDULE	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
Capital	1	97,500	70,000
Reserves and Surplus	2	415,278	281,979
Deposits	3	7,022,791	5,883,139
Borrowings	4	821,408	1,404,715
Other liabilities and provisions	5	734,548	455,303
TOTAL:		8,994,025	8,025,136
ASSETS			
Cash and balances with Reserve Bank of India	6	1,878,957	1,533,061
Balances with banks and money at call and short notice	7	110,967	752,722
Investments	8	4,763,693	3,431,730
Advances	9	1,630,801	2,039,559
Fixed Assets	10	89,435	59,717
Other Assets	11	520,172	208,347
TOTAL:		8,994,025	8,025,136
Contingent Liabilities	12	1,648,903	1,089,838
Bills for collection		235,134	249,060
Notes to Accounts	17		

Schedules referred to herein form an integral part of the Balance Sheet.

SP Medora
Partner
For Bharat S. Raut & Co.
Chartered Accountants

MK Soni
Manager Finance

JAJ Hunt
Chief Executive Officer, India

Bombay: 28 June, 1994

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

PROFIT & LOSS A/C OF THE INDIAN BRANCHES FOR THE YEAR ENDED 31 MARCH 1994

	Schedule	Year ended 31.3.1994 (Rs 000)	Year ended 31.3.1993 (Rs 000)
I. INCOME			
Interest earned	13	805,899	884,791
Other Income	14	49,350	42,030
TOTAL:		855,249	926,821
II. EXPENDITURE			
Interest expended	15	561,944	613,124
Operating expenses	16	78,164	47,552
Provisions and contingencies		81,842	129,469
TOTAL:		721,950	790,145
III. PROFIT			
Net profit for the year		133,299	136,676
Profit brought forward		170,167	124,486
TOTAL:		303,466	261,162
IV. APPROPRIATIONS			
Transfer to statutory reserves		26,660	27,347
Transfer from capital reserves		(730)	(61)
Profit remitted to Head Office during the year		NIL	63,709
Balance carried over to Balance Sheet		277,536	170,167
TOTAL:		303,466	261,162
Notes to Accounts	17		

Schedules referred to herein form an integral part of the Profit and Loss Account.

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Bombay: 28 June, 1994

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1994

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 1 – CAPITAL		
Amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	97,500	70,000
TOTAL :	**97,500**	**70,000**
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	67,140	39,793
Additions during the year	26,660	27,347
	93,800	**67,140**
II. Capital Reserve		
Opening balance	44,672	44,733
Transfer to Profit and Loss Account (See Schedule 17 Note 2(e)(iii))	(730)	(61)
	43,942	**44,672**
III. Balance in Profit and Loss Account	277,536	170,167
TOTAL :	**415,278**	**281,979**
SCHEDULE 3 – DEPOSITS		
A. I. Demand Deposits		
i) From Banks	15,335	19,540
ii) From others	398,027	247,085
	413,362	**266,625**
II. Savings Bank Deposits	285,057	182,473
III. Term Deposits from others	6,324,372	5,434,041
TOTAL :	**7,022,791**	**5,883,139**
B. Deposits of branches in India	7,022,791	5,883,139

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Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1994

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 4 – BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	NIL	391,841
ii) Other Banks	810,296	735,840
iii) Other institutions and agencies	9,590	164,736
	819,886	**1,292,417**
II. Borrowings outside India	1,522	112,298
TOTAL:	**821,408**	**1,404,715**
Secured borrowings included in I and II above	79,590	164,736

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	40,950	16,323
II. Inter-office adjustments Branches in India (net)	566	NIL
III. Head Office and Branches outside India (net)	66,593	46 713
IV. Interest accrued	548,526	355,707
V. Others (including provisions)	77,913	33,560
TOTAL:	**734,548**	**455,303**

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	4,145	2,858
II. Balances with Reserve Bank of India in Current Account	1,874,812	1,530,203
TOTAL:	**1,878,957**	**1,533,061**

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Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1994

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with banks in Current Accounts	2,063	3,280
ii) Money at call and short notice with banks	NIL	675,000
	2,063	678,280
II. Outside India		
In Current Accounts	108,904	74,442
TOTAL:	110,967	752,722

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 8 – INVESTMENTS (See Schedule 17 Note 2(c))		
Investment in India in		
i) Government securities	2,930,345	2,021,433
ii) Other approved securities	288,113	290,204
iii) Shares	50	4,632
iv) Debentures and Bonds	747,933	733,529
v) Others		
– Unit '64 of Unit Trust of India	509,932	381,932
– Certificates of Deposit	287,320	NIL
TOTAL:	4,763,693	3,431,730

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1994

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 9 – ADVANCES (See Schedule 17 Note 2(d))		
A. i) Bills purchased and discounted	296,713	496,977
ii) Cash credits, overdrafts and loans repayable on demand	801,044	1,032,588
iii) Term loans	533,044	509,994
TOTAL:	**1,630,801**	**2,039,559**
B. i) Secured by tangible assets	1,098,618	1,908,479
ii) Covered by Bank/ Government Guarantees	36,229	49,469
iii) Unsecured	495,954	81,611
TOTAL:	**1,630,801**	**2,039,559**
C. Advances in India		
i) Priority Sectors (including export finance)	389,084	581,030
ii) Others	1,241,717	1,458,529
TOTAL:	**1,630,801**	**2,039,559**

SCHEDULE 10 – FIXED ASSETS		
I. Premises (including Leasehold) (See schedule 17 note 3)		
At cost as on 31 March of the preceding year	49,640	4,530
Additions during the year	8,018	45,110
	57,658	49,640
Depreciation to date	(2,466)	(1,057)
	55,192	48,583
II. Other Fixed Assets (including Furniture and Fixtures)		
At cost as on 31 March of the preceding year	17,271	15,420
Additions during the year	27,169	2,031
	44,440	17,451
Deductions during the year	(797)	(180)
	43,643	17,271
Depreciation to date	(9,400)	(6,137)
	34,243	11,134
TOTAL:	**89,435**	**59,717**

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1994

		As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 11 – OTHER ASSETS			
I.	Interest accrued	139,892	49,222
II	Tax paid in advance/tax deducted at source (net)	130,698	59,216
III.	Stationery and stamps	1,619	582
IV	Items in the course of collection	52,216	21,768
V.	Others	195,747	77,559
	TOTAL:	**520,172**	**208,347**

		As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 12 – CONTINGENT LIABILITIES			
I.	Liability on account of outstanding forward exchange contracts	957,592	278,687
II.	Guarantees given on behalf of constituents		
	a) In India	342,706	437,850
	b) Outside India	4,104	3,309
III.	Acceptances, endorsements and other obligations	311,739	269,438
IV	Other items for which the bank is contingently liable		
	a) Liabilities on bills of exchange rediscounted	NIL	100,554
	b) Disputed Income Tax liabilities pending in appeal:		
	i) For Assessment Year 1991-92 (See Schedule 17 Note 4)	32,762	
	ii) For other years not ascertainable		
	TOTAL:	**1,648,903**	**1,089,838**

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(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Profit & Loss A/c of the Indian Branches for the year ended 31 March 1994

		Year ended 31.3.1994 (Rs 000)	Year ended 31.3.1993 (Rs 000)
SCHEDULE 13 – INTEREST EARNED			
I.	Interest/discount on advances/bills	228,757	337,538
II.	Income on investments	422,389	301,946
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	146,538	241,377
IV.	Others	8,215	3,930
	TOTAL:	**805,899**	**884,791**
SCHEDULE 14 – OTHER INCOME			
I.	Commission, exchange and brokerage	20,761	18,071
II.	Profit/(Loss) on sale of investments (net)	7,192	703
III.	Profit on exchange transactions (net)	21,397	23,256
	TOTAL:	**49,350**	**42,030**
SCHEDULE 15 – INTEREST EXPENDED			
I	Interest on deposits	464,070	570,486
II.	Interest on Reserve Bank of India/ inter-bank borrowings	95,746	39,378
III.	Others	2,128	3,260
	TOTAL:	**561,944**	**613,124**
SCHEDULE 16 – OPERATING EXPENSES			
I.	Payments to and provisions for employees (See Schedule 17 note 2(f))	20,047	15,315
II.	Rent, taxes and lighting	2,728	1,625
III.	Printing and stationery	1,642	1,141
IV.	Advertisement and publicity	9,500	5,934
V.	Depreciation on bank's property	4,938	1,136
VI.	Indian Advisory Board Members fees, allowances and expenses	7	7
VII.	Auditors' fees and expenses	105	100
VIII.	Law Charges	92	48
IX.	Postage, Telegrams, Telephones, etc.	3,381	896
X.	Repairs and maintenance	1,761	2,687
XI.	Insurance	5,815	2,683
XII.	Head Office Charges	16,880	11,785
XIII.	Other expenditure	11,268	4,195
	TOTAL:	**78,164**	**47,552**

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

SCHEDULE 17

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1994

1. The financial statements for the year ended 31 March 1994 reflect the results of the Indian Branches of The British Bank of The Middle East ("the Bank"), which is incorporated and registered in England. The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated and registered in England.

2. Principal Accounting Policies

(a) General

The accompanying financial statements are prepared on the historical cost basis as modified by the revaluation of certain premises, and in accordance with generally accepted accounting principles and the statutory provisions and practices prevailing within the banking industry in India.

(b) Transactions Involving Foreign Exchange

(i) Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year end, except for those foreign currency non-resident deposits eligible for conversion with the Reserve Bank of India, which are translated at the notional rates applicable to these deposits. Revenues and expenses are translated at the rates prevailing on the transaction date.

(ii) Outstanding forward foreign exchange contracts are revalued at the forward exchange rate prevailing at the year end and the resultant gain or loss is included in the Profit and Loss Account.

(c) Investments

(i) All investments are classified as "Current Investments" and are valued at the lower of cost and markét value in aggregate by type of security.

(ii) Cost represents the acquisition cost adjusted by the amortisation of premium or discount over the period from the date of purchase to the date of maturity.

(iii) Market value for quoted investments is determined based on independent quotations and in the case of unquoted investments by reference to the market yield for instruments with comparable risk and residual maturity.

(d) Advances

Advances are stated net of provision for doubtful advances and interest in suspense. Provision for doubtful advances is made in respect of identified advances based on a periodic review and after considering the provisioning guidelines issued by the Reserve Bank of India. Interest on doubtful advances is credited to interest in suspense account and not recognised in the Profit and Loss Account until received.

(e) Fixed Assets

(i) Fixed assets are stated at historical cost less accumulated depreciation, with the exception of premises which are stated at valuation or cost less accumulated depreciation.

(ii) Depreciation is provided on the straight-line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956.

(iii) Depreciation on the revaluation of fixed assets is charged to the Profit and Loss Account and a corresponding transfer is made from Capital Reserve to the Profit and Loss Account.

(f) Staff Benefits

(i) Provision for post-retirement benefits in respect of approved pension fund is made based on actuarial valuation conducted by a qualified actuary.

(ii) Pension payments to staff who retired on or before 31 December 1982, prior to the creation of the approved pension funds, are accounted for on a cash basis. The annual cost of this pension is Rs. 278000.

(iii) Monthly payments made under the Voluntary Retirement Scheme introduced in 1992 are also accounted for on a cash basis. The liability at 31 March 1994 in respect of this scheme is Rs. 3.5 million, provision for which is not made in these financial statements.

(g) Net Profit

The net profit disclosed in the Profit and Loss Account is after:

(i) provision for any depreciation in the value of investments;

(ii) provision for doubtful advances;

(iii) provision for taxation;

(iv) provision for other unusual and necessary expenses;

(v) charge for head office expenses.

3. Fixed Assets

The most recent valuation of the freehold premises was conducted by independent professional valuers in November 1992 and the results of the revaluation were included in the Balance Sheet as at 31 March 1993.

4. Taxation

There is a contingent liability for assessment year 1991–92 of approximately Rs 33 million which is presently in appeal.

5. Foreign Currency Non Resident Deposit Scheme 'A' (FCNR 'A')

The Reserve Bank of India, during the course of the inspection of interest claim on FCNR 'A' deposit scheme made by the Bank for prior years, observed deficiencies/irregularities in the interest calculation Accordingly, the Reserve Bank of India has requested the Bank to recalculate the amount of interest admissible for the relevant period and refund the excess interest, if any, drawn by the Bank. Liability for the above amount at the Balance Sheet date is not ascertainable.

6. Previous year's figures have been regrouped and reclassified as far as practicable and wherever necessary.

SIGNATORIES TO SCHEDULES 1 TO 17

S.P. Medora Partner For Bharat S. Raut & Co. Chartered Accountants	M.K. Soni Manager Finance	J.A.J. Hunt Chief Executive Officer, India

Bombay: 28 June, 1994.

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE INDIAN BRANCHES OF THE BRITISH BANK OF THE MIDDLE EAST UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949.

We have audited the Balance Sheet of the Indian Branches of The British Bank of the Middle East (incorporated in England by Royal Charter 1889) ("the Bank") as at 31 March 1994 and the related Profit and Loss Account for the year then ended. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of the Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not drawn up, in accordance with Schedule VI of the Companies Act, 1956. The financial statements are therefore drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

In respect of the matter mentioned in Note 5 to the financial statements, we are unable to form an opinion on its outcome and consequently its effect, if any, on the results of the Bank for the year.

In our opinion, subject to the effect of the adjustments, if any, that might have become necessary had the outcome of the matter referred to in the previous paragraph been known, the financial statements give a true and fair view of the state of affairs of the Bank as at 31 March 1994 and of its profit for the year then ended.

We further report that:

(a) the financial statements are in agreement with the books of account and give the information required by the Companies Act, 1956, in the manner so required for banking companies;

(b) the Bank has maintained proper books of account as required by law insofar as appears from our examination of those books;

(c) the returns received from the branch of the Bank have been found adequate for the purposes of our audit;

(d) the transactions which have come to our notice have been within the powers of the Bank.

For Bharat S Raut & Co.
Chartered Accountants

S.P. MEDORA
Partner

Bombay: 28 June, 1994

Banking Services Review

The uneven regional distribution of banking operations needs to be corrected.

THE recently released Reserve Bank of India's publication, *Banking Statistics, Basic Statistical Returns, 1992*, represents an organised and well-conceived effort at making available to the general public crucial information on the quantitative aspects of banking operations and development in the country. It also highlights the role of banks in the country's financial development. Basically, the data presented in the latest volume relate to the position as on March 31, 1992, although some macro-dimensions as on March 31, 1993, have also been incorporated. However, no explanation is given anywhere for the discrepancy in the figures of deposits, credit, number of offices, etc, presented in Tables 1.1, 1.3, 1.4, 1.7, 1.8 and 1.18.

The synoptic view of the progress of commercial banks since June 1969 presented in the document establish certain well known facts; that the number of scheduled commercial banks rose from 89 in 1969 to 276 as of March 1993; bank offices have registered a spectacular increase from 8,262 to 61,169; population from office improved from 64,000 to 14,000; rural branches accounted for 58 per cent as against 2 per cent about two-and-a-half decades ago; share of priority sector advances moved up from 14 per cent to 44 in June 1988, although it slipped to 37 per cent by March 1992; industries continued to appropriate higher proportion of bank credit (at 48 per cent, albeit its share was drastically reduced) while the share of trade and agriculture was almost equal around 14 per cent and that percentage of 'satisfactory' assets of the bank formed 74 per cent, and "bad and doubtful debts" stood at as low as 2.4 per cent of outstanding credit as on March 1992, about 76 per cent of bank credit was extended at interest rates of 15 per cent above and 56 per cent bank credit outstanding was in the credit limit range of Rs 10 lakh and above. But small borrowal account (Rs 25,000 and less) accounted for as much as 95 per cent of total accounts and 22 per cent of outstanding credit.

This string of statistics, impressive in themselves, indeed tend to concede regional disparities in banking development: The southern region with a rich banking tradition and a developed western region well ahead of a relatively backward eastern region and a poor north-eastern region. About 27 per cent of total bank offices were located in the southern region, 21 per cent in the central region, 18 per cent in the eastern region and 15 per cent in the western region. Although the southern region had the highest number of bank offices, the western region topped in the matter of deposits and credit with a share of about 29 per cent each. The total bank offices in the north-eastern region (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura) constituted about 3 per cent of the total, with a deposit share of 1.6 per cent and a credit share of 1.3 per cent in the total. But for the higher level of deposits and credit in Assam, the position would have been still more appalling. The proportion of rural offices at about 73 per cent in the north-eastern regions was markedly higher than the national average of 56.7 per cent. Deposits mobilised by rural branches amounted to 27 per cent of total deposits in the north-eastern region and credit disbursed by them amounted to 34 per cent of the total. The corresponding all-India average worked out to 15 per cent each as at the end of March 1992. The performance of rural branches in the north-eastern region both in deposit mobilisation and credit deployment compared favourably with urban and metropolitan branches, unlike at the national level where 25 per cent of branches in the urban area were responsible for 65 per cent of deposits and 69 per cent of credit. Keeping with the position of highest number of offices the southern region had the highest number of employees (25 per cent of the total no of employees). The share of the north-eastern region was about 2 per cent of the total; officer staff formed about 27 per cent in all the regions.

Distribution of deposits according to type showed that in the north-eastern region savings bank deposits had a higher share of 35 per cent in the total deposit mix as compared with the national average of 26 per cent. However, fixed deposits were dominant in the total. Of the new deposits, current accounts formed 32 per cent; the all-India average was as low as 12 per cent.

The southern region reported highest incidence of overdues. The region's share in the total overdues of scheduled commercial banks amounting to Rs 14,056 crore was about 38 per cent, which was largely (49 per cent) in the books of urban and metropolitan branches. Bank branches in the north-eastern region had overdues of 1.7 per cent of the total. But unlike in the developed region, the incidence was higher in rural branches (accounting for 45 per cent of the region's overdues as against the all-India average of 21 per cent).

State and population group-wise classification of credit as per sanction and utilisation were quite revealing in that in the eastern, the northern and the western regions, the utilisation was less than what was sanctioned implying that there was an outflow of funds or migration of credit into other regions. The southern, north-eastern and central regions experienced an inflow of resources as the amount utilised far exceeded the amount sanctioned. At the aggregate level while in the rural, semi-urban and urban areas the amount utilised was higher than was sanctioned, the metropolitan areas presented a contrary trend. At the end of March 1992, there was an outflow of bank funds to the extent of Rs 8,556 crore from these areas to rural, semi-urban and urban areas. Significantly about 80 per cent of these resources were absorbed in rural areas. Predictably, the trend was substantially the same in all the regions. This finding highlights the fact that although the metropolitan as well as the urban branches could be credited with higher deposit mobilisation and credit expansion, the real beneficiaries of bank credit seemed to be the entities in rural, semi-urban and urban areas.

To conclude the RBI could make use of the results thrown up by the audit for correcting the distortions in the banking operations. For instance, bank branches in the southern area could be exhorted to improve their productivity and bring down the incidence of overdues particularly in the urban areas. Similarly banks could be prompted to improve their presence and activity in the north-eastern area and improve the overdues position in the rural areas. Delving deeper into these statistics one could possibly come up with more such policy ideas.

Globalisation, Demystification and Schism in Tibetan Buddhism

Stig Toft Madsen

For Tibetan Buddhism the exile in India and the west has meant not only survival but the possibility of gaining followers from around the world. Globalisation has however, accentuated internal weaknesses and contributed to demands for reform. The dispute relating to the appointment of the 17th Karmapa, reincarnate head of the Kagyupa sect, shows the difficulties of accommodating all Kagyupas under the same hat

IN 1959 Tibet's theocratic polity was shattered and the Tibetan people were subjected to a tragic confrontation with Chinese communism. According to the Tibetan exile government more than 1.2 million Tibetans died as a direct consequence of the Chinese take over while some 6,000 monasteries and temples were demolished [Office of Information and International Relations 1990: 5 and 71]. These figures may be an exaggeration [Sethi 1993], but there is little doubt that Tibetans have had their share of suffering.

The possibility of asylum in India, Sikkim, Bhutan, Nepal, Europe and America was crucial to the survival of Tibetan culture. Considering that the Tibetans fleeing Tibet had little experience of the world outside Tibet, they managed the transition well. But in exile they had to work hard to protect their culture from that of their host countries. This problem was exacerbated by the very success Tibetan Buddhism achieved outside Tibet. Tibetan Buddhism did not isolate itself in exile, but already by the late 1960s emerged as an active proselytising movement in the west. For those spiritual seekers in the west who were not drawn towards the institutionally less embedded Hindu gurus, Tibetan Buddhism appeared as an authentic and authoritative Asian religious alternative.

The doctrine of reincarnation common to Indic religions has achieved special importance in the tantric form of Mahayana Buddhism prevalent in and near Tibet. According to this form of Buddhism a limited number of compassionate and enlightened beings voluntarily choose rebirth as humans to guide others onto the path of salvation. Once, recognised as reincarnations such persons are known as tulkus. Many positions in Tibet's ecclesiastic hierarchy were and are filled by tulkus. In the Kagyupa sect with which this article is chiefly concerned the power and duty to recognise install and educate the head of the spiritual lineage or school has been entrusted a group of regents or "lineage holders", who are themselves tulkus.

This system of succession to high office was invented by the Kagyupa sect in the eastern part of Tibet in the 12th century. The head of the school, the Gyalwa Karmapa, has generally been recognised on the basis of a 'prediction letter' written by him before his death and subsequently found and used by the regents to find his next incarnation. There is no prescribed period within which the Karmapa has to be found but it is presumed that Karmapa usually incarnates in only one human being at a time.

The history of Tibet tells of intrigues and power struggles associated with the running of this polity. During periods of Chinese suzerainty the Chinese resorted to short listing the candidates for the positions of Dalai Lama and Panchen Lama and drew lots between them [Stein 1972: 88].

The play on chance and the fact that tulkus have often been found among commoners added flexibility to a political system otherwise dominated by aristocratic families. However the system is difficult to harmonise with the criteria of appointment prevalent in the countries in which the Tibetans now find themselves. The depth of the difference between the Tibetan system of succession to high office and a system based on merit earned in this world may be illustrated by contrasting the Tibetan doctrine of reincarnation with the theory of the liberal philosopher John Rawls.

According to Rawls, rational persons placed behind 'a veil of ignorance' in an imagined original position in which they do not know anything about their own future and in which they do not have a past, will choose to design a society in which all positions are in principle open for all as that will optimise the life chances of each of them [Rawls 1993].

In contrast to such a veil of ignorance, Tibetan philosophy may be said to postulate 'a veil of knowledge'. In the Tibetan equivalent of the original position, i e, the 'bardo' phase between death and rebirth, those who possess knowledge have the ability to choose their future. Others with no such knowledge or wisdom are propelled in and out of this world by accumulated karma. In this manner the possession of pre-birth knowledge becomes the criterion for receiving positions of power in society, while the lack of such knowledge excludes others from achieving certain crucial positions.

The Tibetan view presumes that the key players in the game of recognising tulkus are informed by Buddhist ideals and virtues as they, too, are tulkus operating from positions of knowledge. If a situation arises in which common believers perceive chief players to be motivated by considerations of personal, economic and political power in their choice of incumbents of high offices, a crisis of governance may develop. In contemporary conditions such a crisis is likely to deepen as many believers are familiar with more transparent decision-making processes.

Pressures for reform have, indeed, been building up. One of the most persistent advocates of reform, surprisingly, has been the present Dalai Lama who has tried to change the political system he himself embodies by promulgating a charter for the Tibetans in exile granting universal suffrage as well as equality. "Before the law all Tibetans are equal regardless of sex, race, language, religion, monks or laymen, wealth, birthplace, social class and position" [Thargyal 1993: 37]. The liberal political reforms initiated by the Dalai Lama have been opposed by many of his more conservative followers who consider the civil and political rights thrust upon them by the Dalai Lama too radical (ibid). In his attempts to extricate himself and the system he represents from the past, the Dalai Lama has also been searching more democratic and transparent methods of religious succession without, however, entirely abandoning the doctrine of reincarnation [Nash 1992].[1]

Dalai Lama is the head of the Gelugpa sect. In contrast to the Gelugpas, the Kagyupas had not till recently moved far from orthodoxy.

Rivalry

In 1981 the head of the Kagyupa school, the 16th Gyalwa Karmapa, died in US. The Karmapa Charitable Trust, which he had created to oversee the running of the Rumtek monastery in Sikkim and, in principle, to head the approximately 500 other monasteries and centres around the world, asked the four regents to seek his 17th incarnation. The four regents so empowered were Situpa, Gyaltsab, Kongtrul and Shamarpa.

The regents were under considerable pressure from Tibetans and others to find Karmapa's new incarnation and at one point announced that they had found the prediction letter. Later they admitted that this was a ploy to gain time [Nesterenko, 1992: 124].

Gradually, a rift surfaced. Two hundred years ago Dalai Lama forbid Shamarpa to reincarnate himself. However, in 1964 the present incarnation of Shamarpa was discovered by the 16th Karmapa in the person of his own nephew [ibid, p 8 and Dronma

1992: 41, 47]. The hitherto foremost regent, Situpa, apparently saw Shamarpa as a challenger. When another nephew of Karmapa, Topga Yulgyal, who was married to a niece of the Bhutanese king, later became *inter alia* the secretary-general of the Karmapa Charitable Trust and of the Rumtek Dharma Chakra Centre, rumours spread that Shamarpa was trying to establish control over Rumtek. Shamarpa denied this, but added that he had been given a hint as to the identity of the coming Karmapa [Nesterenko: 86, 137; Zangmo 1993: 61-64; Dronma: 59]

Shamarpa did not produce a candidate. Instead, Situpa took the initiative on March 19, 1992, he announced at a meeting of the regents in Rumtek that a talisman, which he had been presented by the 16th Karmapa, had turned out to contain the prediction letter. The letter indicated that Karmapa would be reborn in the eastern part of Tibet. Shamarpa and, arguably, Kongtrul did not accept the authenticity of the letter and demanded that it be submitted to a graphological test.[3] While the recognition of a tulku often involves various quasi-scientific tests during which a candidate is asked to recognise belongings from his earlier lives, the demand for a graphological test is not a part of tradition, but aimed at challenging Situpa. The regents seem to have decided that Kongtrul should proceed to Tibet to find the incarnation and that the prediction letter should not be made public until his return. However, Situpa released the contents of the letter the day after this meeting.

On April 26, 1992, Kongtrul died in a car accident which may well have been caused by rash driving, but which gave rise to rumours of foul play. In May, Situpa and Gyaltsab announced that they would send a delegation to Tibet. Simultaneously, they attempted to secure physical control over Rumtek monastery. This happened while many overseas Buddhists were in Rumtek to learn about the reborn Karmapa. The intrigues, the intimidations and scuffles, and the presence of the dead body of Kongtrul in the monastery's yard seem to have had a disenchanting effect on many believers, including westerners.[5]

On June 6, Situpa and Gyaltsab went to dharamsala to get Dalai Lama's acceptance of the prediction letter. As Dalai Lama was in Rio attending the Earth Summit, the prediction letter was faxed to him in Rio. It is not clear whether the Dalai Lama knew that the three regents were not in complete agreement. In any case, his exile government officially accepted the prediction letter on June 30, after his return from Rio.

On June 7, Shamarpa reached Rumtek after a trip to the US. Under pressure from his teacher and Dalai Lama's acceptance of the letter, Shamarpa agreed to drop the demand for a graphological test. He subsequently left for Europe where he mobilised his western followers.

Meanwhile, the delegation fielded by Situpa and Gyaltsab had made contact with the reincarnation of the 16th Karmapa, a seven-year old boy named Ugyen Thinley born in a poor nomadic family. With the concurrence of the authorities in Tibet, the boy was brought from eastern Tibet to Tsurphu monastery, the original seat of the sect in central Tibet, where he was enthroned as the 17th Karmapa on September 27, 1992 in a ceremony led by Situpa and Gyaltsab [Sattaur 1992: 45; Snow Lion Newsletter 1993: 8]. Tsurphu monastery was under renovation after having been partly demolished by the Chinese.

Already at the death of the 16th Karmapa, converts to Tibetan Buddhism considered themselves an integral part of the spiritual lineage. For example, at a meeting in Rumtek in 1981 a Buddhist from New York said that the fact that Karmapa chose to die in US, showed that the new Buddhists shared a responsibility for the future of the lineage [Nesterenko: 161]. Through labour and financial contributions, the new Buddhists certainly contributed to the spread of Buddhism by enabling Tibetan monks to lecture and live abroad. A few westerners also presided over esoteric rituals. In Denmark, Lama Ole Nydahl received state authorisation to preside over life-cycle rituals.[4]

In the crisis affecting the lineage, the converts did not take a common stand. Some accepted the choice of Ugyen Thinley on the basis of the authority of Situpa and the Dalai Lama. Other followers in Germany and elsewhere opposed the choice arguing that Ugyen Thinley was a tool in the hands of the Chinese government. Their case was presented in a report entitled *The Karmapa Papers* published by Michel Nesterenko in France in October 1992. The prefaces states: "It has become very obvious that 'a Tibetan Rinpoche' does not automatically mean an enlightened person. Since in this respect the western approach had been quite naive so far, this examination might not always be pleasant". *The Karmapa Papers* does not directly question the doctrine of reincarnation, but it attempts a secular and factual approach. On the basis of newspaper reports and the letters and speeches of the regents and others, the report succeeds in shedding considerable light on the chain of events. Subjecting the politics of succession to this form of analysis was a departure from the traditional Kagyupa path.

Such critical attitudes seem to have been most pronounced in some of the Buddhist centres in Germany. Thus, an editorial in *Kagyu Life* boldly stated that "Whereas the Tibetan tradition is superior as regards religion and philosophy, we would like to give them some brotherly advice on the western understanding of democracy as regards transparency and solidarity" [*Kagyu Life* 1992] (my translation).

The Karmapa Papers received a reply in the form of a counter-report entitled *Karmapa Khenno: A Sikkimese Point of View*, edited by the Sikkimese nun Ani Karma Dechen Zangmo and published in 1993 by a number of Sikkimese Buddhist groups. This report, too, consists of newspaper reports, letters, interviews and editorial comments, but where *The Karmapa Papers* attempts an internationalist perspective, *Karmapa Khenno* admits a nationalist Sikkimese stance. *Karmapa Khenno* points out that Shamarpa at several points in time accepted the authenticity of the prediction letter and should not, therefore, have raised doubts later. *Karmapa Khenno* further seeks to establish the authenticity of the prediction letter by means of a graphological analysis.

The *Karmapa Khenno* report mentions that Rumtek witnessed further confrontations between groups of monks and laymen in August 1993. The confrontations were followed by a large meeting. The meeting was critical of two Sikkimese ex-MLAs who had moved the high court of Sikkim questioning the installation of Ugyen Thinley. The meeting found the involvement of the courts unwarranted and dishonourable. Instead the meeting urged the government of Sikkim to take steps to safeguard the sanctity of religion.

In 1994 events took a new turn when Shamarpa finally produced an alternative Karmapa, the 11-year old Tibetan Tenzin Chentse whom Shamarpa claims to have first met in 1986. Unlike Ugyen Thinley, Tenzin Chentse was brought out of Tibet before his identity was made public. On March 17, he was installed as the 17th Karmapa by Shamarpa at Karmapa International Buddhist Centre in New Delhi. The enthronement was marred by violence as monks and laymen opposed to Shamarpa threw stones and bottles at the institute. The event received wide press coverage both in India and internationally [Kutty 1994; Sahgal 1994; Kranti 1994; Penberthy 1994; *The Economist* 1994]. The situation was further politicised when the chief minister of Sikkim asked the prime minister of India to intervene [*The Times of India*, 1994]. The Dalai Lama has sent out various signals, but has not assumed a position as arbitrator.

By April 1994, therefore, there were two rival claimants to the Karmapa title, one occupying the old seat of the Kagyupas in Tibet and surrounded mainly by Tibetans, and another occupying the seat in a new institute in New Delhi and surrounded by German, Russian, Swiss, Hungarian, Polish, Swedish, Danish, Malaysian, American, British, Mexican, Japanese and other converts. The seat of the 16th Karmapa in Rumtek was vacant and the main treasures of the sect remained locked up and under police protection.

The conflict outlined above points to some of the dilemmas facing Tibetan Buddhism

in the modern world. One problem has been to strike a balance between the interests of the Tibetans in Tibet and the interests of Kagyupas elsewhere. To me the fact that the Dalai Lama accepted the choice of Ugyen Thinley is significant because it contributes to the re-establiskment of Buddhism within Tibet with the co-operation of the Chinese authorities. Situpa and Gyaltsab apparently also reached the conclusion that it was important to re-establish Buddhism in Tibet, and on a journey to Tibet in 1991 Situpa took the opportunity to identify a large number of not-so-high ranking tulkus.

By attending to the interests and needs of the Tibetans in Tibet, other interests were sidelined. Shamarpa emerged as the spokesperson of such interests, principally the Buddhist converts. In a speech in Malaysia in 1993, Shamarpa acknowledged that the Dalai Lama as head of the exile government had a special responsibility towards the Tibetans in Tibet, but said that he himself, Shamarpa, chose to focus on Buddhism, including Buddhism in the west [Zangmo: 59-60; and McDonald 1994]. He made it clear that he thought that finding a Karmapa in Tibet had been politically expedient, and that such a politically convenient Karmapa was not necessarily the real Karmapa.

For a period, the rift helped to demystify the process of selection and allowed the world to glimpse the complex motives governing the process. However, the window of opportunity for reform thus opened was not utilised to change the mechanism of succession. After the discovery of the rival claimant, the two factions have been engaged in a symmetrical power struggle which offers no immediate prospects of evolving a new mechanism of succession.

So far, the rule has been that Karmapa reincarnates in only one body at a time. It is conceivable that this rule will be modified so that the two claimants may be mutually accepted as incarnations of different 'aspects' of Karmapa.[5] Such a compromise, however, does not determine who inherits the throne in Rumtek and the black hat worn by the Karmapa. Nor would it necessarily increase the transparency of the succession process.

Notes

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1 For the concept of extrication, see Huntington 1992.

2 According to Nesterenko (pp 34-35), Kongtrul expressed doubts about the authenticity of the prediction letter; others deny this was the case.

3 Max Weber described the world of Mahayana Buddhism as a magical garden [Weber 1968: 255] and used the concept of *entzauberung* for the demystification of such worlds.

4 For his own account of the spread of Buddhism in the west, see Nydahl 1992.

5 Bertolucci's recent film 'Little Buddha' resolves a similar problem by accepting three competing candidates as the incarnations of respectively the mind, speech and the body of a deceased Lama. Following historical precedents, the film also employs an oracle to provide clues to the authenticity of competing candidates.

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Ideologues and Ideology

Privatisation of Public Enterprises

Arun Ghosh

The pressure from all international institutions today is for privatisation. Indeed even more dangerous is the ideology that any government intervention in economic activity is bad by definition. However, exponents of 'minimum government' are also strong advocates of the states' involvement in maintaining 'law and order'—to break up militant trade unions, crush organised strikes, and so on.

A STUDY of the history of economic doctrines and of developments around the world would seem to suggest that attempts to explain different patterns and rates of growth of different countries in terms of given ideological premises—capitalist or socialist, and within the capitalistic framework, free market or state interventionist—or even attempts to recommend the adoption of an obviously successful pattern of development in any one country as a model for all others, are full of pitfalls, and are tantamount to a misinterpretation of history. The development of society calls for a holistic view. Development involves social, cultural, even philosophic attitudes, and the organisation of production (and distribution of the product) in a manner that is conducive to development.

Economic organisation is the major factor in stimulating economic growth. Mark the two different words already used in this context: development and growth. They are not synonymous, and yet usually, they are associated together. But let us set that issue aside for the moment.

Economic organisation is in many ways a function of attitudes, of past traditions and culture; and attitudes change with the level of education, of general health and freedom from debilitating diseases. Attitudes also determine work culture and work ethic, but the latter are not 'givens' in any society; they can and do change with the social framework. The much maligned 'casual' character of Indian labour, the temptation of urban workers to go off to their villages from time to time, arises from the fact that the 'roots' of these workers are still in their villages. In fact, in the rural areas, the farmers have to work in season and out, come rain, scorching hot winds or searing cold weather. The cropping season demands whole-hearted attention of the farmer (especially where irrigation makes it possible to raise even three crops over the year). The same farmer migrating to join the urban industrial labour force, with his family left behind in the village, makes at least two trips back home every year; and the Harvard Business School trained manager frets, and bemoans the lack of discipline of the Indian workers as compared to his Japanese counterparts. The 'hire and fire' philosophy—dinned into the manager's consciousness at Harvard—are, however, quite alien to Japanese culture, where workers join a factory for life, content with the security of their jobs. The attempt to introduce either Detroit or Tokyo culture in say, Kanpur, is necessarily fraught with danger.

Let us go back to the fountainhead of development. Even at the cost of repetition, it is necessary to restate Alfred Marshall's prescient words: "Knowledge is our most powerful engine of production... Organisation aids knowledge... The distinction between public and private property in knowledge and organisation is of great and growing importance: in some respects of more importance than that between public and private property in material things..." (Alfred Marshall: *Principles of Economics*: eighth edition, Macmillan, 1947; pp 138-39).

Of almost equal importance today in a world of increasing interdependence—a world getting smaller by the day as a result of the revolution in communications technology—is the external environment. The external environment becomes increasingly more important as the size of the country gets smaller, since its physical endowment necessarily becomes more limited and more specialised, and its dependence on exchanges with the rest of the world more pronounced. Let me state here that this does not warrant 'autarky' for a large country. The frontiers of knowledge are expanding rapidly around the world, and no one would recommend autarky as a necessary condition for development of a large (and hitherto underdeveloped) country. Equally, the attempt to borrow models of development which have succeeded elsewhere—in a wholly different cultural milieu—or even to lay down economic doctrines which are essentially rationalisations of development patterns at given conjunctures of history, would at best reflect extreme *naivete*. The dialectics of change do not follow rules laid down by grammarians.

The 20th century has seen the advent of three distinct economic philosophies. The three major schools of thought are: (a) the classical doctrine that free (and unfettered) trade is best, which—starting with Walrasian 'general equilibrium' theory, and expounded in terms of the 'Pareto-optimum'—has today crystallised into the concept of 'minimum government' (propounded most effectively by Friedrich von Hayek) accompanied by Milton Friedman's monetarist approach which prescribes a monetary policy calculated to bring about zero inflation, no matter what the consequences; (b) the modified Keynesian-cum-Kaleckian approach of state intervention with a view to maintaining full employment, even while keeping in place many of the institutions (and the institutional framework) of a capitalist society; and (c) the Marxian concept of a socialist society, which was given a form by Lenin, after the October 1917 Revolution in Russia. That form, in the erstwhile USSR, differed radically from the Marxian grammar; but that is not the point. The point is, there are now three different patterns or models—on which different experts have built their own approaches to economic growth, with widely divergent models (to wit, the South Korean *vis-a-vis* the Taiwanese approaches, both obvious successes for divergent reasons). However, if one were to study the success of the east Asian countries (as compared to the failure of the effort at development in the Latin American countries), one would be struck by: (a) the early focus on 'education' for all in the east Asian countries, and (b) the extreme inequalities in, and the periodic flights of domestic capital from the Latin American countries. There have indeed been inequalities of income distribution in east Asian countries, but nowhere so stark, nowhere involving palpable destitution of part of the population that has characterised Latin America. But that is another issue. Let us, for the moment, focus on the transition—in the post-war world—from Keynesian policies to the era of minimum government.

It should be clarified at the outset that the economic principles now in ascendance around the world are a combination of the Hayek-ian principle of minimum government and the Milton Friedman-ian monetarist principle of money supply being so regulated as to bring about zero-inflation. These two foci essentially sum up the economic philosophy of Margaret Thatcher; and it is certainly the Friedman approach that today

informs the philosophy of the International Monetary Fund. (It is ironical that the two Bretton Woods institutions, the IMF and the World Bank, were really the brain child of John Maynard Keynes. The third institution dreamed up by Keynes—the International Trade Organisation—is now about to be reborn, with a dramatic genetic mutation, as a child of the US concept of the New International Economic Order, in the form of the World Trade Organisation, replacing the GATT. But that is another—and a long—story.)

As pointed out recently by Amit Bhaduri and Kazimierz Laski, "the dominant view of macro-economic policy prescriptions swings like a pendulum every few decades—from the view that the government is interfering too much with the economy to the view that it is not doing enough" (*vide*, Amit Bhaduri and Kazimierz Laski: *Relevahce of Michal Kalecki Today*; *EPW*, February 12, 1994, pp 356-57). It is not necessary to repeat Bhaduri and Laski's highly pertinent sentiments, expounded so recently in these columns. But perhaps an American view is worth reproducing here. "A competent, customer-driven public sector is necessary, partly to provide services—and partly to keep the private sector honest", says Robert Kuttner; and he adds "Even liberals get exasperated at dumb public sector bureaucracies—yet private bureaucracies are neither as efficient nor as self-cleansing as many of their champions insist". (*vide*, Robert Kuttner in *International Business Week*, New York, June 28, 1993, p 7).

New Right

It is interesting that it was left to a journalist, Brendan Martin* (described as "an independent consultant specialising in privatisation and public sector reform world wide"), to bring out the theoretical edifice of the neo-conservative—described by Martin as the New Right—economic policies which have gained ascendancy in industrially-developed countries since the 80s. It is Brendan Martin who brings out succinctly the nature of the neo-conservative philosophy, as a combination of the Hayek-ian doctrine of minimum government, and the Milton Friedman-ian approach to monetary policy. In some ways, this philosophy seems to have inspired both Margaret Thatcher and Ronald Reagan, though Reagan threw Milton Friedman to the winds in his quest for a new international economic order under the hegemony of the US. However, while abandoning the Friedman approach within the US, Reagan prompted the IMF and the World Bank to assiduously pursue these policies for developing countries, in regard to financing the balance of payments disequilibria—and of the capital needs of development—of hitherto underdeveloped countries around the wold. Thatcher in Britain was equally influenced by Hayek and Friedman, but it was essentially the former's dictum of 'minimum government' which inspired Thatcher's zeal for privatisation. On the other hand, western Europe has had much less enthusiasm for Hayek-ian thought; the economic philosophy of western Europe was strongly influenced by monetarism, especially after the 'stagflation' that engulfed the industrially developed countries in the 70s. And initially, the Bretton Woods twins also adopted the same philosophy. It is only lately that the privatisation bug has bitten the World Bank and the IMF.

Again, one has to reflect on the conjuncture of historical developments in the 70s. The west European countries had for years been fretting against the continuing balance of payments deficits of the US—a surfeit of dollars meeting more than the needs of liquidity of the entire world—and as early as 1971, major cracks had appeared in the Bretton Woods formula of stable gold prices and stable exchange rates monitored by the IMF. The Smithsonian agreement of 1971 was a patch-up that just could not succeed. Then, in 1973, came the first 'oil shock'; and inflation—with stagnation of output—overtook all developed countries. The era of 'stagflation' was the signal for the emergence of Friedman's monetarism.

It was the US influence—especially during the Reagan-Bush era—which ushered in a noticeable change in the approach of the World Bank, in regard to the terms of financing "structural adjustment, which became necessary for all (non oil-producing) developing countries, as a result of the sharp deterioration in their terms of trade. One has to note that during the 70s, all developing countries lacking indigenous oil reserves felt the double shock of declining commodity prices (and therefore, of declining export prices) and rising import prices. They needed balance of payments support in addition to development finance.

The 70s also saw a glut of finance availability in the form of petrodollars, and many commercial banks lent large sums of capital unwisely, especially to South American countries. These loans misfired; and in the early 80s, the problem of massive external debt—contracted at high interest rates—hit many borowing countries around the world, particularly those in Latin America.

It is curious that at this juncture, the so-called Paris Club stepped in, with the blessings of the IMF. It remains a moot point as to why the International Monetary Fund should step in to save banks in developed countries from ruin (arising from foolish and greedy loans made by them), but intervene it did. The IMF and the World Bank stepped in to lend to the indebted countries, provided they did not renege on the debt contracted by them from commercial banks. Debt-servicing and debt repayment thus became a first charge, and a condition for assistance from the IMF and the World Bank. Debt-equity swaps, all to the advantage of foolish and greedy lenders to poor countries, became the order of the day. The Milton Friedman approach informed the IMF lending conditions, while the Hayek-ian approach of "minimum government" became the credo of the World Bank, even in regard to development financing.

Turnabout

Perhaps this brief excursion into the economic developments around the world from the mid-60s may help in an understanding of the 180 degree turn in the economic philosophy of the World Bank—from the days of George Woods in the early 60s to the Lewis Preston regime currently.

The 50s and the 60s were decades of uninterrupted growth in the industrially-developed countries. They were also years when Keynesian policies of state intervention were widely accepted. More importantly, development economists around the world—in particular, the exponents of the 'big push' theory (Albert Hirschman and others)—felt strongly that state intervention was a necessary (though not a sufficient) condition for imparting an impetus for economic development to developing countries. The two decades of the 50s and the 60s during this century saw even those steeped in classical economics, in particular people like John Hicks (and a host of others) prescribe the conditions for industrial societies to grow consistent with full employment.

We are not concerned with the socialist experiment here; but there is no doubt that the Reagan-Thatcher drive in favour of private enterprise got a big boost from the collapse of the Soviet economy, and of communist regimes in eastern Europe, from 1989 onwards. The reasons for the collapse of the eastern European economies do not concern us here directly; yet, it needs to be reaffirmed categorically that it was not the inherent superiority of the market system as an allocator of resources—Keynes has demonstrated the essential inadequacies of the market system—which has been the prime cause of the cataclysmic changes observed since 1989. Rather, it was the failure of over-centralisation which led to the collapse of the command economies. The point to note is that we see increasing signs of over-centralisation of economic decision-making under the philosophy of 'minimum government'. The clout of the MNCs, of international finance

capital, has in fact led to worldwide over-centralisation of economic decision-making, even to the exclusion of otherwise strong and powerful states.

The pressure—from all international institutions—today is for privatisation. Of late, the credo of privatisation has become an ideological issue rather than one of deliberation as to the need, the circumstance, the likely gain. Indeed, what is even more dangerous is the ideology that any government intervention in economic activity is bad by definition—the South Korean experience is cleverly laid aside—and that all private enterprises are necessarily better and more efficient than their public sector counterparts. There is a logical-cum-philosophical issue that arises herein that is missed in usual debates on the subject. The exponents of 'minimum government' are strong advocates of government enforcement of law and order; and the forces of law and order are to be used for breaking up trade unions, crushing organised strikes, for liquidating workers' resistance. The focus now is on a 'flexible employment' policy. Thus, while government must not intervene directly in the domain of economic activity, it must intervene in favour of employers who should have the right to hire and fire, to close down establishments at will (and to restart them elsewhere in an environment more adapted to exploitation of workers).

There is another aspect of state intervention that is missed by the ideologues of private enterprise. The state must manage money supply so as to ensure zero inflation, no matter what the cost to society is.

Brendan Martin analyses the above, and related issues with the skill, and understanding surpassing that of most economists. In a volume spanning 17 chapters, and replete with not only logical arguments but also practical illustrations, Brendan Martin has demonstrated: (a) that privatisation of public enterprises is not necessarily in the public interest but in the interest of certain (identifiable) pressure groups and vested interests; (b) that the ideology of privatisation—coupled with other policies enforced by the IMF and the World Bank—is not in the interest of developing countries; and (c) that there is a viable alternative, which is possible to attain, by empowerment of the service users (i e, by decentralisation), by regulation and by genuine competition, by devolving management responsibility, in short by restructuring and reforming the management of public services, public utilities, public enterprises.

A few general propositions, again based on Brendan Martin's analysis, would be in order here. The first general proposition that one can make without fear of contradiction is that the capitalist system is no longer what was envisaged by Adam Smith. Free competition among a large number of buyers and sellers is no longer a part of the capitalist ideology. This is partly due to technological changes, but the process has been hastened by the emergence of transnational corporations with control over large capital and other resources, which enables them to call the tune in regard to international economic policy making. In the early 1990s there were 37,000 multinational companies (MNCs) straddling the international economy through 1,70,000 affiliates throughout the world. A mere 172 MNCs in five countries (USA, Japan, France, Germany and the UK) accounted, in 1972, for sales of $ 5,219 billion (*vide*, Brendan Martin). Although the magnitudes are not really comparable, one has to compare this volume of turnover with world GDP estimated at around $ 2,19,000 billion. Thus, the sales of 172 MNCs in five countries alone were 24 per cent of world GDP, an indication of their economic and financial clout.

Inevitably, as a result, the reformed GATT, signed on December 15, 1993 at Geneva, speaks of 'market access'. Competition is no longer the concern of the GATT. Trade as an instrument of economic development is an outmoded concept, and Chapter IV of the erstwhile GATT finds no place in the revised text. Instead, there is focus on the sanctity of Intellectual Property Rights, of trade in services (even though free movement of population is firmly denied), of freedom of capital movements (which would give international finance capital a complete grip over national economic policies).

It is in the above background that we in India need to look at the present drive—inspired by the World Bank/IMF—for privatisation of state enterprises. Indeed, the cult of privatisation has now straddled on to the realm of social services. Education, medical and related services, it is argued, are better delivered by private enterprise than by the state. Private enterprise has become, in a Hayek-ian framework, the best way to organise all economic activities because all 'government' intervention is necessarily bad.

Curiously, this extreme view is not stated by government spokesmen, but urged on the government by a section of the news media and business interests. But seminars are being organised by management institutes to 'educate' the bureaucracy on the wisdom of privatisation; and in one such seminar (attended by the present writer) official spoksmen were full of inefficiency of (a few selected) state electricity boards and of the Indian Airlines with examples of the efficiency of some private airlines to urge that all public enterprises should be privatised forthwith. (This was, of course, considerably before the neglect of maintenance—and of the flouting of 'safety norms' by some airlines came under official notice). However, in the present context, we should not get bogged down by specifics; we need a clearer understanding of the overall philosophic approach.

The absurdity of the proposition—as stated by official spokesmen—does not appear to bother the modern exponents of 'neo-conservatism'. Yet, the neo-conservative needs a government with an effective police force for maintaining the status quo. That any exchange between two parties with vastly different resource power is likely to result in unequal exchange, or unequal gains from exchange—in the matter of both internal and external exchanges—is conveniently forgotten. (Long ago, as far back as the 19th century, Alfred Marshall had demonstrated that the gains from trade are never equal: *vide*, Marshall: ***Pure Theory of Foreign Trade***.) Today's international economic policies have come to be governed by international finance capital; and all other 'players' in the arena are like puppets: even this cardinal truth does not occur to the champions of liberalisation and globalisation in India. (Just one individual speculator, George Soros, demonstrated this by successfully bringing down the pound sterling and forcing the UK to opt out of the ERM of the EEC). That 'liberalisation' ought to be directed to freeing the energies of the vast multitudes of the Indian population does not figure in the calculus, for the calculus being applied today is that of international finance capital.

Thus, we have a new 'ideology' let loose on the Indian economy, in which the 'media' have an important contribution, seeking to destroy the Indian polity, devastate the Indian social framework. And yet, the official pronouncement is that India will chart the 'middle course'. That was stated by no less an authority than the prime minister of India at Davos in early February and in London in early March of this year. The present 'middle course' is, however, the middle of nowhere. India is adrift in a turbulent sea.

Brendan Martin's incisive analysis is titled, 'In Whose Interest?' The Indian people have a right to ask: 'For Whose Benefit, In Whose Interest' are the placatory statements being made by the Indian prime minister, even as India systematically surrenders her economic sovereignty, her prize assets, her freedom to steer the country in a world of financial sharks?

Note

* Brendan Martin *In the Public Interest? Privatisation and Public Sector Reform* Zed Books, London, in association with Public Services International, 1993.

Chairman's Report 1993-94

Dear Unitholder,

This year marks the completion of three decades of UTI. It is a landmark year in the existence of any institution. I take great pleasure in presenting report on the Trust's performance during its thirtieth year. It has set several landmarks. They are a reflection of your abiding trust, faith and confidence in us. UTI's investible funds crossed Rs. 50,000 crores contributed by over 3 crore and 60 lakh unit holding accounts. Unit capital of Unit Scheme '64 crossed Rs. 10,000 crores and the number of unit-holding accounts under the scheme crossed one crore. UTI's sales grew by 70 percent. Despite significant reduction in interest rates, UTI is maintaining dividend on all schemes.

All these have come in the face of some tough challenges. Last year added a new dimension to the competition with the entry of six new private sector mutual funds. Interest rates came down and the capital markets remained volatile. This made the task of maintaining the nominal rate of return to our investors difficult. Yet, the Trust has been able to give more than the promised rate under all its income plans. It needs to be stressed that this means a higher real rate of return in view of the lower rates of inflation prevailing during the year.

Sales: Though the last year witnessed step up in competitive activity with the entry of 6 new private sector Mutual Funds, UTI's market share remained unaffected with total sales exceeding Rs. 10,400 crores in face value (and Rs. 12,500 crores in sale value). This represents an increase in sales of 70% over that of last year.

During the year the Trust launched seven new schemes, apart from ongoing open-ended schemes. Roughly 67% of the funds were collected under our open-ended schemes, while 22% of the funds came from income oriented close-ended schemes and remaining 11% came through our equity-oriented schemes.

Among the schemes, there was a resurgence of investor interest in the Unit Scheme '64, with sales increasing by about Rs. 1850 crores, coming from 8 lakh investors. Sales under Children's Gift Growth Fund & CRTS-81 were also significantly higher than that of the previous year. Three monthly income schemes were launched and among them they mobilised over Rs. 1400 crores – thus sending strong signals of their continued popularity. The sales under Deferred Income Unit Plan '93 also did exceedingly well.

We are slowly moving into an era where committed rate of return for a longer period will be a thing of the past. Last year we introduced one such scheme – "Growing Corpus Growing Income Plan" – without any committed rate of return. The scheme elicited a fairly good response with over one and a half lakh investors putting in about Rs. 200 crores.

The Master Equity Plan '94 proved to be nearly the unanimous choice among investors of Equity Linked Savings Scheme. Good performance of the earlier series of Master Equity Plans seems to have reiterated investors' confidence in UTI. The scheme collected Rs. 733 crores from over 10 lakh investors.

Fund Performance: This was yet another year of commendable performance of our investment under different schemes. In a year marked by extreme volatility of the stock market one redeeming feature for the investors of UTI growth schemes was that the Net Asset Value of all UTI growth schemes continued to outperform the stock market indices. This is shown by the following table:

Growth Funds	NAV as on June 3, 1993	NAV as on June 1, 1994	Appreciation (%)
UGS 2000	19.61	36.77	87.51
UGS 5000	15.08	28.48	88.86
Masterplus	13.03	24.55	88.41
Mastergain 1991	178.75	333.57	86.61
Mastergain 1992	9.50	16.81	76.95
MEP 1991	18.67	34.82	86.50
MEP 1992	10.28	18.91	83.95
MEP 1993*	10.31	17.86	73.23
US 1992	9.84	17.41	76.93
Mastergrowth	10.21	18.64	82.57
Grandmaster	–	19.14	–
BSE Sensitive Index	2,253.4	3,833.5	70.12
BSE National Index	1,045.8	1,841.3	76.07

** NAV of MEP-93 is as on 30-06-93*

Mastershare, the first equity oriented scheme of the Trust, which was offered for redemption at NAV based repurchase price has given a compounded annual return of 46.36% to the investors. However a majority of the investors who decided to continue with the scheme were given a post redemption dividend of 18% in addition to bonus units in the ratio of 1:3 and rights in the ratio of 1:1 on the enlarged capital.

Investors of our income schemes which matured last year were also pleasantly surprised with capital appreciation on maturity, which were much more than promised e.g. the

capital appreciation on maturity declared under MISG(11) was 11% as against 2% promised and it was 28% against a similar promise of 2% under MISG(12). Under DIUS'91 a bonus dividend of 7% was declared though there was no such promise.

Investor Services: For a financial organisation like ours efficient fund management itself is an important element of service. However, with the increase in the volume of work, services came under stress and UTI and its Registrars have not been able to cope up with the increasing activities. UTI has been making sustained efforts to improve investor satisfaction in areas of after sales services.

- A fully owned UTI subsidiary christened "UTI Investor Services Ltd." started functioning as Registrar and Transfer agency. Gradually this should reduce our dependence on outside registrars and enhance our servicing capacity.
- As a result of the technology upgradation project under implementation, facility to issue certificate 'Across the Counter' for Unit Scheme '64 was extended to 21 places. In Bombay this facility has been extended to CGGF also.
- A single window investor services cell has started functioning at Bombay responding to investor queries from anywhere in the country.
- In order to protect the investors' interest, the Trust started buying back units from the stock market when the market prices fell by more than 10% over the NAV of a listed scheme.
- The maturity proceeds of our income schemes were distributed to the investors without calling for their membership certificates. This saves a lot of time and results in prompt receipt of maturity proceeds by the investors.

Social Audit: To address the question as to what extent this unique organisation has been able to fulfil its responsibilities vis-a-vis its various publics and the society at large – an independent Social Audit Committee of five eminent citizens has been set up. The Committee has decided on its own methodology and has been working for the last six months. It has also commissioned the services of a professional market research body to survey and solicit the views and suggestions from various UTI constituents. The committee is expected to submit its report by the end of September, 1994.

HIGHLIGHTS

Sales
- Total sales exceed Rs. 12,500 crore (Rs. 10,408 crore in face value)
- 8 million fresh unit-holding accounts added

Size
- Investible funds cross Rs. 50,000 crore mark
- Total number of Unit-holding accounts cross 36 million

Dividends
- Unit '64 – 26.0%
- ULIP – 16.5%
- CRTS – 18.0%
- CGS – 11.0%
- Mastershare – 20.0%
- CGGF – 14.0% (+ 3% Bonus Dividend)

Bonus & Rights Offers
- 1:4 bonus and 1:1 rights on enlarged capital under UGS 2000
- 1:5 rights under US '64 declared at 20% discount over the sale price for the month of September '94

Investment Performance
- All growth Funds outperformed the Stockmarket Indices
- Income Plans provide more than the promised returns

Diversification
- UTI Bank, the first private sector bank, inaugurated on April 2, 1994
- UTI Investor Services Limited becomes operational

UTI to be monitored by SEBI: UTI has been scrupulously following the various provisions and regulations contained in UTI Act, 1963 and UTI General Regulations. In keeping with the changes in the regulatory framework, SEBI has been asked to supervise UTI, consistent with the UTI Act. This would become effective from July, 1994.

Outlook: As a part of our efforts to bring services closer to the investors, we plan to open atleast five new branches in the coming year. That apart, our collection network will be widened further with our Chief representatives acting as our collection agents at more number of places. The technology upgradation project which has already started showing results in some areas of our operations, is likely to make a sea change in our investor services in about a years' time.

Marketing UTI's financial schemes, managing investors' funds and providing after sales services of the large dimensions that UTI have – 3.6 crore unit-holders – involve large scale support and service of various agencies. Any weak link could lower the quality of overall service. Financial services are highly intricate, highly inter-dependent and require promptness and timeliness of the highest degree from all concerned. An Institution of closely related Affiliates which can provide diverse services can create tremendous synergy, and from customers' point of view, render services which have the mark of the Institution's character and commitment. UTI is in a position to meet various needs of its unit-holders as well as industry clients by creation of such Affiliates. In the era of liberalisation, this is expected from UTI and UTI shall not be lacking in response.

Acknowledgements

I would like to express my gratitude and pay tribute to the dedication, sincerity and hard work put in by all my colleagues and other constituents of the Trust who have made these achievements possible.

Yours sincerely,

S. A Dave

S.A. Dave
Chairman

June 23, 1994

UNIT TRUST OF INDIA
For your better tomorrow

Nationalising Aesthetics

Janaki Nair

The Making of a New 'Indian' Art: Artists, Aesthetics and Nationalism in Bengal, 1850-1920 by Tapati Guha-Thakurta; Cambridge University Press, Cambridge, 1992: pp xxvii + 351.

FOR long, historians focused on the economic, social and political aspects of colonialism and the national movement in modern Indian history. More recent perspectives in history, such as the feminist perspective, have reaped rich harvests from cultural history, drawing liberally on the literary and performative art traditions. Although social history has drawn a great deal of sustenance from myth, oral culture and vernacular literatures, there has been a significant silence about the visual arts. Rarely have the visual arts of the colonial period been tapped as an archive; even more rarely have they been considered a way of reconstructing historical epochs.

If the visual artists and their historians inhabit altogether different institutional spaces with little or no contact between history and art history today it is partly an expression of the general indifference, even hostility, to the training in visual languages in India. Yet it is today more than ever that historians need to remain alert to the fact that such indifference is a luxury. In such contentious times as these, the world of visual representation has become a major site of struggle: the recent use by the Allahabad High Court of Nandalal Bose's illustrations of the Indian Constitution to decide on the historicity of Rama is a case in point. In this sense, Tapati Guha Thakurta's book is doubly welcome: it enhances our understanding of the process of nationalist hegemony while emphasising the significance, and limits, of studying the development of a new aesthetic.

Like every other sphere of Indian life, Indian visual art forms underwent a radical transformation in the colonial period. To some extent this was a result of the introduction of new materials (such as the use of oil paints) and the influence of western representational modes (such as realism). But to a large extent, the changes were directly a result of the extraordinary implications of shifts in patronage. The decline of temple and court as patrons of the arts, and the development of new individualised sources of patronage, i e, the development of a market in art, meant that the 'meaning' of a work of art was increasingly produced not solely by the artist but also by a new mediator, namely, the critic. The hieratic qualities of artistic production changed dramatically, but the critic and the colonial patron became the arbiters of taste, the retailers of the new aesthetic, determining to a large extent the nature of artistic production.

No wonder then that the question of patronage is a central concern of the book. Guha Thakurta is concerned mainly to mark the ways in which a new nationalist aesthetic was able to establish its hegemony, but the measure of such success was in many ways commercial. Concerned as the emerging Indian bourgeoisie was for the art work as 'value' (or investment) as well as 'decoration', a space had to be cleared for valuing 'creativity', as opposed to mere imitation. The artistic sensibility then had to be reified as 'genius'. Nationalist art had to set itself off from the 'lowly' artisanal qualities of the bat-tala woodcut or the Kalighat patua or the mass produced oleograph, even as it could be no mere replication of the western notion of individuated genius. Setting off high art from low, and eastern sensibilities from the western, both in terms of the form and format of art work, was the nationalist agenda. In distinguishing itself from both these kinds of art in colonial India, the artistic production could be sacralised in a new sense, by serving the cause of the nation, in an idiom which was overwhelmingly Hindu: in the process, new nationalist iconography was hypostasised in a way that also isolated it from history.

Endowing nationalist art with such superior purpose was by no means accomplished by the artist alone: equally involved was the indigenous art critic, the western orientalist and, of course, the new patrons. The process by which such a distinction was achieved and maintained in Bengal between 1850 and 1920, especially as represented by the work of Abanindranath Tagore, is the book's central concern.

The first three chapters lay out the kinds of dislocation in the world of art that were produced by the introduction of colonial rule in India. In the early stages of colonial rule, one group of painters found a source of livelihood in company commissions for paintings of types and trades (p 18), while a strong market flourished for patuas, rural scroll paintings which were transformed in the city both in form, through the use of watercolours, and in format, through irreverent portrayals of new social classes and their moralities. But the introduction of printing technology soon produced a breed of wood and metal engravers, who cornered a larger share of the market through an adaptation of their skills to facilitate reproduction (pp 18-35). The bat-tala engravings were linear, stylised and two-dimensional, though thematically similar to the Kalighat pats.

A third set of painters, who remained somewhat more anonymous, were those who adapted certain realist conventions to the production of mythological pictures for the mass market in oils. Little is known of the sources of inspiration of these artists but it is clear that there were shifts in the demands of the local elite for realistic renderings of religious figures which retained their divinity despite the demands of naturalism (p 43).

Meanwhile, the introduction of capitalist relations in land and the concomitant rise in forms of consumption which spoke of the status, style, and culture of the owner, produced a demand for the framed oil paintings and busts which were directly modelled on European-style paintings (pp 54-55). This taste for European-style paintings was clearly no accident, and reflected the growing emphasis put on western art by colonial administrators, especially in the art schools which were set up to train Indian artists in western academic styles. The emphasis on such training went alongside a concern for the preservation of the arts and crafts of India which were considered extremely precious skills, but the higher ground was still held by the western artists whose sense of perspective and flair for naturalism was considered far more well-developed.

The emergence of the gentleman artist in the milieu of the art schools, distanced by social background and training from the artisans, accompanied a shift in the self-conception of the artist who acquired a new respectability. Such dignity was possible because artists managed to find financial succour from teaching, and the very respectable profession of book illustration (p 83). Here too, the patronage of the wealthy families of Bengal was significant, and it was the aesthetic demands of this class which forced artists to work out a new iconographic imagery. There was an increasingly close linkage emerging between the visualisation of "Avatars Ragas and Raginis", namely, Hindu faith, as the source of "art" (pp 89, 139).

In no small part, such a reading of what should be the proper source of inspiration for a truly national 'art' was greatly enabled by the work of prominent orientalists, notably, E B Havell and Ananda Coomaraswamy and the pan-Asian ideas of Kakuzo Okakura and Sister Nivedita. Guha Thakurta suggests that theirs was an attempt to recover the splendours of truly great religious (read Hindu) art which had been in decline for centuries, at least in part due to the secular nature of Mughal art. This essentialising of Indian art history, based on the 'discoveries' of Ajanta and of rajput painting, paralleled the more general essentialisation of Indian history which was well under way, and indeed had succeeded in enthroning the aryan myth and vedic ideals as quintessentially Indian.

Yet even here, only certain forms of representation of mythical heroes were admitted

to what would become a truly national art. The work of Raja Ravi Varma, which had been popularised through reproduction, was considered the epitome of 'bhava' in the late 19th century, and from which criticism had been consciously withheld since that was considered premature, was now denigrated as vulgar, sensuous and grossly 'un-Indian' (pp 186-87). National Indian art was invested with a new morality and an intense spirituality which made it commensurate with political and economic swadeshi.

The person whose work epitomises the 'moment of arrival' in new nationalist art was Abanindranath Tagore. Tagore was acclaimed as the true nationalist artist by orientalist and nationalist critics alike, and his work defined the start of a new school of Indian painting. Despite its advances, this exploration of Indianness congealed into a formula. An occasional critic like Benoy Sarkar attempted to forge anew the language of art criticism, concerning himself with "a general language of form" and remaining critical of the slavish state to which Indian art had fallen in its anxiety to serve the cause of the Indian nation. There was a recognition therefore that local sources of inspiration and an intensity of feeling were critical to the development of the new aesthetic, but that could not be at the expense of formal excellence which deployed the universal language of art.

Despite the efforts of the likes of Benoy Sarkar, Guha Thakurta argues that by 1922 the 'nationalist' was the dominant aesthetic. The claims to 'Indianness' of the Bengali artists were secured by the fact that Abanindranath's students fanned out across the country to head art schools that were then being established (p 311).

The development of an Indian-style aesthetic which drew on the traditions of Ajanta, the rajput or the Mughal miniature, remained entirely within the terms set by the orientalists especially in its early stages: it is in this sense that Abanindranath's work functioned as an acceptable form of cultural nationalism, perhaps the least threatening of its forms, receiving, and thriving on, official support of the material as well as ideological kind (pp 278, 279). But Guha Thakurta does not quite draw out the implications of Abanindranath's repudiation of swadeshi politics and his "conscious distancing from the sphere of political activism" (p 259), especially as it translated into official support by his school of nationalist art. The impossibility of 'realism' (not as a set of formal techniques but as a way of engaging with the materialities of colonial rule) for artists such as Abanindranath, rooted as they were in the privileges that were engendered by colonialism, meant that the visual arts at that time could never pose the same kind of threat that plays and novels could, and did, pose (and were therefore proscribed).

A far more robust critique of colonial society did, on the other hand, exist in the pats and woodcuts of the artisans, despite their formal technical, limitations. Such critiques were increasingly elbowed out by the much vaster possibilities of mechanical reproduction but, more important, lacked the ideological support enjoyed by the culturally obedient "new nationalist" art.

Since the nationalist aesthetic evolved in ways that idealised the Hindu mythological tradition, remaining "exclusive" rather than "inclusive" in its scope, what also appears to have been elbowed out were the Muslim artisanal traditions. Indeed, apart from mention of Abdur Rahman Chugtai, who belonged to a family of Persian sculptors and painters but was quite thoroughly absorbed in the Abanindranath school of national art, it is not quite clear from this account whether there were Muslim painters. Were their sensibilities the same as the 'nationalist' ones? How did the nationalist hegemony process work in this case (as opposed to the 'high' vs "low' distinction which is more fully explored throughout this book)?

Finally, there is the very crucial question of the centrality of the figure of the woman, both in the earlier critiques of the bat-tala prints and in the sanitised and idealised images of the nationalists. Guha-Thakurta is scrupulously attentive to the refiguring of the woman in the nationalist imagination throughout her work; such attention is even unavoidable (esp pp 299-301). Even so, the process by which women became the ground on which questions of Indian tradition were debated and contested must deploy patriarchy as a category of analysis, for what was at stake in such refiguring was not just nationalism, but nationalist patriarchy.

Women themselves appear to have been entirely absent from the circle of patrons, critics, students and artists. Or were they? Certainly the painstaking searches in vernacular literatures have yielded an embarrassment of riches, and have decisively transformed the very questions that have been asked of social reform or nationalist hegemony. What role did women play in the ateliers of the Tagores, especially when they were refused the western role of 'model' or 'muse'? What kinds of intercourse were there between the artistic worlds of women and the emerging nationalist iconography, especially as the former exceeded the demands of nationalist patriarchy? Such questions necessarily go beyond a search for 'evidence' and require the reconceptualisation of the categories of art history itself. The ways in which some categories of society were excluded from artistic production, through gendered notions of 'genius', through gendered access to patronage and training, equally forms a part of the narrative of the development of a new Indian aesthetic.

In large part, Guha Thakurta's book confirms for the world of the visual arts what has already become a familiar framework for modern Indian history, namely, the 'successes' of nationalist cultural hegemony. Despite her overall commitment to questioning the boundaries of 'high' and 'low' cultures, between 'modernity' and 'tradition' (and the resultant excessive use of qualifying inverted commas), the structure of the narrative is determined by the tracking of this nationalist cultural hegemony. Nevertheless, this book is crucial not only for an understanding of the development of an Indian aesthetic, but for all social historians of modern India, illuminating as it does a neglected field of history. Accompanied by reasonably good reproductions of nearly all the genres of art of this period as are discussed, the book itself is a valuable archive, and testimony to the painstaking research of the author.

Towards Revival of Small Water Bodies

K Sivasubramaniyan

User-Friendly Irrigation Designs by Nirmal Sengupta; Sage Publications, New Delhi, 1993; pp 147, Rs 185.

THE relative significance of traditional minor irrigation sources for agricultural development in India is well known. Generally, rainfall occurs for three to four monsoon months in a year. Irrigation tanks, ponds and other micro water-sheds, known as 'small water bodies', store the run-off water and provide assured water supply throughout the year. Even from the earliest times people realised the importance of minor irrigation sources. The level of prosperity of a village directly depends upon the availability of water in minor irrigation sources. Further, 'small water bodies' contribute to ecological balance and provide water supply for rural and urban population.

The book under review examines the importance and suitability of traditional irrigation practices in Indian agriculture. In the preface, the author discusses the terms 'modern' irrigation systems and 'traditional' irrigation systems as understood by modern engineers and development experts. The study attempts to scientifically document the variety of traditional irrigation techniques practised in the country. The documentation of irrigation techniques has been done for the entire country up to the district level. The book also critically examines the quality and limitations of irrigation statistics collected and compiled by government departments.

The 'diversions' of watercourses which impede natural drainage streams are discussed in chapter 2. Based on the topography of regions, the author discusses four types of diversions: (i) diversion in steeper hill areas; (ii) diversion in sloping plains; (iii) diversion with lifts; and (iv) diversions of special types. The need for undertaking different types of storage works has been analysed in chapter 3. The techniques adopted and the procedures followed for the construction of storage-works have been described in detail. While examining the statistics provided by government departments on storage works, the author raises doubts about their authenticity and indicates important gaps between the available statistics and the realities on the ground. For instance, the data on areas irrigated by 'tanks' and the number of existing tanks in the specified category present a serious limitation which hinders inter-state comparisons. Even within a state, the given statistics on hectarage served by tanks are not reliable. In Orissa, for example, data indicate that 'tanks' serve a substantial hectarage but nothing serve 'other sources'. The author argues that it is not possible to estimate the hectarage served by 'tanks' in a partially hilly and forest state like Orissa. After providing a general account of variations in the design, size and shapes of tanks, the author estimates the overall area irrigated by tanks in the country at 25 million hectares. This estimate includes the command area of 3.6 million hectares, the submergence or water-spread area of 3.8 million hectares and the catchment area of 18.0 million hectares.

For understanding the integrated structural characteristics of design and functioning of minor irrigation systems, the author emphasises the need for appreciation of their secondary irrigational benefits. He specifies three types of conjunctive designs: (i) ground water appropriation; (ii) several small storages [illegible] provide supply of water for both drinking as well as irrigation; and (iii) diversion and storage in combination such as the 'system tanks' of south India. Among the three designs, ground water appropriation constitutes the major source of supply when the tanks dry up. The study observes, "in years when the tank is only about half full, 30 to 40 per cent of irrigation water comes from wells". The extent of rechargeability of wells through the small irrigation sources is considered more important because it is estimated by the public works department of Tamil Nadu that "about 80 per cent of wells are recharged from tanks and only the remainder are from canals and watercourses" (p 58). Thus the study emphasises the need for checking soil erosion and degradation of small irrigation designs. It is estimated that in India nearly half of the total geographical area is subject to soil erosion, of which around 85 per cent of the run-off and soil losses can be averted through integrated development of micro water-sheds.

In addition to the discussion of secondary benefits of tanks, the author also analyses the benefits that could be derived from the practices of indigenous irrigation methods and from the methods of flood control. He points out that greater economy and efficiency in water use could be achieved by using sprinkler and drip irrigation methods which ensure 'optimal spreading' of water. The management and use of minor irrigation systems by involving beneficiaries are clearly spelt out in chapter 6. The performance of maintenance work is the base for intensive development of minor irrigation system. In this context, a historical note starting from the early 19th century on maintenance of tanks, namely, 'kudimaramath' has been given. Generally, tanks with less than 40 hectares of command area are managed by beneficiaries of the tanks. However, the divisions of management responsibility is not uniform across the states. The author rightly observes: "India has had no success, as yet, in managing a nominally effective promotional policy for users' participation" (p 79).

For enhancing crop productivity the author recommends introduction of auxiliary storages (farm service reservoirs) from the modern canal irrigation projects which could be controlled by users themselves. Several examples of effective management of minor irrigation systems in which farmers themselves control and regulate the systems have been discussed. In this context, the author emphasises the need for providing support measures to upgrade the performance of tanks. The co-operation of farmers as in traditional irrigation systems could be adapted in the modern irrigation systems also. If the right kind of encouragement is given, even the unscrupulous self-seekers might want to enter the co-operative management. Failures in irrigation management were observed mainly due to the ill-conceived promotional policies.

In chapter 7 the reasons for deterioration of 'small water bodies' have been indicated. In the post-independence period, especially after the introduction of massive rural electrification programme for exploiting ground water, the deterioration process became more evident. Through the analysis of Time Series Land Use Statistics (1950-51 to 1987-88), the author has shown that "user-friendly systems have suffered a rapid rate of extinction since the 1960s". The 'discriminatory approach' followed in irrigation development resulted in the rapid growth of areas irrigated by government canals and ground water sources. The main factors responsible for deterioration of minor irrigation sources are the ineffective government policies and programmes, extensive encroachments in the catchment areas, existing property rights systems, lack

of finaňcial support, ill-designed modernisation programmes, development of pumping technology and the deterioration of co-operative spirit among beneficiaries.

An analysis of extension possibilities of 'small water bodies' has been attempted in chapter 8 taking into account the water availability, current irrigation development strategy of government and the irrigation potential of alternative strategies. While analysing the Central Water Commission's estimates of total water availability in the country the author rightly suggests the exclusion of traditional irrigation systems from the gross accounting procedure. This is mainly due to difficulties arising from the estimation of "the quantum of potential withdrawal through numerous minor farmer-managed surface-water systems". The author also examines the economics of modern irrigation systems and indicates that the large-scale modern systems have become increasingly less attractive as the ultimate potential of these systems has already been reached.

The right units for water resource planning in minor irrigation systems are the catchment and storage areas. The author discusses the significance of these units and argues for their proper development. In a region where rainfall is moderate or high, the available barren and uncultivable lands could be used as catchment and storage areas of the irrigation systems. Two important possibilities for developing minor irrigation systems have been indicated. They are: (i) proper improvement of traditional irrigation systems; and (ii) making the modern irrigation systems more user-friendly.

In the final chapter, through benefit-cost analysis the author examines the economic viability of a few tank irrigation systems located in some Indian states. Tank irrigation is an attractive economic proposition to farmers because it is estimated that the average net returns from tank irrigated hectarage in terms of foodgrains is about three times higher than those from the unirrigated hectarage. The author has also provided some examples from Andhra Pradesh and Karnataka to show the unfavourable benefit-cost ratios of tanks. He observes "As one moves to drier and more hostile terrains the cost-benefit results of these projects become increasingly unfavourable."

The irrigation projects constructed in the past were located in more favourable sites and therefore they were economically more viable. The study shows that in some cases the recovery of irrigation charges do not even meet the maintenance costs of the irrigation systems and in some states does not even cover the expenses incurred in the process of revenue collection. The study also recognises the desirability of tanks from the welfare point of view because they promote the development of backward areas. In this context, the author refers to the Philippines experience where "economic rationalisation has radically alteredthe structure of their irrigation department, whereupon greater stress is now laid on management of farmers' participation" (p 123). Finally, the author provides important suggestions for the improvement of calculations of benefit-cost analysis relating to tank irrigation projects. The study also emphasises the need for making the 'modern' irrigation systems into more user-friendly irrigation designs.

In the appendix, the author has provided some sketches of historical descriptions of early traditional irrigation systems as practised in the Indian subcontinent. The author also examines the evolution of technology of construction which started around the sixth century AD. Many big tanks were built from the 10th century. Technological innovations such as stone structure of cistern sluices, the transbasin canal to transport irrigation water, the linkages between large-scale storage tanks and small farm ponds, the excellent civil engineering devices and the level-crossing canals have contributed to a major breakthrough in the development of tank irrigation system in India.

All over the world, governments have realised the need for preserving their traditional irrigation systems which serve as useful guide to the construction of modern irrigation systems. Preservation and enhancement of the potential of renewable irrigation resources are the desperate needs of the hour.

A major limitation of the book is that it does not have a separate chapter of policy recommendations although the author has provided these recommendations at different places. In spite of these limitations, there are very few studies on small irrigation systems in India and therefore the book on the subject is useful to researchers, policy-makers and civil engineers involved in the development of minor irrigation systems in the country.

Levelling Up or Levelling Down?

Labour Institutions and Economic Development in India

K P Kannan

This article attempts to formulate and examine two hypotheses: (i) the presence of modern labour institutions as trade unions and protective legislation is not incompatible with the objectives of economic growth and efficiency, and (ii) the presence of such traditional labour institutions as caste- and gender-based segmentation of the labour markets is supportive of neither growth nor distribution and constitutes itself as a formidable constraint in the process of economic development. On the basis of empirical evidence implications for labour policy are discussed.

I
Introduction

DESPITE the assumptions of textbook neoclassical theory, the labour market has by now been recognised as the least homogeneous and perfect of all markets. The dominant characteristic of labour markets is its segmentation [see, e g, Loveridge and Mok 1979]. But the discovery of labour market segmentation is not recent and goes back to John Stuart Mill (1848), who emphasised such non-labour market institutions as class stratification as a deeply-rooted barrier to mobility and as a source of intergenerational transmission of poverty, and his follower John Cairness (1874), who called such groups as 'non-competing groups'. However, their theories on the segmenting characteristics of labour markets were not pursued until recent times.

However, the current interest in labour institutions emanated not from the perspective of labour market segmentation but from a broader concern with linking labour institutions with the pace and pattern of economic growth and distribution [see, e g, Rodgers 1991, Freeman 1992a and 1992b]. The recent and spectacular experience in achieving high rates of economic growth in east Asian countries has been a major source for the revival of interest in understanding the role of institutions, especially labour institutions, in economic development. In particular, the relative weakness of trade unions as a major labour institution on the one hand, and the absence, or low profile, of protective labour legislation on the other, have been sought to be contrasted with their legally and socially influential presence in the advanced capitalist economies of the west especially in western Europe.

The classical view on the segmenting influence of labour markets, referred to earlier, may be called the traditional labour institutions (e g, caste, attitude to women's work and its remuneration) whereas the presence of trade unions and protective labour legislation (e g, minimum wages, non-wage benefits, job security, etc) may be called the modern labour institutions. Both these are actively present in the case of India. The former, especially caste (or community in certain regions),[1] and gender-based labour market segmentation, is pervasive across rural and urban labour markets both in the organised and unorganised sectors of the economy. The latter however is confined, by and large, to the organised sector. Both these have become the subject of much public debate and controversy. As we shall show later, the presence of trade unions and protective labour legislation has been characterised as inhibitive of employment, growth and efficiency especially in the context of economic liberalisation and the consequent integration of the economy with the global capitalist economy. As for traditional labour institutions, social and political struggles for affirmative action in the labour market in favour of the socially disadvantaged groups (mainly based on caste identity) have gained momentum but these have been opposed in the name of efficiency and growth.

Our attempt here is to question both the arguments, based on empirical evidence, and formulate the following hypotheses: (i) the presence of such modern labour institutions as trade unions and protective labour legislation is not incompatible with the objectives of economic growth and efficiency, and (ii) the presence of such traditional labour institutions as caste- and gender-based segmentation of the labour markets is supportive of neither growth nor distribution and constitutes itself as a formidable constraint in the process of economic development.

Given this perspective,[2] we view the presence of trade unions and protective labour legislation in a positive light and argue for creating conditions for their presence in the unorganised sector. In a similar vein, we argue for an active affirmative action policy not merely confined to the labour market but also outside of the labour market to ameliorate the pre-entry (to the labour market) barriers of the socially disadvantaged groups. Both these are examined from a growth point of view especially one that would contribute to an increase in effective demand through broadening the sources of growth.

II
Do Unions and Protective Labour Legislation Inhibit Growth and Efficiency?

Since the early 80s when economic growth began to slow down in the advanced capitalist countries, one of the first labour institutions that came under attack were trade union, and protective labour legislation. It was argued that these two institutions do not provide the flexibility required for employers to restructure the industry with a view to cut labour costs and make it more competitive. Retrenchment becomes difficult, technological changes are resisted and these affect adversely on productivity and growth. There are strong and influential adherents to these views with respect to India [e g, Lucas 1988; Fallon and Lucas 1989; World Bank 1989; and Ahluwalia 1991]. Their arguments can be summarised as follows: The organised (mainly manufacturing) sector in India is characterised by the presence of strong unions and protective labour legislation aimed at increasing real wages (as well as non-wage earnings) and job security. These have constituted themselves as a major labour market distortion leading to substitution of capital for labour and hence increased effective cost of labour, excess of labour due to past overmanning and stringent exit policies, increased real earnings resulting in a decline in the growth in employment and, implicitly, the efficient use of manpower. Taken

together, these views constitute a strong indictment on the two most important modern labour institutions (unions and protective labour legislation) *vis-a-vis* their role in economic development especially in relation to employment and labour efficiency.[2]

While the fact that growth in employment in the organised sector has declined since the beginning of the 80s has been recognised, the causal factors have not been established unambiguously. The argument that the decline is due to, among other labour market 'distortions', an increase in real wage rate as put forward by Lucas (1988), Fallon and Lucas (1989), and Ahluwalia (1991) has now been disputed. A recent study has shown that "while earnings per worker in registered manufacturing increased at 3.2 per cent in the decade beginning 1979-80, earnings per manday increased at only 1.6 per cent per annum which is less than the corresponding per capita GDP growth rate during the same period (2.7 per cent) [Nagaraj 1994: 178]. This is because workers have evidently worked a larger number of mandays in the 80s compared to the 70s.

The above finding is quite revealing in the light of the claim of rising real wages as measured by earnings per worker. However, a rising real wage *per se* does not say anything about labour efficiency unless it is related to labour productivity. If it is argued that "unions, aided and abetted by the state, have raised wages ahead of productivity" [Lucas 1986 and Sengupta 1988 as reported in Deshpande 1992], then it could be argued that it is a problem arising out of labour institutions because it goes against considerations of dynamic efficiency. However, this will be crucially dependent on whether the initial share of wages is perceived as socially acceptable (depending on how far it deviates from the average share of wages in the economy). Without going into the acceptability or otherwise of the initial distribution, we examine the aspect of dynamic efficiency in the organised industrial sector characterised by the presence of unions and protective labour legislation.

From the point of labour institutions, the concept of dynamic efficiency takes into account both the growth and distribution objectives of economic development. Employers are concerned with the share of wages in value added because that determines the share of profits. From a dynamic point of view, what needs to be tested is the growth in per capita labour productivity and the growth in product wage representing the share of wages in value added. Deflating the current values of both by the wholesale price index for manufacturing, we have arrived at their real values for the organised sector as represented by the factory sector in the Annual Survey of Industries.[3] Three possible outcomes and their implications may be stated as follows:

(a) If the difference between the growth in labour productivity (LP) and growth in product wage (W_w) is positive, then the industry concerned is efficient in the dynamic sense (enhancing efficiency while increasing the wage rate) and that the presence of unions and protective labour legislation is not incompatible with the objectives of growth and distribution. In such a situation, conditions are favourable for accelerating accumulation.

(b) If the difference between LP and W_w is zero, then the existing level of efficiency is maintained and the industry concerned could continue with the current rate of accumulation. In this case, the presence of unions and protective labour legislation is neutral and preserves the status quo.

(c) If the difference between LP and W_w is negative, then the industry concerned is not dynamically efficient and hence likely to experience a decline in its ability to compete. In such a situation, the presence of unions and protective labour legislation may be said to be not compatible with the objective of growth. But this calls for an important qualification. As we noted earlier, if the initial distribution in terms of the share of wages is perceived to be unacceptable, then the presence of unions and protective labour legislation could be viewed as a corrective force.

We report here two sets of results. Table 1 presents the results for the factory sector as a whole. And this includes both large and relatively small enterprises in the organised sector. The results are quite revealing. For the organised sector as a whole, there is no evidence to show that the presence of unions and protective labour legislation has affected the dynamic efficiency and thereby the objectives of growth and distribution. Growth in product wage has been more than compensated by the growth in labour productivity. And since the difference is positive, the objective of accumulation and further growth has been served. Other things remaining the same, higher the difference the greater is the scope for accumulation and growth. A periodwise examination shows that the difference has been highest since the 70s although there has been a decline during the 80s. This is possibly the basis for the concern about the role of unions and protective labour legislation in the organised sector in the 80s.

The reported decline in total factor productivity should therefore be attributed to factors other than labour especially on such factors as capacity utilisation and supply bottlenecks. It is important to note here that, while giving these as possible reasons, Chakravarty (1989:57) has also underlined the slow growth of domestic absorptive capacity for many of the consumer durables. And this is linked to the question of expanding effective demand in the economy, an important source of which arises out of the income of labour.

There could be variations in dynamic efficiency at the level of individual industries. We have results for 18 industry groups that constitute the manufacturing sector in India within the organised sector. Table 2 gives the results. During the period 1973-74 to 1985-86, for which we have been able to obtain the data, the condition for dynamic efficiency has been satisfied by 15 out of the 18 industry groups. The three industry groups, which showed a negative difference in dynamic efficiency, viz, cotton, jute and paper, are the ones which have been lagging behind in terms of modernisation of plant and equipment. We also examined the results for the period in the 80s, 1980-81 to 1985-86, to find out whether the 80s offer a different picture. It is here that we see a pattern which could be characterised as a process of polarisation in competitiveness. Forty per cent of the industry groups (i e, 7 out of the 18) show a negative difference indicating a decline in share of profit and a consequent increase in the share of wages. However, the remaining 60 per cent of the industries (i e, 11 out of the 18) show that dynamic efficiency is maintained, that is to say, the per capita labour productivity has been increasing faster than the per capita product wage. The situation here is one of increasing product wage but decreasing

Table 1. Average Annual Growth Rate in Labour Productivity and Real Wages in India, Factory Sector, 1960-61 to 1987-88

Period	LP	W_w	W	LP - W_w
1960-61/71-72	2.80	2 29	2.01	+0 51
1973-74/87-88	4.08	3.24	2.26	+0 84
1980-81/87-88	5.22	4.90	3.02	+0 32
1960-61/87-88	3.44	2.77	2 14	+0 67

Notes: LP = Average annual growth rate in labour productivity, measured in terms of gross value added per employee deflated by wholesale price index for the manufacturing sector.
W_w = Average annual growth rate in product wage measured by earnings per employee deflated by WPI.
W_c = Average annual growth rate in consumption wage measured by earnings per employee deflated by consumer price index for Industrial workers.
Source of data: Compiled from *Annual Survey of Industries*

share of wages. The situation in these industries could be one of increasing capital labour ratios. Of further interest here is that nine industries (i e, 50 per cent of the total) show a higher rate of growth in dynamic efficiency during the 80s (1980-86) than for the period as a whole (1973-86).

The picture that emerges during the 80s is therefore a mixed one. The fact that a majority of the industries are increasing their competitiveness goes to show that the presence of unions and protective labour legislation is not incompatible with the objectives of growth and accumulation. There may be a number of factors why in some of the industries the dynamic efficiency is on the negative side. Those that have lost the dynamic efficiency include the ones (cotton and jute) lagging behind in modernisation and those that may be said to be facing shortage of raw materials arising out of the scarcity of such resources as wood Capacity utilisation in these industries could have come in the way of increasing labour productivity. That the picture emerging in the 80s is a mixed one does not need any emphasis but the pattern in terms of 'high performers' and 'low performers' suggests that the presence of unions and protective labour legislation cannot be held responsible, *prima facie*, for the results is evident. Moreover, the longer term trend is certainly one which does not support any argument against the presence of unions and protective labour legislation on the efficiency of industries. Only 17 per cent (i e, 3 out of the 18) of the industries show a negative sign in dynamic efficiency for the period 1973-86.

We have also presented, in Tables 1 and 2, the growth in consumption wage, i e, current earnings per employee deflated by the Consumer Price Index for Industrial Workers. It is important to note that the growth in consumption wage (which represents the real earnings of workers) is uniformly lower than the growth in product wage. That is to say, the relative prices of wage goods (mainly food) are higher than the goods produced by the workers in the industries. This points to a more basic constraint in industrialisation, i e, the ability to increase the real consumption of workers along with their increase in productivity. The point is that wage as a cost element is increasing faster than as one representing income.

Our hypothesis therefore is that the presence of modern labour institutions such as unions and protective labour legislation is not incompatible with the objectives of growth and distribution. On the contrary, there is enough evidence to show that faster growth in dynamic efficiency is achievable, given the presence of other favourable conditions. The onus for the decline in dynamic efficiency in some industries should therefore be sought in factors such as lack of modernisation and supply bottlenecks. If the viewpoint against the presence of unions and protective labour legislation is gaining currency, voiced loudly and repeatedly by employers and their organisations, the explanation for that cannot be based on considerations of efficiency. From an institutionalist point of view as represented by the Regulationist School, the reasons are more likely to be based on the concern for control of labour so that it becomes flexible enough to suit the changing strategies of employers.

From an analytical point, the link between considerations of dynamic efficiency and growth on the one hand and distribution on the other are clear enough. Increasing labour productivity faster than earnings could contribute to investment and growth. Increases in real earnings lead to increases in effective demand from a broader base of the population (workers and their families) and give rise to a demand regime conducive to growth. Those who advocate a 'flexible' labour market without intervention emphasise only one dimension of wages, i e, wage as a cost element. Implicit (often stated explicitly) in their argument is that the market wages are higher than they ought to be and hence act as a disincentive for investment and growth. What they do not emphasise is the other dimension of wage, i e, wage as income to the workers. The constraint in the Indian context is the narrow base of the effective demand arising from the income of workers because of the small size of the organised sector in the total workforce. Instead of posing the protective labour legislation as a barrier in enhancing employment and growth in the organised sector, shouldn't the emphasis be on extending progressively the protective labour legislation to the unorganised sector with such interventionist strategies as to help increase labour productivity in that sector? Such a 'levelling up' approach is required to reduce the wide gap between the earning levels and working conditions between the two sectors. This could lead to a demand regime more favourable to the growth process that caters to meeting the wage goods requirements of a wider segment of the population.

TABLE 2: ANNUAL AVERAGE GROWTH RATE IN LABOUR PRODUCTIVITY, PRODUCT-WAGE, AND CONSUMPTION-WAGE IN FACTORY SECTOR

Industry Group	73-74/85-86				80-81/85-86			
	$\dot{LP}$	$\dot{W}_w$	$\dot{W}_c$	$\dot{LP}$-$\dot{W}_w$	$\dot{LP}$	$\dot{W}_w$	$\dot{W}_c$	$\dot{LP}$-$\dot{W}_w$
1 Food products	8.98	7.08	3.79	+1.9	15 67	11 45	7.94	+4.22
2 Beverages, tobacco and tobacco products	6.38	4.72	4.45	+1.66	10 82	8 71	6.87	+2.11
3 Cotton textiles	2.44	4.00	1.83	–1.56	3.35	5.73	1.54	–2.38
4 Wool, silk and synthetic fibre textiles	5.03	4.89	2.91	+0.14	6.71	4.86	2.07	+1.85
5 Jute, hemp and mesta textiles	1.53	5.20	2.92	–3.67	–1.28	10.93	2.28	–12.21
6 Textiles products	5.30	3 37	1.61	+1.93	7.97	5.65	1.43	+2.32
7 Wood and wood products, furniture and fixtures	0 85	0 15	2.55	+0.70	1.76	2.62	2.83	–0.86
8 Paper and paper products, printing, publishing, etc	1.40	1.43	2.63	–0.03	2.48	3.57	2.10	–1 09
9 Leather and leather and fur products	2.52	0.23	1.37	+2.29	3.25	2.93	–0.43	+0.32
10 Rubber, plastic, petroleum and coal products	6 71	–2.01	2.63	+8.72	14.70	1.95	4.78	+12 75
11 Chemical and chemical products	–0.65	–0.7	2.33	+0.05	2.27	2.53	2.90	–0.26
12 Non-metallic mineral products	3.69	–0.85	2.49	+4.54	7.42	1.14	2.09	+6.28
13 Basic metal and alloy industries	2.24	–0.91	1.82	+3.15	3.41	–0.4	1.15	+3.81
14 Metal products	0.83	0.39	3.03	+0.44	–0.03	0 86	2.19	–0.89
15 Non-electrical machinery	4.25	2.18	3.38	+2.07	6.63	4.82	3.94	+1.81
16 Electrical machinery	3.71	3.36	2.81	+0.35	6.85	6.36	2.45	+0.49
17 Transport equipment and parts	3.23	1.92	3.45	1.31	4.36	4.74	3.57	–0.38
18 Other manufacturing industries	12.73	5.32	3 56	+7.41	20.34	10.14	3.84	+10.20

Notes: 1 The wholesale price index used for deflating the current values of labour productivity and earnings per employee are the ones for the specified industry-groups. The WPI base is 1970=100.

2 The consumer price index used is for the industrial workers (all India) with 1970=100.

Source of data: *Annual Survey of Industries*.

III
Traditional Labour Institutions in Labour Market Segmentation

Here we are primarily concerned with examining the rôle of caste (or community in certain regions) and gender-based labour market segmentation and their impact on economic development. There is likely to be very little disagreement in pointing out the role of caste and gender as the most important bases of segmentation and discrimination in the Indian labour market. This has also been associated with the notions of 'good jobs' and 'bad jobs' or a hierarchy of jobs in terms of their social status. But this is also not devoid of economic content. Often the earning levels also reflect a hierarchical structure corresponding to the social status attached to occupations.

From a basic point of view the labour market segmentation is manifested in terms of the degree of vulnerability (which can be translated into the presence or absence of protection). It ranges from a small segment which is most favourably placed to a large segment that is most unfavourably placed. The correspondence of this ranking to the organisation of production in the economy is not incidental; in fact, the multi-structural character of the economy is integrally related to the status of labour in various segments. This has even led to such implications as whether some segments of the labour force are recognised as workers proper or not. A small segment of the labour force represents the workers in the organised sector enjoying protection and regularity in employment. A larger segment of the labour force consist of those workers in the unorganised sector. The latter may be divided into two groups; one, those who may be called wage workers enjoying very little protection and/or regularity in employment and, two, those who are self-employed because they survive by engaging in selling the products of their labour without an identifiable employer. Formal autonomy does not make much difference to their vulnerable status in terms of employment and income. Then there are those who are not even recognised as workers proper because their labour is often not remunerated and these are the unpaid workers in and out of the household engaged in activities linked up with production. Segmentation in these various categories are often along caste and gender lines which are inherited endowments. And these get reinforced by the lack of such endowments as education which could have been acquired. The segmenting role of caste and gender-based institutions in the labour market have not been easy to reduce, let alone eliminate. There are different ways in which they operate. Discrimination is the most obvious form and this refers to a strategy of exclusion from certain labour markets and jobs. Thus both pre-entry and post-entry labour market discrimination operates.

Since aggregate data on castewise occupational distribution are not available, no precise empirical substantiation (except for the lower-end categories of scheduled castes and tribes) can be provided at that level for the correspondence between caste status and labour status. Broadly speaking three categories are used both in official and other studies and these refer to a three-tier classification of upper, middle and lower social classes. It is the middle stratum which has the most complexity because some social groups have been able to advance economically mainly through agriculture and related occupations. But from the point of labour market segmentation, such a classification is not altogether irrelevant.

Persons belonging to the lower social classes, e g, scheduled castes, find themselves confined to a limited number of occupational categories. This is despite affirmative action policies in the labour market. It should however not come as a surprise because the affirmative action policies apply to only a part of a small segment of the labour force, i e, public sector jobs in the organised sector. Most of them find themselves in rural (agricultural) occupations, casual in status, unskilled and low paid. Gender-based discrimination fall on women. And this also runs across all categories of employment. Table 3 presents four broad occupational distribution for workers belonging to non-scheduled castes/tribes, scheduled castes and scheduled tribes separately. Only 18 per cent of the non-SC/ST workers are in the category of agricultural labourers while it is 48 per cent for SC and 33 per cent for scheduled tribe. However, the distribution has a clear gender dimension shifting these proportions to 39, 68 and 46 per cent respectively for women workers. The distribution within the scheduled tribe population as cultivators and agricultural labourers should be understood in the light of the fact that traditionally this group cultivated their own land, owned communally. The proportion of agricultural labourers is an indication of the process of proletarianisation among them. The occupational diversification is also limited for the workers in SC and ST as can be seen from their share in non-agricultural occupations. Under the non-agricultural categories, a high proportion of workers belonging to SC and ST are likely to be in low status and low earning jobs. While there is reason to believe that gender-based discrimination at the upper-end characterised by higher education, household income and social status are likely to be less sharp than at the bottom, it is not difficult to find discrimination manifesting in terms of job-typing reflected in women's opportunities confined to certain type of jobs. Thus in Kerala, a state characterised by much less inequality in social development indicators as between men and women—as for instance, in sex ratio, literacy, school education and morbidity—evidences of labour market segmentation in white collar services are not hard to find [Simon 1993].

What makes caste- and gender-based discrimination inhibitive to economic growth and distribution is its implications on earning capacity and thereby income levels. Labour market segmentation characterised by discrimination in terms of jobs and remuneration also imply a pattern of stratification according to income, among other dimensions. Thus one may discern a structuring of the labour market in terms of labour status with the low caste, poor, rural women at the bottom and the high caste, better off men at the top. This is not confined to the rural areas only because of the socially stratified nature of land ownership; it has been carried over to the urban areas as well although most occupations there are not land-based. Thus, a study of the labour market in Bombay City showed its segmenting characteristics as socially and economically embedded in rural areas. Of the three types of employment, casual, small establishment and factory, those in casual employment had the least income, hardly any increase in real earnings over time, and were the least mobile.

TABLE 3: PERCENTAGE DISTRIBUTION OF MAIN WORKERS AMONG NON-SC/ST, SC AND ST POPULATION IN INDIA, 1981

Category		Total Main Workers	Cultivators	Agricultural Labourers	HH Manufacturing, etc*	Other Workers
1 Population	P	100	43	18	4	35
Other plan	M	100	44	14	3	39
SC and ST	F	100	36	39	6	19
2 Scheduled castes	P	100	28	48	3	21
	M	100	32	42	3	23
	F	100	16	68	4	12
3 Scheduled tribes	P	100	54	33	1	12
	M	100	60	26	1	13
	F	100	44	46	2	8

Notes: * Consists of household industry, manufacturing, processing, services and repairs
P = Persons; M = Males; F = Females.

Source: Computed from Census Reports, 1981.

They were mostly poor migrants from rural areas, less educated and with few sources of financing their costs of job search. About 60 per cent of the women workers were in casual employment. "Due to lack of sectoral mobility, the casual worker continues to be employed at the lowest rung of the socio-economic ladder in Bombay just as he was in the village. Thus in a sense, the segmentation of an urban labour market begins in the villages" [Deshpande 1983:39]. Although studies of this kind bring out the nature of labour market segmentation, not many studies have systematically attempted to correlate the inherited and acquired characteristics of workers with their status in the labour market with a view to examine how labour markets are structured given the deeply embedded segmenting and discriminating propensities. Mention may be made here of a methodological study of urban workers in an industrially dynamic city in South India (Coimbatore in Tamil Nadu) which came out with at least eight status groups for labour reflecting the stratified and segmented nature of the labour market [Harriss, Kannan and Rodgers 1990].' These status groups consisted of those ranging from the least vulnerable and most protected category to the most vulnerable and least protected categories. Table 4 shows the correspondence of these labour statuses with poverty (income), gender division, caste/community, family background, education, etc. When these characteristics have been classified in terms of "inherited characteristics" (gender, caste, urban/rural background, and father's education) and "acquired characteristics" (own educational attainments), it was found that a large proportion of those with favourable conditions (89 per cent) were in the highest status groups (Protected Regular and Self-employed with Capital as shown in rows 1 and 2 in Table 4), i e, the most protected and/or least vulnerable groups.

Similar findings emphasise that segmentation and discrimination in the labour market are embedded in the socio-economic structuring of the society in India. This is especially so in the rural context with regard to workers belonging to low caste groups who are caught in the vicious circle of low earnings, low consumption, low education, low skill reinforcing their low earning capacities. Studies from a sociological perspective have brought out vividly the nature of the impact of segmentation and discrimination on the rural poor, often of low caste and their resultant survival struggles [see, e g, Breman 1985]. When women happens to be at this lower end, their life and work are a daily struggle for survival [see, e g, Gulati 1984].

Our argument here is that such a deeply segmented labour market is inhibitive of the objectives of economic development in terms of both economic growth and distribution. The arguments based on distribution are well known. The most important of this is that segmentation and discrimination exclude people in entering certain types of occupations as well as moving from one occupation to another. This leads to exclusion from opportunities for maximisation of income and economic welfare. This is often the basis for introducing affirmative action in the labour market. However, in the Indian context there are severe limitations for affirmative action in the labour market for two reasons. One is that, as mentioned earlier, the size of the labour market where affirmative action is introduced is limited to one segment of the organised sector i e, public sector jobs. This constitutes only around 3 per cent of total employment. Although this is important because of the prospect of higher security and standard of life for workers, its impact on alleviating labour market segmentation and discrimination would be only marginal. Secondly, the affirmative action in the labour market applies to persons with a minimum of work-oriented capabilities. That is to

TABLE 4 LABOUR MARKET SEGMENTATION CHARACTERISTICS IN COIMBATORE
(Percentage distribution in selected characteristics)

Labour Status		Percentage of Jobs	Caste: Low	Caste: High	Gender: M	Gender: F	Secondary Ed and Above: Father's	Secondary Ed and Above: Own	Those with Rural Bk grd	Those below Poverty: Income	Those below Poverty: Consumn	Favourable Endowments
PR	Protected regular wage work (permanent jobs with a written contract and legal or union protection)	31	26	39	26	31	50	49	46	5	8	44
SC	Capital owning self-employed (capital threshold Rs 200 in 1987)	14	3	18	13	6	9	16	50	25	15	39
URL	Unprotected, regular long-term wage work (apparently permanent or long-term in nature but have less contracted or union protection than PR)	24	29	22	27	24	21	24	40	23	26	6
URS	Unprotected, regular short-term wage work (jobs paid on a daily or piece-rate basis without written contract or other protection)	9	7	3	9	7	-	3	60	48	33	-
UI	Unprotected irregular wage work (distinguished from the previous categories by irregularity of work)	11	21	1	9	15	3	3	50	75	60	6
IW	Independent waged work (a category of workers without a single employee entering into a sequence of wage relationships of short duration)	5	6	3	6	4	6	1	50	6	40	-
SM	Marginal self-employed, without capital	6	8	20	6	20	12	1	60	67	33	6
	All categories*	100	100	96	98	97	100	97	-	-	-	100

Notes: 1 * Indicates that wherever the total does not add up to 100 the remaining percentage of workers belonged to the category of family workers.

2 The percentage distribution of these below the poverty line refer to the principal earners. The poverty measures have been given in terms of both income and household consumption. Household consumption here represents a composite index in terms of consumption and assets, such as house size, availability of drinking water, electricity, expenditure on clothing, no of rice meals per day, etc. For details see Harriss, Kannan and Rodgers (1990) chapter 5).

3 'Favourable' endowments is a combination of favourable inherited characteristics such as gender (male), caste (upper), urban/rural origin (urban) and father's education (educated) and acquired characteristic namely, own education (secondary and above).

Source: Compiled from Harriss, Kannan and Rodgers (1990)

say, job-seekers are the same in every respect except say, caste. This is rarely the case because of the nexus between caste and gender on the one hand and other disabling characteristics as illustrated in Table 4. This further restricts the scope of affirmative action in the labour market in reducing labour market segmentation and discrimination. From a policy perspective, this implies extending the scope of affirmative action beyond the labour market. The absence of such a policy in a context of economic growth will mean that the incremental benefits of growth in terms of 'better jobs' will be shared among a narrow segment of the population leading to further accentuation of the inequality in the society. Evidence to this has been found in the context of the economic policies in the US and UK in the 80s (reported in Rodgers 1993). In the Indian context this is not without relevance because of the new economic policy emphasising privatisation, competition and technological change.

The growth implications of labour market segmentation is not as easily appreciated as the argument based on distribution. Policies aimed at accelerating economic growth could be constrained by labour market segmentation by a number of ways. One is the limited scope for expanding the effective demand in the economy. A segmented labour market in the Indian context also implies exclusion of a majority of the labour force from higher income earning occupations. This results in insufficient growth in purchasing power of the majority. Consequently it affects the economy's potential for increasing the demand for wage goods which could act as a stimulant to further growth of the economy. A national surplus of foodgrains (in terms of buffer stocks) and hunger of a significant proportion of the population is a reality in India and the latter is basically a reflection of the lack of purchasing power of the poor who perhaps toil more to earn less. It is quite probable such an internally stimulated growth process—increasing purchasing power of the poor who are also discriminated—could contribute to a better management of external balance in an economy faced with foreign exchange constraints. This is because the import content in satisfying the increased wage-goods demand is likely to be less than the increased demand emanating from the relatively better off sections. By the same logic, a structure of demand in favour of wage goods imply a structure of production for wage goods and this will have greater linkages with domestic sectors and resources.

Economic development is not merely one of growth and its distribution in the mechanical sense. It also involves qualitative changes in the labour force via human resource development resulting in increased productivity on the one hand and technological change which could enhance the total productivity. Let us take the former first. There are two aspects here; one relating to skill formation and development over larger and larger sections of the labour force and the other enhancing capabilities of the excluded groups. In a segmented labour market of the type in India, there is hardly any possibility for skill formation among the excluded. Such a situation in turn strengthens segmentation because of the inability of the excluded to compete effectively in the labour market even in a situation of affirmative action in the labour market. For the economy, it means dependence on a smaller segment for skilled occupations. It thwarts the spread effect of skill formation because of the limited linkage between the occupations of the excluded and unskilled with that of the skilled. Spillover effects from the organised sector to the unorganised sector might then be quite restricted. But the second aspect of capabilities of the excluded has a long-term implication. Those who are excluded often lack in basic capabilities say, literacy, education, nutrition and health and this is reinforced by their excluded status in the labour market. So there is a larger vicious circle which could be seen as operating through the labour market because wage income is the single most important means by which the poor could hope to get out of their situation of poverty. An abundant labour supply therefore does not constitute itself as an advantage in the process of growth; it could even be a constraint if such labour lacks in basic capabilities and occupational skills of higher economic value.

The implications for technological change are also not difficult to discern. When the economy has a large proportion of its labour force subject to labour market segmentation and discrimination and perforce work in low wage occupations, it also adversely affects the incentive for technological change. On the one hand the abundant labour provides a source of cheap labour leading to exploitative conditions of work reminiscent of predatory capitalism and this often inhibits technological change. Even in the organised sector production could be increasingly carried out through such arrangements as sub-contracting. Secondly, the low purchasing power of the majority of the labour force would not give any emphasis on quality in production because of the compulsions to keep prices as low as possible to meet the demands of low-income market. This could also add to the tendency for increasing quantitative production without regard to quality because of the limited size of the market for the latter. Often low quality of production is attributed to protective domestic market on which there is considerable literature. However, the structure of income reflecting a high weightage of low income groups could also act as a deterrent to production of quality goods. While this possibility has not attracted the attention of researchers, this is what we would find in reality even when domestic protective barriers are sought to be removed.[4]

IV
Labour Market Policies, Affirmative Action and Economic Development

The discussion so far lead us to formulate two hypotheses in the Indian context. One is that the presence of such modern labour institutions as unions and protective labour legislation need not be incompatible with the objective of growth. Second, the traditional labour institutions of caste and gender-based labour market segmentation and its attendant features of discrimination and stratification are incompatible with the objectives of both growth and distribution. If the validity of these hypotheses are prima facie accepted, then they have an important bearing on labour policies.

The implications for labour market policies are clear enough. If such modern labour institutions as unions and protective labour legislation are seen as essentially contributing to a process of 'levelling up' of the living standards of labour, then the presence of such institutions for those who are not covered by it is a desirable social objective. In concrete terms, the absence of such institutions would probably explain the low earnings and high vulnerability of workers in the unorganised sector in India. A 'levelling up' strategy implies encouraging their presence in the unorganised sector. In growth terms, they should act as incentives for technological and skill upgradation and more efficient forms of organisation of production. Labour market policies should therefore aim at reducing the vulnerability of unprotected workers and progressively eliminate the conditions favouring exploitation of cheap labour.

Labour market segmentation and its attendant features of discrimination and stratification call for affirmative action policies. Given the well-entrenched nature of social segmentation and discrimination, affirmative action in the limited sense of job reservation in the organised sector is unlikely to have any long-term impact on growth and distribution. We therefore argue for a broader definition and operational jurisdiction for affirmative action at three levels.

First, at the level of the labour market for positive discrimination in favour of those constrained by caste and/or gender considerations in access to jobs. In the Indian context this is constitutionally guaranteed for those belonging to the scheduled castes and tribes, i e, lowest rungs of the Indian society. In several Indian states, especially in southern India, legal enactments for such

positive discrimination have also brought in the middle level social classes, referred to earlier. And recently, this policy has been accepted at the national level by the central government, after a period of politically charged social turmoil.[5] Unlike in the US, for example, this policy of affirmative action in the labour market is restricted to public sector jobs. And given the size of the public sector employment in total employment, this is unlikely to have anything more than a marginal impact although it has a much bigger symbolic value. Although this might, in the short run, deny access to jobs for a small segment of job seekers from the socially non-disadvantaged groups, it is unlikely to produce any adverse impact in the long run. The fact that non-disadvantaged groups in general have relatively more resources—socio-cultural, political and, economic—at their command will enable them to be more resourceful in finding or even creating appropriate economic opportunities. And perhaps this might make them less dependent on public sector, especially white collar, jobs.

At the second level, there is need for affirmative action aimed at building work-oriented 'capabilities' for those who are not qualified to compete in the labour market. This is a much larger segment of the population who are found in the unorganised sector of the economy in a variety of occupations both in urban and rural areas hardly offering any protection and/or regularity in employment. These are often not the absolutely poor but those at the margin of poverty with some minimum of consumption. Affirmative action in the form of job reservation is hardly sufficient to them. As the figures in Table 3 would indicate, they need affirmative action aimed at access to education, training and skill development so that their pre-labour market discrimination is taken care of. Affirmative action policies in this case are directed outside the labour market and have a long-term objective of building up and improving the capabilities of the labour force in the economy. Without adequate investment in human resource development on a broader scale economy-wide increases in productivity, across occupations, are hard to achieve.

At the third level, affirmative action policies will have to address those who cannot even hope to build up capabilities because of their severe disadvantages. These are the assetless, rural, poor labourers without any access to obtaining basic capabilities. A large proportion of women belong to this category as the figure in Table 3 testify. Investment in human resource development such as education and health, even at the minimum, warrants some staying power. And those who do not have that are the assetless, mostly without stable employment. Affirmative action aimed at providing a minimum of staying power to this segment of the labourers is linked to such policies as distribution of land, provision of credit, food security and some guaranteed employment, as a precondition for enabling them to avail of the access to education and health. The absence of these often manifest in the form of, among other things, child labour as a survival strategy of such poor households. Therefore, efforts for achieving, for example, compulsory schooling for children, will have to start with an attack on parental poverty. This might not only prevent 'intergenerational transmission of poverty' but could convert the 'non-competing groups' into 'competing groups' in the labour market. Studies testify that given equal opportunity and economic security, children from even the socially most disadvantaged segments prove to be as intelligent as their counterparts from non-disadvantaged background [Thakur 1992].[6] It is pertinent here to note the observations of the National Commission on Rural Labour [GOI 1991: vi-viii] with regard to land distribution and human resource development and their link in enhancing labour productivity.

> The immediate impact of widespread landlessness is on the wages of agricultural labour. It has been generally observed that market wages for agricultural labour are higher wherever agricultural labourers have a better bargaining power in such situations on account of their land base.
>
> A major deficiency of our plans, particularly in the first two decades, has been the relative neglect of human resource development and basic needs, e g, education, health, housing, drinking water, sanitation, etc, in rural areas. The attempts in the last two decades to provide such amenities have not succeeded in making good the backlog created in the earlier period. The proper targeting of these facilities for the poor and the needy is yet to be achieved. The rural poor, particularly in the remote areas, have very little access to the supplies of essential commodities like foodgrains from the public distribution system.
>
> The rural poor cannot afford to send their children to schools unless employment opportunities are increased and wages are high and children are provided support for attending schools. The widespread incidence of child labour is due as much to unemployment and poverty as to the lack of facilities for compulsory primary education. Productivity of rural labour, present as well as potential, is impaired by the lack of human resource development.

The argument contained in the above statement is not only based on distributive considerations; it acknowledges the link with growth through increases in productivity. Our attempt has been to emphasise the growth implications of the inequitous and segmented nature of the labour market. Such a viewpoint goes beyond Mandal Commission Report and job reservations. It would certainly acknowledge the exclusion of all those beyond a certain level of income for applying affirmative action since income is the single most important factor in determining living standards and acquisition of a variety of capabilities. It takes into account the need to do away with the segmented nature of Indian labour market which is seen as a constraint on growth, certainly of a broad-based one. And this is not just good social policy; it is good economic policy too.

Notes

[This is a revised version of my keynote paper on Labour Institutions and Economic Development in India presented at the Thirty-fifth Annual Conference of the Indian Society of Labour Economics held during January 21-23, 1994 at the Gandhi Labour Institute, Ahmedabad. I am grateful to T S Papola for inviting me to present the paper. Comments received from the participants of the conference are gratefully acknowledged. I am thankful to I S Gulati, Gerry Rodgers, and K Pushpangadan for their comments and suggestions on an earlier draft. The usual disclaimers apply.]

1 Even in communities such as Muslim and Christian, which do not formally admit caste-based division of its population, are influenced by the institution of caste and hence similar stratifications are discernible.

2 "Another sphere of needed reform also seems pressing, namely, with respect to job security legislation which raises the effective cost of labour and hence encourages the choice of more capital-intensive techniques, thus limiting industrial employment and hurting export competitiveness in otherwise labour-intensive activities" [Lucas 1988:192]

"The fact that employers are unable to offer lower wages, despite now being obliged to provide greater job security, is not surprising in either country. In India, the growing power of trade unions plus minimum wage legislation have no doubt confounded any downward pressures on wages that might otherwise have arisen" [Lucas and Fallon 1989:20]

"There is indeed quite strong evidence consistent with the job security regulations having diminished employment across a wide range of industries, compared to what it might otherwise have been" [ibid:27].

"The legal framework and government apparatus regulating industrial labour and labour-management relations have generated disincentives to employment growth in organised manufacturing". "Regulations restricting retrenchment of workers and closure of factories are a disincentive to expansion of organised sector employment, since firms are stuck with the labour they have hired even if business declines or if workers do not perform well"... "The statutory payment of annual bonuses and other benefits has strengthened disincentives to hire workers"... "The direct cost of labour to employers has increased sharply in recent years, in part due to the substantial overindexation of wages which occurs through the system of 'dearness allowance'" [World Bank 1989:112-13].

"The evidence on an across-the-board slowdown in employment in the manufacturing sector in the first half of the eighties is

unambiguous. For the manufacturing sector as a whole, employment declined at the rate of 0.7 per cent per annum. A number of factors contributed to the decline in employment. First of all, there was the fact of a sharp increase in the real wage rate during this period, after a prolonged phase of wage stability. Bias against adding to employment may also have arisen from the resistance of managements to handle a large workforce in an environment infested with multiplicity of unions and inter-union rivalry" [Ahluwalia 1991:193-94].

3 Since we are interested in finding the difference between the growth rates in per capita labour productivity and product wage, it will not make any difference whether the current values are deflated or not. This is because the deflator used in the left-hand side (gross value added per employee) will have to be used in the right-hand side also (earnings per employee). We have however worked out the real values of per capita labour productivity and product wage using the wholesale price index for the manufacturing sector because it gives us an idea of the growth in real labour productivity on the one hand and a comparison of the growth in real product wage *vis-a-vis* real consumption wage on the other.

4 This is what would happen in the Indian context in the era of liberalisation and globalisation. A part of the production would be geared to the high income export market as well as a narrow domestic one. A gradation of low priced and low quality products would at the same time be for the income-based segmented domestic market. Examples are soap, clothes, etc.

5 One of the arguments against job reservation in government job is its likely adverse impact on the efficiency of public administration. It is unlikely to attract many adherents if one were to say that the quality of public administration in the southern states (where 50 to 69 per cent of the jobs are reserved for the socially disadvantaged groups) is inferior to that found in say, Uttar Pradesh, Madhya Pradesh or Orissa where the reservation issue (except for scheduled castes and tribes) has been only recently (or in some cases, yet to be) addressed.

6 The popular perception is that children from socially disadvantaged sections (e g, scheduled castes) are intellectually inferior to the non-disadvantaged groups. And studies in the field of disadvantaged children reveal their poor intelligence when such studies are conducted in the setting of impoverished environment. When the setting of the study is shifted to the non-impoverished environment, the disadvantaged children (of educationally and economically well endowed parents) show no such inferior intelligence. A study by Thakur (1992) of students belonging to scheduled castes and brahmins in two central schools in Jaipur deserve to be mentioned here for its far-reaching findings. "Most of the studies in the field of disadvantaged children in India as well as outside have been carried out in the setting of impoverished environment, and these studies reveal poor intelligence of disadvantaged children in terms of low IQ, academic backwardness and drop-outs. Such results are attributed to impoverished environment."

"The present study examined the intelligence of socially disadvantaged or scheduled caste children. The problem posed was that if such children were affiliated to professional and administrative fathers and they studied in good schools, could they still show low IQ? The analysis of this study reveals negative answer to it. That is, if fathers" occupation and school environment are controlled, then we do not observe differences in scheduled caste and non-scheduled caste children on IQ. Interestingly enough, gender effect was also not found. Furthermore, the joint effect of caste and sex also turns out to be insignificant. This may be due to similar attitudes for male and female children by professional and administrative fathers. They give as much importance to the female child as to the male child".

"The findings of the study are very important in the sense that if parents' occupation, home status and school environment are raised and made intellectually stimulating, then the cognitive development of children takes place properly irrespective of their caste and gender. The study supports the environmental bias in the cognitive development of children. It confirms Piaget and Hunt's theory that experience plays a significant role in cognitive development" [Thakur 1992:51]

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Speech by the Chairman Mr. Mantosh Sondhi

At the Company's Eighth Annual General Meeting held in Bombay on June 29, 1994.

Ladies & Gentlemen

It gives me great pleasure to welcome you to the 8th Annual General Meeting of your Company.

The report and accounts of your Company, including the notice to the shareholders, have been in your hands for some time and, with your permission, I shall take them as read.

As you are aware, the Company's order book suffered a great deal during the period under review as a result of the severe industrial recession which affected the entire Capital Goods Industry. Process industries deferred investments in capital goods in the face of increasing international competition and domestic demand contraction. Under these conditions your Company's income fell to Rs. 54 crores in 1993, earning a net profit of Rs. 82 lakhs.

The Economy

The process of economic reforms is continuing, slowly but surely. Customs duties have been lowered across-the-board, direct and indirect taxes have been rationalised and reduced, interest rates have been brought down and the Rupee has become convertible on trade account. The macro economic indicators such as burgeoning foreign exchange, largest ever buffer stock of foodgrains reserves, steadily increasing exports, stability of the Rupee and an overall improvement in industrial growth including the capital goods sector and with the monsoon already off to a good start for the seventh successive year, all these augur well for a healthy economic revival notwithstanding the large fiscal deficit and the high rate of inflation. However, the infrastructure continues to pose a threat and so long as this remains a serious bottleneck, it may not be possible to achieve our targeted growth in GDP. Rapid development of infrastructure with the optimisation of its design and operation, therefore, requires immediate and very careful attention of both the Government and the Industry. This in fact is the key to the success of our economic reforms.

The Power Scenario

Obviously power is fundamental for our economic development. According to the 14th Electric Power Survey of India, India's peak demand projected for the year 2010 is 172, 262 MW. Thus, for the next 15 years, we need to add an average of 6500 MW each year to our present installed generating capacity of 70,000 MW. This is tantamount to adding in 15 years 150% more capacity than we did in the last 45 years. Our power development programme therefore needs to be positioned in the fast track. Despite this knowledge, and notwithstanding the experience of generating 21,000 MW in the Seventh Five-Year Plan, the addition to installed capacity in the Eighth Five-Year Plan ending 1997 is unlikely to exceed 14,000 MW. This dismal performance will result in a peak power shortage of 25% and energy shortfall in excess of 14%. These shortfalls can be mainly attributed to resource constraint. The resources required at over Rs. 4 crores per MW are staggering and financing is undoubtedly a formidable and daunting task. And it is obvious that India's seemingly insatiable appetite for energy necessarily demands foreign help. With the Government's recent policy initiatives, the Indian energy scene is attracting the world's largest power companies. Of some 35 proposals considered by the Government, eight projects aggregating 5600 MW have been granted approval, at an average cost of Rs. 4.26 crores per MW. Three of these projects are nearing their "financial closing", as a new era in power financing is beginning to dawn.

A nation with such immense power needs as India cannot do without the multinational mega projects for its long-term infrastructural development - notwithstanding the high capital investment, the long gestation period and the resultant high total cost of generation. However, in the intermediate term, the answer for India - as elsewhere in the developing world - lies in setting up efficient, reliable, decentralised captive power plants close to energy consumers - plants having short lead times and low overall cost of generation. Such solutions that obviate, or limit, the need for high distribution costs and high transmission losses are emerging as the most viable options for a power-starved world. Modular Diesel Power Plants with multifuel capability and operational flexibility can cater to changing fuel supplies, different running patterns and ever-increasing power demand.

Advancements in Diesel Engine technology have seen the emergence of fuel efficient prime movers that have multi-fuel capabilities, that satisfy the requirements of different load patterns - from base load to emergency operations - and that are environment friendly. Above all, the factors of reliability, high availability and overall efficiency provide for a low total cost of generation. Today, diesel engines command 12% of the total world market for new power generation for utilities and industrial power plants of over 1MW in size. This market is currently

about 60,000 MW a year and is expected to remain at this level for at least the next decade.

In this scenario, the inherent strengths of your Company place it in a unique position to meet the challenges of India's dynamic growth in the years ahead.

Our Collaborators

The Wartsila Diesel Group further strengthened its position during the year as the world's largest producer of medium-speed engines - both for land-based captive power and for marine applications. Deliveries during 1993 totalled a new high of 2400 MW, with both the Marine and the Power Plant Businesses establishing record deliveries of 1000 MW and 1400 MW respectively. The Group's sales grew impressively by over 30% to approximately USD 1.4 billion.

The Power Plant market was extremely buoyant particularly in South East Asia and East Asia. The Group effected large deliveries to Utilities and IPPs engaged in massive power development programmes to support the rapidly expanding economy in China and to remedy the severe shortage in the Philippines. Deliveries to Philippines alone totalled 400 MW during the year. The Group succeeded in securing a 20% share of the global diesel power market. The Power Plant business contributed 50% of the Group's total turnover in 1993. Wartsila Diesel have supplied six 100 MW plus power plants around the world, setting the pace in establishing diesel engines as a viable alternative for captive power plants of capacities upto 200 MW.

The Wartsila Diesel Group continued to make extensive investments in their new heavy fuel range of diesel engines and in gas engine technology. The major emphasis in new engine development was on reliability and fuel economy and was focused on lowering harmful emissions. The aim is to achieve as low emission levels from diesel engines as from any other prime mover burning fossil fuels. Your Company continued to receive active support and encouragement from the Collaborators. Not only did they support the Company in the form of placing export orders for engines, but they also helped increase competitiveness by maintaining the price levels of components constant over the past two years.

Training and Development

Your Company's training and development activities encompassed skill - specific programmes and workshops designed to ensure continuous improvement in the reliable and efficient operation of customers' power plants.

Management development programmes included modules on leadership, marketing and teamwork, especially designed to focus on orienting people's skills and attitudes towards satisfying customer needs and expectations.

Technical training programmes utilised the expertise of specialists from within the Company as well as from our collaborators and our vendors, to provide actual hands-on and on-site training interspersed with classroom inputs. All training programmes are continually reviewed and updated, based upon field experiences and technological improvements.

Technical training and skills development was also achieved through ongoing visits by Technical Service, Project Management and Technology Teams from Finland, and through specific training visits by Company personnel to collaborators' facilities in Europe.

Outlook and Prospects

The year 1994 started with an order backlog of about Rs.'50 crores. In the six months to date your Company has secured orders valued at over Rs. 60 crores, and the present order backlog is close to Rs. 90 crores. Additionally, your Company has secured orders for imported power plants valued at approximately Rs. 75 crores and for imported marine engines of the value of Rs. 9 crores. Moreover, with an impressive list of prospective projects on the anvil, I am encouraged to share with you my optimism of a much improved performance this year. It is estimated that about 170 MW of captive power plants will be delivered during this year, taking the Company's installed base to about 600 MW.

An interesting feature of our order book is the spurt in business from the textile and man-made fibres industry, which, during this year, will account for an installed base of 90 MW, up from 15 MW last year, representing 15% of the total population of Wartsila Diesel plants in 1994. Production of man-made fibre and yarn during 1993-94 registered an increase of 16% over the previous year. Exports of synthetic and rayon textiles grew by an impressive 19%. It is expected that companies in this sector will continue to perform well this year also.

In order to better exploit India's extensive coastline, coastal shipping is developing as an important growth industry; a spurt in the building of coastal vessels offers immense opportunities for marine engines from Wartsila Diesel's extensive engine portfolio. The development of ports has opened avenues for marine engines for applications such as tugs and dredgers. Your company has been active in booking orders in this market. With further development in this field, we are confident of increasing our market share in the marine business area also.

The private power development sector continues to present interesting opportunities. Letters of intent have been received and MOUs signed with several interested power developers, and it is expected that the implementation of some of these projects will commence before long.

So all in all the future prospects of your Company are extremely promising.

WÄRTSILÄ DIESEL

Registered and Head Office:
New India Centre, 11th Floor,
17, Cooperage Road, Bombay 400 039

This does not purport to be a report of the proceedings of the 8th Annual General Meeting.

Contraband Trade and Unofficial Capital Transfers between Sri Lanka and India

Muttukrishna Sarvananthan

The unofficial two-way contraband trade between Sri Lanka and India overshadows the official trade and capital transfers between the two countries. Quantitative estimates of this unofficial trade and transfer of capital are, however, hard to come by.

This article attempts to make some estimates of contraband trade and unofficial capital transfers and proposes some solutions to the problem that this poses to the economies of the two countries.

I
Introduction

INDO-SRI LANKA economic relations are centuries old. Our common cultural heritage and historical roots have fostered deep-rooted economic links between the two countries from time immemorial. The intention of this paper is not so much as to look back at Indo-Sri Lanka economic relations in the distant past, but to look forward to strengthening the inextricable economic linkages for the mutual benefit of the peoples of the two countries. Our common vision for the future gains added significance due to the remarkable changes taking place in the economic front at home (south Asia) and abroad (rest of the world).

Although Sri Lanka has been the pioneer of this economic change in south Asia, not until India embraced the ideal of free market economy recently did the world realise the full potential of the south Asian market. This is due to the vastness of the Indian market and the huge natural and human capital endowments of India. In this context it is imperative that Sri Lanka explore the possibilities of increasing the two-way trade and economic relationship in light of the opening-up of the huge Indian market.

In the process of identifying new opportunities for boosting the two-way Indo-Sri Lanka trade and economic relations in general and Sri Lankan exports to India in particular we were bewildered by the paltry sum of exports to India which is a tiny fraction (about 0.6 per cent in 1991) of the total Sri Lankan exports. On further probing this phenomenon we discovered a huge contraband trade and unofficial capital transfers between the two countries. This factor compelled us to undertake a specific study of the modalities and extent of contraband trade and unofficial capital transfers between the two countries. Because we cannot possibly espouse meaningful recommendations to boost Sri Lankan exports to India without gaining sufficient knowledge of this underworld trade and capital transfers.

This paper is an outcome of this need. Unfortunately, to the best of our knowledge, there does not seem to be a single study on this subject matter in Sri Lanka either at the academic, professional or governmental level. The contraband trade and unofficial capital transfers between Sri Lanka and India is no secret. However, what we did not know was the true magnitude of the subject and the effects of the same.

The following section of this paper outlines the methodology adopted for this empirical study. Section III of the paper outlines the limitations of this empirical study. In Section IV we undertake a study of the official trade between Sri Lanka and India in the recent past. Section V which is the core of this paper is an empirical study of the modalities and extent of contraband trade unofficial capital transfers between Sri Lanka and India.

Our empirical study covers the period from 1977 to 1992. The reason for choosing this period is that the contraband trade and unofficial capital transfers between Sri Lanka and India has accelerated due to the opening-up of the Sri Lankan economy in 1977.

We have established from our empirical research that the contraband exports from Sri Lanka to India is about 10 times higher than the official exports from Sri Lanka to India. Also we have established that the two-way total contraband trade between the two countries is higher than the two-way total official trade between the two countries. These quantitative estimates are the minimum sum we could arrive at and the true figures will be higher than our conservative estimates. Hence there is a roaring contraband trade and unofficial capital transfers between the two countries which shadows the official trade and capital transfers.

In Section VI we provide our conclusion of this empirical study by way of proposing free trade between Sri Lanka and India. We arrive at this conclusion from our empirical analysis of the contraband trade and unofficial capital transfers between the two countries. Our recommendation of free trade is made from the study of a concrete situation and based on economic reality and economic rationality as reflected in Indo-Sri Lanka economic relations (both official and underworld). Therefore our proposal is not derived from a dogma or an ideology espousing free trade. Rather it is a natural outgrowth of our empirical research and an evolution based on rational economic principles. By free trade we mean the free movement of goods and services and capital between the two countries. The cardinal contributions of this paper are the assessment of contraband trade and unofficial capital transfers between Sri Lanka and India and the proposal for free trade between the two countries.

II
Methodology

This study is based on empirical research. Field research was undertaken during the months of November and December 1992 in the city of Colombo and its suburbs. We interviewed numerous people at two levels—one at the official level and the other at grass roots level. At the official level we interviewed numerous personnel at the following institutions—Sri Lanka customs department, department of exchange control, the Central Bank of Sri Lanka, the Indian High Commission, Air Lanka and the Indian Airlines. Even at the official level we interviewed two categories of personnel to obtain maximum information and to verify the information thus obtained. That is, for example, at the customs department we interviewed numerous ordinary customs officers as well as top officials from the preventive and the intelligence and investigations divisions. Likewise similar kind of work was done at other institutions also. At the grass roots level we interviewed a few bona fide exporters to and importers from India and several traders directly or indirectly involved in contraband trade and unofficial capital transfers between Sri Lanka and India.

In the final analysis the scattered information gathered were tested for consistency, complementarity and contradictions. We have tried our best to reconcile the informations obtained by checking and verifying the accuracy to present an authentic set of information. To the best of our knowledge and capability the qualitative and quantitative informations presented are very much reliable. We do sincerely hope that this information will be valuable for future researchers. In the main text we have explained the methods used for our estimation where necessary. All the data in this paper is in Sri Lankan rupees unless otherwise noted.

III
Limitations

It is the nature of our subject matter that it is highly secretive and controversial. Therefore it is natural that our present empirical research study has its inherent limitations. A salient feature of the contraband trade and unofficial capital transfers between Sri Lanka and India is that it is a two-way operation (that is goods are smuggled from Sri Lanka to India and vice versa) unlike with some other countries which are just one-way operations. For example, the contraband trade between Sri Lanka and Singapore is primarily a one-way operation that is, goods are smuggled from Singapore to Sri Lanka and not vice versa.

Since the Indo-Sri Lanka contraband trade and unofficial capital transfers are two-way operations, a complete study of this phenomenon should involve field research in both the countries, whereas our fieldwork was undertaken only in Sri Lanka. However, we can safely claim that the Indo-Sri Lanka contraband trade and unofficial capital transfers by and large originates from Sri Lanka. We arrive at this conclusion by looking at the air passenger traffic between the two countries. When we dissected the air passenger traffic it was evident to us that the majority of the passengers travelling from Colombo to various Indian cities were Sri Lankans and the majority of the passengers travelling from various Indian cities to Colombo were also Sri Lankan returnees.

The primary reason for the domination of Sri Lankans in these underworld operations is that Indian economy was a semi-autarkic economy until very recently and even today the non tariff barriers in India are greater and the tariff rates are higher than in Sri Lanka. As a consequence there exists a lucrative market for Sri Lankan and other foreign goods in India. Due to the opening-up of the Sri Lankan economy in 1977 there is an influx of third country goods into Sri Lanka, part of which are then smuggled into India where it fetches very high prices. On top of these there are the traditional contraband items such as spices, coconut products and gold which attracts a lucrative market in India. On the other hand there is a lucrative market for Indian textiles like sarees and sarongs, *inter alia*, in Sri Lanka. These factors are the causes of the preponderance of Sri Lankans in the two-way contraband trade and unofficial capital transfers between the two countries. Therefore our opinion is that the limitation of this study emanating by the fact that the field work was undertaken in Sri Lanka only is a minor one.

The important limitation of our present study is the quantitative estimations which is, by its nature, at best conjectural. However, we have taken great care not to overestimate the phenomenon. Hence all our quantitative estimations are of minimum value. Therefore we believe that the actual magnitude of these underworld transactions would be higher than our estimations provided in this paper. But what we do not know is by how much. This is the most important but unavoidable limitation of this study. However, our conclusions are derived from these minimum values. Therefore, in fact the actual values if ever found would support our conclusions with greater authenticity than at present.

Another limitation of this study is that ideally we would have preferred to undertake an industrywise estimation of the contraband trade between Sri Lanka and India which would have provided tremendous scope for analysing the effects of contraband trade on such industries in both the countries. Due to a variety of reasons we did not venture into such a course of research. Nevertheless we have drawn some information from a recent publication by the Ceylon Textile Manufacturers' Association which attempts to throw some light on the impact of smuggling of sarees and sarongs from India on the local textile industry.

Yet another limitation is in the matter of unofficial capital transfers which takes place in gold and in liquid money. Gold has a dual function in the underworld trade between Sri Lanka and India. That is, gold is used for smuggling as a durable commodity (in small scale) as well as a means of capital transfers (in large scale). It is very difficult or nearly impossible to disentangle the components of commodity trade and capital transfers out of gold smuggling. Therefore, as a matter of convenience we assume gold smuggling as a commodity trade only and consequently capital transfers refer to liquid money transactions by the 'chit system' only. Despite the foregoing limitations, to the best of our knowledge and capability, the qualitative and quantitative informations presented in this paper are reliable.

IV
Official Trade

In this section our purpose is not to undertake a comprehensive study of the official Indo-Sri Lanka trade in historical perspective. Our primary task here is to highlight the basic structures and intricacies of the official Indo-Sri Lanka trade in the recent past (i e, post 1977). We also look at qualitative and quantitative aspects of Indo-Sri Lanka trade, with specific emphasis on constraints on Sri Lankan exports to India, during the last few years.

Commodity Composition and Value

Sri Lankan exports to India overwhelmingly consists of primary products and raw materials. They are, for example, spices, pulses, coconut products, graphite, natural rubber, organic chemicals, metalifers ores and metal scrap, precious and semi-precious stones, artificial resins and plastic materials, pulp and paper products, furnace oil and petroleum products, etc.[1] Occasionally Sri Lanka has been exporting tea to India to ease the supply bottlenecks in India. Hence it is evident that the list of Sri Lankan exports to India is very thin.

Whereas Sri Lankan imports from India consists a wide range of goods, bulk of which are manufactured, semi-manufactured and intermediate goods. Thus the Sri Lankan imports from India consists of spices, oil meals, fruits and vegetables, processed fruits and juices, marine products, raw cotton, leather and manufactures, drugs, pharmaceuticals, fine chemicals, dyes, intermediaries and coal tar chemicals, inorganic and organic agro chemicals, cosmetics and toiletries, rubber manufactured products, glass, glassware, ceramics and cement, paper wood products, plastic and linoleum products, residual chemical and allied products, manufactures of metals, machinery and instruments, transport equipment (buses, two-wheelers, three-wheelers, etc), iron and steel bar/rod, etc, primary and semi finished steel, cotton yarn fabrics/made up, etc, and man-made yarn fabrics/made ups, etc.[2]

The commodity composition of Indo-Sri Lanka trade reflects the diversified nature of the Indian economy. This may not be surprising given the huge natural and human capital endowments of India.

Sri Lankan exports to India is only about 0.6 per cent of the total Sri Lankan exports. On the other hand Sri Lankan imports from India is about 8.2 per cent of the total Sri Lankan imports.[3] Indian exports to Sri Lanka is only about 0.99 per cent of the total Indian exports. On the other hand Indian imports from Sri Lanka is only about 0.07 per cent of the total Indian imports.[4] These percentages in a nutshell provide an indication of the values of the two-way trade between the two countries.

The last 10-year values of imports from India (by Sri Lanka) are as follows: 1982—Rs 1,520 million, 1983—Rs 2,709.3 million, 1984—Rs 2,833.6 million, 1985—Rs 2,027.9 million, 1986—Rs 2,221.9 million, 1987—Rs 2,159.8 million, 1988—Rs 2,893.5 million, 1989—Rs 2,312.6 million, 1990—Rs 4,730.7 million, 1991—Rs 9,105.3 million, 1992 (month of January only)—Rs 999.4 million.[5] The last 10-year values of exports to India (by Sri Lanka) are as follows: 1982—Rs 456.3 million, 1983—Rs 656.4 million, 1984—Rs 328.2 million, 1985—Rs 183.4 million, 1986—Rs 340.5 million 1987—Rs 187.1 million, 1988—Rs 615.1 million, 1989—Rs 326.6 million, 1990—Rs 809.6 million, 1991—Rs 521.7 million, 1992 (month of January only)—Rs 31.9 million.[6]

As can be noticed from the foregoing figures Sri Lanka has been incurring persistent trade

deficit with India in the last 10 years. In fact, Sri Lanka has had continuous trade deficits with India ever since independence, though the rate of growth of the trade deficit has been fluctuating. The total value of Indian exports to Sri Lanka in 1991 has been the largest ever recorded in the entire history of Indo-Sri Lanka trade. The trade deficit of Sri Lanka (with India) in 1991, which was Rs 8,583.6 million, is by far the largest trade deficit ever recorded in the annals of Indo-Sri Lanka trade.[7] India has emerged as the second largest source of Sri Lankan imports accounting for 7.2 per cent and 8.2 per cent of the total Sri Lankan imports in 1991 and January 1992 respectively.[8] (Japan is the largest source of Sri Lankan imports, which in 1991 accounted for 11.7 per cent of the total Sri Lankan imports.)

There are variety of reasons for this rapidly accelerating Sri Lankan imports from India and the very low level of (even decelerating) exports to India. To begin with, this trend in Indo-Sri Lanka trade is in perfect conformity with the overall pattern of Sri Lanka's international trade in the recent past. The pattern of Sri Lanka's international trade market is dichotomised. That is, the bulk of Sri Lanka's exports find a market in the developed western countries (Europe and North America), whereas the bulk of Sri Lanka's imports are from Japan and Asian developing countries. In view of this overall pattern of Sri Lanka's international trade the trade deficit with India is not that surprising. However, the paltry sum of Sri Lankan exports to India is a cause for concern. Now let us analyse some of the reasons for the huge trade deficit with India.

First of all, the primary reasons for the accelerating Sri Lankan imports from India are the proximity of India to Sri Lanka, the attraction of cheaper Indian goods and more recently the depreciation of the Indian rupee. The proximity of India reduces the transportation cost and time for imports. As we have noted earlier bulk of Sri Lanka's imports from India are manufactured and intermediate goods. Since the Sri Lankan economy is undergoing a profound structural change (from a producer and exporter of primary products to a producer and exporter of manufactured/semi-manufactured goods) it requires a lot of intermediate goods, machinery and transport vehicles and equipment.

The resource base of Sri Lanka is negligible in contrast to the resource base of India. Therefore Sri Lanka is compelled to import all its intermediate goods, machinery and transport vehicles and equipment. In this regard no other country is better placed than India to meet Sri Lanka's growing requirements. Because Indian goods are generally cheaper (than developed countries or even south-east Asian countries) and the transportation cost is minimal. More importantly India is able to supply Sri Lanka's demands because the overwhelming majority of Sri Lankan manufacturing industries are low-tech industries (such as garment industry)—that is there are no supply constraints on the part of India. Another important factor is that, Indian machinery, transportation vehicles, etc, are most suited for Sri Lankan conditions. Due to these reasons Indian goods are generally much cheaper and most appropriate to Sri Lankan needs than goods from the developed countries.

Yet another primary reason for the accelerating Sri Lankan imports from India is the depreciation of the Indian rupee in mid-1991. The quantum leap from Rs 4,730.7 million worth of imports from India in 1990 to Rs 9,105.3 million in 1991 and Rs 999.4 million in January 1992 stands testimony to the effect of depreciation of the Indian rupee and the consequent cheaper value of Indian goods to Sri Lankan importers.

Now let us analyse some of the reasons for the low level of Sri Lankan exports to India which is even declining in absolute values in recent years. As we have noted earlier Sri Lankan exports to India are overwhelmingly primary products and raw materials.

It is very unfortunate that Sri Lanka is yet to discover (produce) something which is in great demand in India. Since the resource base of Sri Lanka is very low it is at a disadvantage in meeting the needs of the Indian market. The bulk of the goods which Sri Lanka could supply to India is available in India itself. For example, India is the second largest producer of coconuts although it is an importer of coconuts as well. Rubber and spices are the other Sri Lankan export commodities to India which are available in India too. In this circumstance the traditional exports of Sri Lanka only complements India's own production. For example, whenever there is a shortfall in tea production in India, Sri Lanka meets such casual demand. Therefore there is no steady market for Sri Lanka's traditional exports (rubber, coconut, spices, etc) to India. This lack of a long-term market is a cause of low Sri Lankan exports to India.

Moreover there are supply constraints on Sri Lanka's traditional exports to India. At times Sri Lanka finds difficult to meet the entire demand of India for certain goods. One such example is the rice-rubber bilateral trade agreement between Sri Lanka and China which has restricted the quantity of rubber that Sri Lanka can make available to India. Further, with regard to some traditional Sri Lankan exports it is said that Sri Lankan prices are high (in comparison to other international competitors) and of poor quality. One such example is spices. Due to these reasons India prefers to import rubber from Malaysia and spices from Madagascar. This has greatly contributed to the declining value of Sri Lankan exports to India.

It has also to be pointed out that the non-tariff barriers in India for Sri Lankan traditional exports to that country has severely hampered Sri Lankan exports. These non-tariff barriers are a hindrance on top of the high tariff rates in India. The export of cloves, for example, is badly affected by the non-tariff barrier. However, it has to be remembered that even if India lifts the non-tariff barrier Sri Lanka may not be able to compete with other spices producing countries to enter the Indian market, due to higher prices of Sri Lankan produce.

The foregoing passages explain the reasons for the low level of Sri Lankan exports to India which is also declining in absolute values. Therefore, the entire strategy of dependence on primary and raw-material exports to India has to be reconsidered.

There is a big hue and cry about the huge trade deficit with India. There is nothing sinister about Sri Lanka's huge trade deficit with India. Both Sri Lanka and India are signatories to the GATT and the international trade between the two countries are bound by the same. There are hardly any malpractice involved in the conduct of the official trade between the two countries.

Historically, when allowed to market forces, India has been one of the largest source of Sri Lanka's imports. During the British colonial rule in south Asia, India was the largest source of Sri Lanka's imports. However, in the post-independence period due to government interventions the dependence on Indian imports was artificially curtailed. After the liberalisation of the Sri Lankan economy in 1977 India again emerged as one of the largest source of Sri Lankan imports. India was the second largest source of Sri Lankan imports during many years between the period 1977-1992.

On the other hand, historically, Sri Lankan exports to India has been dismal barring the time of the second world war when India absorbed about half of Sri Lanka's total exports. In the entire history of Indo-Sri Lanka trade the largest ever value of Sri Lankan exports to India has been Rs 809.8 million in 1990 which was an exception.[9] In the post-1977 period during very few years did Sri Lanka export to the value of Rs 500 million or over to India. Mostly, during this period, Sri Lanka's exports to India has been very well below Rs 500 million.[10]

Therefore, devoid of government interventions and when left to the free play of market forces India has had a competitive edge and comparative advantage over her competitors in supplying the needs of the Sri Lankan market. In our view the huge trade deficit with India is no cause for alarm. Any two trading partners, when left to market forces, engage in international trade according to the economic principle of comparative

advantage. If the Sri Lankan market feels that India commands a comparative advantage over other international competitors it is advantageous for Sri Lanka to import from India which should not be corrected by government action.

Every trading country has deficits and surpluses in its balance-of-trade with different countries. No country on earth has a deficit with each and every trading partner. Likewise no country has a surplus with each and every trading partner. Every trading country has deficits with some trading partners and surpluses with some others. Therefore there is no need for alarm if a country incurs a huge trade deficit with one of its trading partners.

Many countries in the world, developed as well as developing have trade deficits with individual countries and/or their entire balance of trade could be in deficit. Sri Lanka is not an exception to this rule. For example, Sri Lanka has had a huge trade deficit in its entire international trade (not just with India) ever since 1977. Sri Lanka had an overall trade deficit of $ 719 million in 1990. Likewise, for example, India had an overall trade deficit of $ 7,848 million in 1990, the UK had an overall trade deficit of $ 45,311 million in 1989 and the US had an overall trade deficit of $ 1,44,564 million in 1989 [Foreign Trade Statistics 1991]. Although the overall trade balance of Sri Lanka, India, UK and the US have had deficits if we look at their performance with different individual trading partners it will become evident that they would have incurred some deficits and some surpluses. The majority of the countries in the world do incur deficits in international trade. Some of course do manage to accumulate surpluses like Japan, Taiwan, South Korea, etc.[11]

Hence, there is no need for over-concern about the huge trade deficit with India. India has a trade surplus with Sri Lanka and some other trading partners but it has also huge trade deficits with many other trading partners. The same is true with Sri Lanka's international trade. Sri Lanka has a huge trade deficit with India and some other trading partners but at the same time has comfortable surpluses with some others. For example, Sri Lanka has trade surpluses with Bangladesh and the Maldive Islands in south Asia and more interestingly with the US and Germany. While Sri Lanka's trade surpluses with Bangladesh and Maldive Islands are small in value, Sri Lanka's trade surplus with the US is a staggering Rs 15,906.7 million in 1991 and with Germany a moderate Rs 1,942.3 million in 1991.[12] It has also to be noted that Sri Lanka has had trade surpluses with the US and Germany during most of the years between 1977 and 1992.[13] Moreover, it may be interesting to note that Sri Lanka's trade balance with the entire industrialised countries (taken together) has also been in surplus, continuously since 1989.[14]

The trade deficit with India is being overplayed by many in Sri Lanka not due to any sound economic principle or rationale rather due to political antagonism. Our argument is that, just because Sri Lanka has accumulated huge trade surpluses with the US or Germany or with the entire industrialised countries (taken together) does not imply that the Sri Lankan economy is stronger than or superior to the economies of those countries. It does not imply that Sri Lanka is politically stronger than those countries either. On the same line of argument, just because Sri Lanka runs a huge trade deficit with India does not necessarily imply that the Sri Lankan economy is weaker than or inferior to that of the Indian economy or even politically so.

The Sri Lankan economy has come of age. Sri Lanka is no more a mere supplier of tea, rubber and coconut to the rest of the world. Sri Lanka today is also a supplier of garments and housemaids to the rest of the world. This may not be a particularly sound transformation. Nevertheless, the important fact to note is that Sri Lanka has begun to diversify her economy, unshackling from the bondage of century old plantation economy, which is a positive development.

Sri Lanka is capable of competing in the world market including the Indian market. Since India is opening her economy there is a tremendous scope for Sri Lanka to increase her exports to the country. But this cannot be achieved by relying solely on exports of primary products and raw material. Sri Lanka has to diversify her exports to India with much greater emphasis on the exports of manufactured, semi-manufactured and processed goods. The best way to penetrate into the huge Indian market is to invite Indian industrialists to establish joint-ventures here with buy-back arrangements. That is, for example, Indian industrialists could establish a tyre manufacturing plant in Sri Lanka using local natural rubber and export the end product to India. In this way, instead of exporting raw rubber to India, Sri Lanka could export manufactured rubber products to India. Likewise many such joint-ventures could be identified with buy-back arrangements. With the gradual opening up of the huge Indian market there will be a huge pent-up demand for consumer goods in India. Sri Lanka should strive to meet such demand as much as possible. Sri Lankan goods will be cheaper for India than imports from elsewhere.

At the outset of this section we primarily set out to explore the reasons for the dismal value of exports to India and the consequent huge trade deficit with India. We have identified a number of reasons in the foregoing pages. However the overwhelming factor contributing to the paltry sum of Sri Lankan exports to India is the contraband trade between the two countries. Therefore we have undertaken a specific study on the contraband trade and unofficial capital transfers between Sri Lanka and India in the forthcoming section.

V
Contraband Trade and Unofficial Capital Transfers

Our concern for the purpose of this paper is the period between 1977 and 1992. The contraband trade between Sri Lanka and India is not a secret. Everybody know about it. However, what they do not know is the actual magnitude of such trade. Further, it is not that contraband trade takes place only between Sri Lanka and India. Contraband trade takes place between Sri Lanka and many other countries (e g, with Singapore).

However the contraband trade between Sri Lanka and India has certain uniqueness. They are as follows: Firstly, the contraband trade between Sri Lanka and India is a two-way operation. That is, goods are smuggled from Sri Lanka to India and vice versa. The value of such trade in both directions seem to be only fractionally different (unlike the official trade gap which is enormous). In contrast, the contraband trade between Sri Lanka and almost all other countries are one-way operations overwhelmingly goods are smuggled from abroad to Sri Lanka and not vice versa. Secondly, the total two-way contraband trade (in monetary value) between Sri Lanka and India is greater than the total two-way official trade between them. This is a unique situation *vis-a-vis* the contraband trade between Sri Lanka and other countries. Thirdly, we also strongly suspect that the total amount of two-way contraband trade between Sri Lanka and India is by far the largest contraband trade between Sri Lanka and any single country. However, we do not have clear evidence for such a suspicion.

The contraband trade between Sri Lanka and India has accelerated since 1977, due to the liberalisation of the Sri Lankan economy and the growing ethnic unrest in Sri Lanka. In the pre-1977 period traditional goods like spices, coconut products and gold were smuggled from Sri Lanka to India and sarees, sarongs, stainless steel products and fancy items were smuggled from India to Sri Lanka. Due to the liberalisation of the Sri Lankan economy in 1977 many goods were imported (from third countries) to Sri Lanka and then smuggled into India where they fetched exorbitant prices because of the banning of imports of such goods or very high import duties running up to 300 per cent of the value of good. These non-traditional goods (mainly consumer durables) provided great stimulus to the contraband trade between Sri Lanka and India, particularly from Sri Lanka to India. When there was a duty-free shop in Colombo from early 1980s to late 1980s there was a surge in the number of Indians coming to Sri Lanka purely for smuggling purposes. Although India also has begun to gradually liberalise her economy in recent

years, the non-tariff barriers are greater and tariff rates are still higher in India than in Sri Lanka. Therefore, there is not much abating in the smuggling of such non-traditional goods from Sri Lanka to India even today. Even if the tariff rates are equalised and non-tariff barriers are completely lifted contraband trade will continue to take place in traditional goods.

Another crucial factor that contributed to the acceleration of the contraband trade between the two countries since 1977 is the ethnic unrest in Sri Lanka. The successive racial riots in 1977, 1981 and 1983 had immensely contributed to the growing contraband trade and unofficial capital transfers between the two countries. These successive racial riots within short time spans has precipitated great insecurity, vulnerability and uncertainty among a large number of businesses (traders and industrialists) in Sri Lanka. A substantial number of them fled to India and established business enterprises and industries in the immediate aftermath of the 1983 racial riots. Bulk of them did not completely sever their business ties with Sri Lanka and most of them have hence returned to Sri Lanka in the late 1980s onwards. However, the uncertainty and insecurity still prevails and therefore many businesses are keeping one leg in India and another in Sri Lanka. The persisting uncertainty and insecurity since 1983 has revived and re-established the historical commercial ties between the two countries (legal and illegal). The revival of the old mercantilist era has been greatly facilitated by the exodus of refugees (over two hundred thousand) to India in the aftermath of the 1977, 1981 and 1983 racial riots in Sri Lanka.

The fleeing of large number of Sri Lankans to India during the late 1970s and throughout the 1980s (during the anti-Indian riots in the late 1980s as well) has accelerated the contraband trade and unofficial capital transfers between the two countries to unprecedented levels. We have two clear evidence for our claim. One is the number of air flights to and from India in the post-1983 period has increased enormously thus indicating a much greater air passenger traffic between the two countries. During the early 1980s there were only a handful of weekly flights to and from India. But at present (late 1992/early 1993) there are 29 flights a week (Air Lanka-20 and Indian Airlines-nine) to different cities in India and the same amount from India. About 40 per cent of the total air passenger traffic to and from India are contraband traders either on their own right or are couriers for organised contraband syndicates. The second evidence is that historically the official exchange rate of the Indian rupee has been lower than the unofficial (black money market) exchange rate. Ironically in the post-1983 period the official exchange rate of the Indian rupee has been higher than the unofficial exchange rate. It is the same story in the Indian side as well. What it indicates is that there is a greater supply and demand for transferring money (capital) to and from India through unofficial channels, which is called the 'chit system'.

Our present study of the modalities and extent of the parallel trade and unofficial capital transfers between Sri Lanka and India is concerned with only the regular and organised contraband traders and not occasional or one-off contraband traders. Further, we are not here concerned with contraband trade in narcotic drugs between the two countries which is one of the largest growth industries. Moreover, we are also not here concerned with the war-induced contraband trade between the northern and eastern provinces of the Island and India. This war-induced contraband trade comprises smuggling of arms and ammunitions, fuel and other consumer goods which are banned from entering the northern province from rest of the Island. We have left out the narcotic drugs from our purview because it has not got much relevance to our purpose of this study. We have left out the war-induced contraband trade from our purview because it may not be a permanent feature(?). However, we have included the traditional contraband trade between India and the northern and eastern provinces of the Island, which takes place even today under the conditions of war.

Contraband Trade by Air and Sea

Presently almost 95 per cent of the travellers to and from India travel by air (since the suspension of the ferry service between Talaimannar and Rameswaram). The most common goods that are smuggled by air are as follows: from Sri Lanka to India—gold, silver, precious stones, cinnamon, cardamom, cloves, imported audio cassette recorders, imported video cassette recorders, other imported electrical goods, imported textiles, etc, and from India to Sri Lanka—sarees, sarongs and other Indian textiles, stainless steel products, medicinal drugs and miscellaneous fancy goods.

The Air Lanka flies 20 times a week to various Indian cities (eight times to Madras, six times to Thiruvananthapuram three times to Tiruchy and three times to Bombay). The Indian Airlines flies nine times a week to two Indian cities (seven times to Madras and twice to Thiruvananthapuram). The average number of passengers carried by Air Lanka is 2,153 per week which is 1,11,956 per year. The average number of passengers carried by Indian Airlines is 1,260 per week which is 65,520 per year. Therefore, the total number of passengers travelling by air to India (from Sri Lanka) annually is 1,77,476.[15] Out of this total number of air passengers about 40 per cent are contraband traders.[16] Therefore, annually there are 70,990 contraband traders travelling from Sri Lanka to India by air. Every one of them carry at least Rs 50,000 worth of contraband.[17] So this gives an annual sum of Rs 3,549.50 million worth of contraband trade from Sri Lanka to India by air.

Likewise we can assess the contraband trade from India to Sri Lanka by air. The total number of flights by both airlines are the same. The Air Lanka on the average carries 1,979 passengers per week from various Indian cities to Sri Lanka, which comes to a total of 1,02,908 a year. The Indian Airlines carries 900 passengers per week from India to Sri Lanka, which comes to a total of 46,800 a year. Therefore, the total number of passengers travelling from India to Sri Lanka annually by air comes to around 1,49,708.[18] Out of this total, again around 40 per cent are contraband traders.[19] Hence, annually there are 59,883 contraband traders travelling from India to Sri Lanka. Everyone of them carry at least Rs 50,000 worth of contraband.[20] So this gives an annual sum of Rs 2,994.15 million worth of contraband trade from India to Sri Lanka by air. Therefore, the annual two-way contraband trade between Sri Lanka and India by air runs into Rs 6,543.65 million.

This is the oldest route of commercial interaction between Sri Lanka and India. Not only there were movements of goods, services and capital between the two countries by sea (legal and illegal) but even labour from time immemorial. We are not concerned here with the passenger traffic by ships. However, after the suspension of the ferry service between Talaimannar and Rameswaram in the mid-1980s, there is hardly any passenger traffic by ships between Sri Lanka and India. But there are regular boats plying between Sri Lanka and India (both ways) purely for contraband trade purposes. This is our concern here.

The contraband trade by sea takes place from several coastal areas of the island. Practically from Galle (in the southern province) through the south-western coast to western coast, north-western coast, northern coast, north-eastern coast and up to Trincomalee, the entire coastal areas are used for contraband trade with India. Some of the most notable coastal towns engaged in contraband trade with India are Beruwala, Kalutara, Colombo, Wattala, Negambo, Puttalam, Kalpitiya, Mannar, Valvettiturai, Point Pedro and Mullaitevu. These wide-spread coastal areas used for contraband trade with India signifies the variety of communities involved in such activity. On the Indian side, the coastal areas of Tamil Nadu and Kerala states are widely used for contraband trade with Sri Lanka.

The most common goods smuggled by boats to and from India is almost the same as by air. However, there are differences in the quantity of certain goods by both means. For example, gold and silver smuggled from

Sri Lanka to India by air is in small quantities. But gold and silver are smuggled in large quantities by sea from Sri Lanka to India because the smuggling of these high value goods is less riskier by sea. Likewise, bulky items like electrical goods are also smuggled by sea in greater quantities. The smuggling of sarees, sarongs and other textiles from India to Sri Lanka are also in massive quantities by sea where detection is much less.

According to our survey, on average about eight boats of contraband trade takes place from Sri Lanka to India and vice versa every day of the year.[21] These contraband boats originate from different coastal towns of the island to different parts of Tamil Nadu and Kerala and vice versa. These are two-way operations. That is, on average eight boats ply from Sri Lanka to India and eight boats ply from India to Sri Lanka.[22]

Our estimates show that on average in each such boat Rs 5,00,000 worth of goods are smuggled from Sri Lanka to India.[23] This gives a daily total of Rs 4 million contraband trade from Sri Lanka to India by sea, which is Rs 1,456 million a year. But our estimates of contraband trade by sea from India to Sri Lanka reveals that each boat carries on average Rs 10,00,000 worth of goods.[24] Thus the daily total of contraband from India to Sri Lanka by sea is Rs 8 million, which is Rs 2,912 million a year. Therefore, the total two-way contraband trade by sea is about Rs 4,368 million per annum.

Now if we add the total two-way contraband trade by air and sea it comes to around Rs 10,911.65 million. That is, the total contraband trade by air and sea from Sri Lanka to India is Rs 5,005.50 million and the total contraband trade by air and sea from India to Sri Lanka is Rs 5,906.15 million per annum. That is, the total contraband trade between Sri Lanka and India, which is Rs 10,911.65 million, is greater than the total official trade between the two countries, which was Rs 9,627 million in 1991.[25]

Unofficial Capital Transfers

The capital transfers between India and Sri Lanka through unofficial (illegal) channels far exceeds through official channels. Although we have been unable to obtain the precise amount of official capital transfers between the two countries (both ways, but overwhelmingly from India to Sri Lanka), by assessing the unofficial capital transfers between the two countries we arrive at the inevitable conclusion that the unofficial capital transfers far exceed the official capital transfers.

Unofficial capital transfers from Sri Lanka to India takes place by two means. One is by the smuggling of high value precious metals like gold and silver (and to a lesser extent by precious stones like gems) and other is by liquid money through the 'chit system'. Whereas unofficial capital transfers from India to Sri Lanka takes place only through the 'chit system'. As we have already mentioned earlier, the smuggling of gold, silver and precious stones have a dual function—that is, they function as a means of capital transfer as well as commodity smuggling, capital transfers by the smuggling of gold, silver and precious stones takes place in bulk quantities and mainly by sea due to the greater risk involved by air. During our period of study (1977-1992), the only time huge unofficial capital transfers from Sri Lanka to India by means of smuggling huge quantities of gold by air took place is in the immediate aftermath of the 1983 racial riots in Sri Lanka. Normally it is undertaken by sea. Due to the dual function of the smuggling of gold, silver and precious stones it is very difficult to disentangle the unofficial capital transfer portion from the commodity smuggling portion. Therefore, as a matter of convenience, we have lumped the entire smuggling of gold, silver and precious stones from Sri Lanka to India under commodity smuggling. Therefore, our present assessment of the unofficial capital transfers incorporates only the liquid money transfers through the 'chit system'.

Now let us outline the 'chit system'. When people travel to India (for whatever purpose), due to foreign exchange control only a limited amount of foreign exchange (currently (late-1992) $ 800 per adult per annum, which was only $ 200 until recently) is officially sanctioned for their expenses.[26] For many travellers this official allowance is inadequate. Further many travellers to India travel more than once a year. Therefore they resort to purchasing Indian rupees in the black money market in Colombo and elsewhere. The uniqueness of purchasing Indian rupees in the black money market in Sri Lanka is that the travellers do not get the Indian rupees in hand in Sri Lanka itself. Instead they pay the equivalent of Sri Lankan rupees (in accordance with the black money market exchange rate) here and they are given a 'chit' (which is analogous to a cash cheque under modern banking system) by the production of which they obtain Indian rupees in India. The same system operates when Indian passengers travel from India to Sri Lanka—that is they hand over Indian rupees and obtain a 'chit' on the Indian side and by handing over the 'chit' in Sri Lanka (mostly in Colombo) they obtain Sri Lankan rupees. There is a huge network of moneylenders in both the countries who function as an unofficial capital market.

This curious way of transferring money from India to Sri Lanka and vice versa is called the 'chit system'. This is not a new phenomenon in Indo-Sri Lanka economic relations, which is being conducted since the old mercantilist era. As we have mentioned earlier, businesses in Sri Lanka has businesses in India as well. The transfer of capital from both ends to the other end almost exclusively takes place through the 'chit system' because the transfer of capital from India to Sri Lanka and vice versa through official channels is heavily restricted and regulated. Hence there is a natural tendency to transfer resources through unofficial channels. This is a natural breeding ground for the 'chit system'. These unofficial capital transfers have greatly increased in the post-1983 period due to political unrest in Sri Lanka.

Now let us do an estimation of the unofficial capital transfers by air and sea to and from India. The average number of annual air passengers from Sri Lanka to India is 1,77,476. At least around 50 per cent of them use the 'chit system' to obtain Indian currency.[27] Therefore, the absolute number of passengers using the 'chit system' (from Sri Lanka to India) is 88,738. Further, on average every passenger availing of the 'chit system' takes Rs 10,000 worth of Indian currency.[28] Therefore, the total amount of capital transferred from India to Sri Lanka annually is Rs 887.38 million through the 'chit system' used by Sri Lankans travelling to India.

Likewise the average number of annual air passengers from India to Sri Lanka is 1,49,708. Again at least about 50 per cent of them use the 'chit system' to obtain Sri Lankan currency, which in absolute amount is 74,854.[29] On average every passenger availing of the 'chit system' takes Rs 10,000 worth of Sri Lankan currency.[30] Therefore the total amount of capital transferred from Sri Lanka to India annually is Rs 748.54 million through the 'chit system' used by Indians travelling to Sri Lanka. Thus the total two-way capital transfers between Sri Lanka and India by air is around Rs 1,635.92 million per year.

Further, as we have already observed, the value of goods smuggled by sea from India to Sri Lanka (one million per boat) is greater than from Sri Lanka to India (half a million per boat). Therefore, the difference of half a million per boat from India to Sri Lanka is met by the 'chit system'. That is, Rs 4 million capital (Rs 5,00,000 x 8 boats) per day is transferred from India to Sri Lanka by sea, which gives an annual total of Rs 1,456.0 million. Capital transfers by sea is only a one-way operation.

Therefore the total amount of two-way unofficial capital transfers by air and sea comes to around Rs 3,091.92 million, which (to best of our knowledge) far exceeds the official capital transfers between the two countries. Historically, the black money market exchange rate for Indian rupee in Sri Lanka has been higher than the official exchange rate. However, from late 1980s onwards it has been the reverse. That is, the black money market exchange rate for Indian rupee is lower than the official exchange rate (approximately Rs 1.40 against Rs 1.70 in late 1992), which is the same case on the Indian side as well. Apparently there are three reasons for this

unusual phenomenon in the annals of Indo-Sri Lankan economic relations.

First and foremostly it indicates that there is greater transfer of capital from and to India, through unofficial channels, which has brought down the unofficial exchange rate *vis-a-vis* the official rate. Secondly, since India has liberalised gold imports recently and due to the slack in the world market price of gold the capital transfers undertaken through the smuggling of gold has decreased, which in turn has increased the demand for and supply of the 'chit system', the ultimate result of which is the lowering of the unofficial exchange rate. Thirdly, when the Indian rupee depreciated in 1991 Sri Lanka did not adjust her exchange rate for Indian rupee accordingly, for reasons best known to the Central Bank of Sri Lanka. The exchange rate of Indian and Sri Lankan rupees is determined by the dollar rates of the respective currencies. The present (late 1992) dollar rate in Sri Lanka is around Rs 44 and in India it is around Rs 28 (Indian rupees). Therefore, the exchange rate of Indian rupee in Sri Lanka should work out to be 1.57. But the official rate is around 1.70. This partly explains the lower exchange rate at the black money market.

The contraband trade to and from India by sea has enormously increased in southern, south-western, western and north-western coastal areas during our period of study (1977-1992). New customs posts were established in Negambo, Kalpitiya and Beruwala in recent times. The spread of sea routes for contraband trade to and from India is yet another indication of a surge in contraband trade between the two countries. The overwhelming majority of the contraband trade by sea from and to Sri Lanka is to and from India. Occasionally contraband trade with some other countries also take place by sea.

Officially gold cannot be exported from Sri Lanka and the import of gold into Sri Lanka is also restricted. Due to increasing illegal gold imports into Sri Lanka in recent years the Central Bank of Sri Lanka further liberalised gold imports a few weeks ago (late 1992). Both gold and silver are illegally imported from Singapore (where they are cheaper compared to the price in Sri Lanka) and then smuggled into India where they find a lucrative market. However, it has to be pointed out that gold smuggling to India in recent months (late 1992) has been slack due to the following reasons: (a) liberalisation of gold imports into India in April 1992—accordingly, Indians could take up to five kg of gold into India with the payment of a nominal import duty, which has depressed the price of gold in India; (b) a general slack in the world market price of gold. As a consequence of these factors the profit margin in gold smuggling has declined recently. However, silver has replaced gold as a favourite contraband to India in recent months. The profit margin on silver is said to be enormous.

We would like to again remind that all our estimations in this section are based on undetected successful contraband trade operations. Even the detection/apprehension of contraband trade either at sea or airports in Sri Lanka are by and large due to tip offs. The rivalries between various contraband trade syndicates is the primary source of detection/apprehension of contraband trade.

The market for Indian textiles in general and for sarees and sarongs in particular in Sri Lanka is a massive one. This is due to the high quality and low prices (compared to imported textiles from third countries and even local products) of Indian sarees and sarongs and the compatibility of the cultural tastes of the two countries for such items. The major good that is smuggled from India to Sri Lanka by air as well as by sea is textiles, particularly sarees and sarongs. This illegal textile trade runs into millions of rupees annually.[11]

Now let us summarise the major findings of our assessment of contraband trade and unofficial capital transfers between Sri Lanka and India.

(i) The illegal exports of goods from Sri Lanka to India is nearly 10 times greater than the official bona fide exports (Rs 5,000.50 million compared to Rs 521.73 million of official exports in 1991).

(ii) The total two-way contraband trade (exports + imports) between Sri Lanka and India is greater than the total two-way official trade between the two countries (Rs 10,911.65 million compared to Rs 9,627.0 million of official trade in 1991).

(iii) Sri Lanka's trade gap with India in contraband trade is very much lesser than the official trade gap. The official trade gap is almost 10 times higher than the contraband trade gap (Rs -8,583.59 million in official trade in 1991 compared to Rs -900.65 million in contraband trade).

(iv) The unofficial capital transfers to and from India is far greater than the official capital transfers between the two countries.

(v) Sri Lanka's contraband trade with India is the largest with any one country. Finally, we shall outline. (a) The gains and losses accruing from the contraband trade and unofficial capital transfers between the two countries. (b) The gainers and losers due to the contraband trade and unofficial capital transfers between the two countries.

The losses incurred by these illegal activities are (i) the loss of hard currency to Sri Lanka and India because the official trade and official capital transfers are conducted in hard currency whereas the contraband trade and unofficial capital transfers are conducted in respective local currencies. (ii) The loss of export and import duties to the respective governments, overwhelmingly import duties.

The gains are (i) The market prices of contraband goods are lower than the existing market prices for those goods in their respective markets, thus depressing the overall price level which benefits the consumers. (ii) The producers get access to an enormous market which are denied to them by non-tariff barriers and high tariff rates.

Among gainers and losers—consumers are gainers because the prices are depressed due to contraband trade and unofficial capital transfers. The contraband traders are also gainers who could not have survived under non-tariff barriers and high tariff rates. Moreover the producers are also gainers in that they are able to gain access to a huge market, which is denied through official channels of trade due to non-tariff barriers and high tariff rates. Of course some producers (local) may not be able to wither the competition precipitated by the influx of contraband. One such industry in Sri Lanka is the textiles industry which is struggling to compete with the high quality, low price Indian textile products which are regularly smuggled into Sri Lanka in huge quantities.[12] This is a natural process of a liberalising economy whereby some local industries survive and some struggle. There are some Indian industries also struggling to survive due to the influx of smuggled Sri Lankan goods as well as third country goods from Sri Lanka. So at both the ends there are gainers and losers. Markets function according to supply and demand and not according to the origin of goods or the means of origin.

If there is only a small-scale contraband trade and unofficial capital transfers the losses incurred by the government may not be significant. However, when there is a massive scale of contraband trade and unofficial capital transfers such as between Sri Lanka and India there is a substantial loss to the governments of the trading partners by way of hard currency and import duties. Therefore the causes of such illegal trade and capital movements have to be identified and eradicated. The causes of such illegal activities between Sri Lanka and India are the tariff and non-tariff barriers to trade and severe restrictions on capital movements. Therefore, both the trading partners will overall benefit (despite isolated losses expected in certain industries at both ends) by pulling down the tariff and non-tariff barriers to trade and restrictions on the free movement of capital.

VI

Proposal for Free Trade

Contraband trade has been legalised in many countries by the lifting of tariff and non-tariff barriers to trade, that is by espousing free trade. Even the legalisation of narcotic drugs is actively in the domain of public debate in many countries as the only sensible way of

the effects of the same. Having undertaken an assessment of the contraband trade and unofficial capital transfers between Sri Lanka and India we arrive at the inevitable conclusion of proposing free trade between the two countries—the free movement of goods, services and capital. That is, lifting of all non-tariff barriers and abolishing tariffs on goods and services and the lifting of all restrictions and regulations on capital transfers between the two countries.

The two-way contraband trade and unofficial capital transfers between Sri Lanka and India is of enormous magnitude. Hence the losses incurred by both the governments are significant. It is a futile exercise to erect tariff and non-tariff barriers under these circumstances. Our proposal for free trade is derived from probing the economic reality and economic rationality of the Indo-Sri Lanka economic relations. It is not an abstraction from a high theory. On the contrary, our proposal is a natural outgrowth of an objective and concrete study in inter-state economic relations.

Free trade will benefit both the countries spurring innovations, raising productivity and above all lowering prices. Free trade will lead to rationalisation and specialisation in allocation of resources (investments), production and distribution in both countries. However, in a relative sense, Sri Lanka will be the major beneficiary under a free trade arrangement with India. Because the tariff rates are higher and non-tariff barriers are greater in India than in Sri Lanka at present. Moreover, the Indian market is huge in contrast to the Sri Lankan market. Hence the Sri Lankan producers would have access to a much larger market than Indian producers. Thus, the complete lifting of tariff and non-tariff barriers in both the countries would undoubtedly stimulate more Sri Lankan exports to India than vice versa. The free movement of goods, services and capital between Sri Lanka and India will increase employment opportunities in Sri Lanka, because many Indian manufacturing plants will move into Sri Lanka as labour in Sri Lanka is cheaper and the trade unions are less obstructive.

When the trade between Sri Lanka and India is freed the Sri Lankan and Indian governments would lose the revenue accruing from import duties and a negligible amount of export duties. However, these losses could be more than offset by reducing the number of personnel at the customs departments of both the countries and by the increase in revenue accruing from business turnover taxes due to the expected surge in the two-way trade. Having assessed the enormous contraband trade with India we are compelled to arrive at the inevitable conclusion that Sri Lanka's guardians of international trade, namely, the customs department, do not provide value for money. For example, the import duties accruing to Sri Lanka from the import of goods from India was only around Rs 1,744 million in 1991.[33] The expected loss of this revenue could be easily recouped by slashing the number of personnel at the Sri Lanka customs department and by the increase in revenue accruing from business turnover taxes due to the expected surge in the two-way trade.

Under a free trade regime, on the whole, both countries would enormously benefit. Undoubtedly, there will be losers and gainers. But gainers will be far greater than losers on both sides. As far as Sri Lanka is concerned there will be some industries which may not be able to wither the competition from Indian products. One such prospective industry would be the indigenous Sri Lankan textile industry (not the export garment industry). The Indian textiles are of superior quality and cheaper than the Sri Lankan counterparts. The primary reason for this is that the Indian textile industry has backward linkages (that is raw materials and machinery are produced in India itself) whereas the Sri Lankan counterparts lack such backward linkages. However, backward linkage is not a necessary condition for the growth of an industry. Although the indigenous Sri Lankan textile products (e g, sarees and sarongs) are unable to compete with the Indian textile products at present (only partly due to contraband from India) Sri Lanka is competing well in the western country markets for ready-made garments, which industry is devoid of backward linkages.

Under the principles of free market economy there could be no perfect equilibrium, whether it be in internal trade or international trade. There will be gains and losses in the market place. Some industries would survive and some would perish. Every country should produce and exchange according to its comparative advantage. The Sri Lankan textile industry may not be able to compete well with the Indian textile industry but they do compete well with the textile industries of the western countries. Therefore, Sri Lankan textile industry may lose out in the domestic market to Indian products but these losses will be offset by gains in the international markets.

Our message is that when we talk of the effects of free trade we should not confine our analysis to a particular industry. We have to take into account the overall effects and arrive at a rational decision. One of the beneficial effects of free trade to Sri Lanka will be the opening up of the huge Indian tea market for Sri Lanka. Likewise many Indian industries would also benefit by the complete opening up of the Sri Lankan market. Many such individual examples could be cited. However, it is beyond the purview of this paper to go into industrywise effects of free trade between Sri Lanka and India.

In general we would argue that producers and consumers in both countries would enormously benefit under a free trade regime due to specialisation in production. It may be the traders (middlemen/women) who would be negatively affected due to intense competition because at present the bona fide exporters and importers to and from India are very much lesser than the contraband traders. The contraband trade between the two countries is highly monopolised by a few contraband syndicates. It is these contraband traders who are likely to lose their superprofits under a free trade regime. Naturally they will be the ardent opponents of the proposal for free trade. Free trade could be a powerful tool to break such monopolies of Indo-Sri Lanka trade and unearth their accumulation. Under a protected market (even if it is only partial) only the bona fide exporters and importers are negatively affected because the dishonest always finds a way to get around the tariff and non-tarrif barriers.

Some critics may argue that under a free trade regime Indian goods would flood the Sri Lankan market. Our response is that even now under a partially protected market imports from India is the second largest out of Sri Lanka's total imports and the huge trade gap is precisely due to partial protection. Sri Lanka's exports to India is paltry precisely due to such partial protection on the Indian side. The most sustainable way to narrow the huge trade gap, if not to achieve a trade surplus with India, is to completely free the trade between the two countries. The only way to narrow the gap is by increasing our exports to India and not by artificially (through government intervention) decreasing imports from India. The increase in exports to India in a sustainable way could only be achieved by freeing the trade between the two countries.

We also propose that the only way to effectively combat unofficial capital transfers between the two countries is to make the respective currencies freely convertible. These freely convertible currencies would not only arrest the unofficial capital transfers but would also provide a great stimulus to trade in goods and services (like tourism) between Sri Lanka and India. The busting of the unofficial capital market would also unearth the huge usury capital which could be used for more productive purposes.

The Sri Lankan economy has come of age. Today, it can confidently compete in the international market place, including the huge Indian market. As the pioneers of economic liberalisation in south Asia, Sri Lanka should be one of the first countries to meet the pent-up demand in India and tap the huge market potential of India. A free trade pact with India would go a long way in Sri Lanka's quest to become a newly industrialised country by the turn of this century.

Notes

1 Government of India, *Foreign Trade Statistics of India*, Ministry of Commerce, 1991.
2 Ibid
3 Sri Lanka Customs Department, *External Trade Statistics*, January 1992
4 Government of India, *Foreign Trade Statistics of India*, Ministry of Commerce, 1992.
5 Central Bank of Sri Lanka, *Economic and Social Statistics of Sri Lanka*, 1991, pp 49-50.
6 Ibid
7 Department of Commerce, Ministry of Trade and Commerce, Government of Sri Lanka, *Monthly Bulletin of Trade Statistics*, January 1992.
8 Ibid
9 Central Bank of Sri Lanka, *Economic and Social Statistics of Sri Lanka*, 1991, pp 49-50.
10 Ibid,
11 Asian Development Bank, *Asian Development Outlook* 1991; IBRD, *World Development Report*, 1991.
12 Central Bank of Sri Lanka, 'Direction of Trade 1987-1991', Table 46, *Annual Report*, 1991
13 Ibid
14 Ibid
15 Air Lanka, December 1992; Indian Airlines, December 1992. These figures may be an underestimation because, since August 1992 air passenger traffic to India has declined due to the requirement that all baggages of commercial quantity have to be cleared at the Trico warehouse.
16 This percentage is derived from interviews conducted with contraband traders, customs officials, airlines officials and the Indian High Commission officials
17 This amount is derived from interviews conducted with contraband traders and customs officials We have not calculated itemwise because a typical contraband trader will smuggle a basket of goods and hardly a single item.
18 Air Lanka, December, 1992; Indian Air lines, December 1992.
19 This percentage is derived from interviews conducted with contraband traders, customs officials, airlines officials and the Indian High Commission officials.
20 This amount is derived from interviews conducted with contraband traders and customs officials.
21 These figures are derived from interviews conducted with contraband traders and customs officials
22 These are undetected successful operations. These are current figures, which are an underestimation because in recent times contraband trade by sea has declined due to the crackdown on both ends because of terrorist activities.
23 This amount is derived from interviews with contraband traders and customs officials.
24 Ibid.
25 Department of Commerce, Ministry of Trade and Commerce, Government of Sri Lanka, *Monthly Bulletin of Trade Statistics*, January 1992.
26 Information provided by the Foreign Exchange Control Department, Central Bank of Sri Lanka, *Economic Bulletin*, Vol 4, No 4, July/August 1992.
27 Information derived from interviews with air passengers, customs officials and officials at the Foreign Exchange Control Department
28 Ibid.
29 Ibid.
30 Ibid.
31 Ceylon Textile Manufacturers' Association, *Textiles Today*, Vol 1, Issues 4 and 5, June and October 1992.
32 Ibid.
33 Sri Lanka Customs Department, Statistics Division, December 1992.

Is National Interest Being Served by Narmada Project?

Jashbhai Patel

The biggest beneficiary of the Narmada Project will be Gujarat, while the other two states, Madhya Pradesh and Maharashtra will be deprived of vast areas of forest, natural resources and will also be forced to uproot thousands of people, mostly tribals, who have lived in these regions for generations. Does Gujarat have any right to these benefits at this enormous cost?

THE river Narmada rises at a place called Amarkantak in the Maikal ranges situated in the Shahdol district of Madhya Pradesh (MP). The height of the river-bed there is 1,051 metres (3,468 ft). From there it flows down mostly westwards and meets 41 major tributaries on the way. The overall catchment area of the river is 98,796.8 square km with the Maikal ranges in the east, Vindhya ranges to the north and Satpura ranges to the south. The river passes through the following districts of Shahdol, Mandla, Jabalpur, Narsinghpur Hoshangabad, Khandwa (east Nimar), Khargone (west Nimar) districts of MP. The river forms the boundary between the Jhabua district (MP), Dhulia district in Maharashtra and Baroda-Bharuch districts in Gujarat. After passing through Bharuch district the river ends in the Gulf of Cambay. In its course from Amarkantak to the Gulf of Cambay it covers 1,312.

Narmada enters the state of Gujarat at Surpaneshwar. Before its entry, it forms roughly a 35 km boundary between Maharashtra and Gujarat. From Surpaneshwar to Poicha, which is between Chanod and Karnali, the course is more or less straight and covers about 35 km. From Poicha to Jhanor, the course is zigzag and the distance covered may amount to 35 km. From Jhanor to the Gulf of Cambay the river becomes a saline estuary which is about 60 km in length. Thus, the overall length of Narmada in Gujarat is: 3 x 35 + 60 = 165 km. Deducting the boundary and saline parts of the river, Narmada in effect is 70 km from Surpaneshwar to Jhanor. The catchment area of Narmada in Gujarat is about 10,000 sq km. This area lies in the annexed tribal regions which morally do not belong to Gujarat.

Of 1,312 km of Narmada, Gujarat can claim at the most 130 km of the river as for its exclusive right. Of this 60 km belong to the sea. With just 70 km of the river, Gujarat has master-minded the entire Narmada River Project. Although essentially a MP river, Narmada has been converted into a Gujarati river. Gujarat has claimed Narmada as its lifeline but in essence made it a deathline for Madhya Pradesh and Maharashtra.

Myth of Drought-Prone Areas of Gujarat

The state of Gujarat is a coastal part of India and the slightest common sense would tell anyone that it cannot be a drought-prone region. However, there can be drought-prone pockets which are man-made due to wanton destruction of nature's ecological balance. The average annual rainfall in Gujarat is either 50 cm (20 in) or more. There is only a single marginal strip of region where the rainfall in Gujarat is between 40 cm (16 in) and 50 cm (20 in). Otherwise, east of 70 cm line, the rainfall is between 75 cm (30 in) and 100 cm (40 in), which is good and west of the same line, the rainfall is between 70 cm (28 in) and 50 cm (20 in), which is fairly good. So the drought-prone Gujarat is a myth because 50 cm (20 in) rainfall is considered fairly good by the standard of meteorological science. Also, the average rainfall over the entire length and breadth of India cannot exceed 50 to 75 cm (20 to 30 in) The same is true for the whole world. So Gujarat should stop crying wolf and exploiting adjoining states to get rich.

The only part of Gujarat where the rainfall is less than 40 cm (16 in) is Kachchh. But Kachchh is not Gujarat. It was the greatest folly to lump Kachchh with Gujarat. That only shows the lack of scientific temper among the people in power. The rightful place for Kachchh was in Sindh. The latter is not in India, hence, Kachchh could be in Rajasthan. The tragedy of Kachchh is that the rich Kachchhis want to be with rich Gujaratis because of their business interest. They have ignored their historical, geographical, ecological, linguistic and cultural interests completely. This has proved their undoing. They have failed to help their poor brethren.

If technologists and engineers of Gujarat had cared to study their past history, their table-land and flow of water from the adjoining states, they would have come to one basic conclusion: 'dig deep and not dam'. Daming is suitable to Rajasthan, Madhya Pradesh and Maharashtra because they cannot stop the quick running waters without dams. Also they possess natural lakes. MP built its early dam between 10 and 55 AD on the Bhojpur lake. Rajasthan built its earliest dams, namely, Uday Sagar dam on the river Arat-Banas near Udaipur in 1700 and Jai Samand dam on the river Gomati-Mani near Udaipur in 1730. Gujarat is not faced with quick running waters but with soggy land. It should not copy others blindly. To quote an eminent meteorologist:

"Professor Pisharoty a reputed scientist in Gujarat, has argued that the best solution for our water and soil conservation problems is what the Dravidians did several centuries ago—the construction of about 30,000 water tanks, each about 100 m x 100 m x 10 m, in each of the 300 and odd district which have an annual rainfall of 50 cms or more. Such water ponds could improve our ecology, trees would grow around them and ground water will be recharged. By means of this alternative the vested interests now centred around major and medium irrigation works would lose the opportunity of pocketing and wasting hundreds of crores of rupees, but the agricultural producers and the nation would certainly benefit."

In the preceding section we examined the rainfall map of Gujarat and we could not find drought-prone regions. The government of Gujarat's claims about the state's drought-prone and desert areas need to be examined. We find Santrampur, Jhalod and the adjoining areas are defined as drought-prone. The Santrampur-Jhalod region receives copious rains: it receives 80 to 100 cm (32 to 40 in). Taking 90 cm (36 in) as the average for the region we see that this is good rainfall. Actually, it is better than most of the parts of Gujarat. It will be even better than most parts of India if such a survey is made. For example: Pune city and some of the nearby areas in the mountain's shadow regions receive 40 cm (15 in) of rains per year. Thus, the question before us is to understand the causes for drought in the Santrampur-Jhalod region.

This question can be understood in two ways: (1) the government arbitrarily declares some regions as drought-prone to obtain political mileage by undertaking all kinds of welfare schemes in the region to please the people; (2) some drastic climatic changes are taking place due to man-made causes. The first alternative is beyond the author's comprehension because he is not familiar

with political games. Hence, he will concentrate on the second alternative.

In nature, when do drastic changes take place? For this there is Le Chatelier Theorem: "If a system at equilibrium is disturbed the system will shift in such a way as to minimise the effect of the disturbance". Has Gujarat done anything to disturb the natural rainfall system? Ideally, the region from the river Banas in the north to the river Daman-ganga near Daman (not shown in the map) in the south is the natural boundary of Gujarat. If Gujaratis want to push their boundaries to the east, they may do some adjustment in the plain region but they have no right to enter the hilly region. By the same token Gujarat has no right to build the SSP dam where it is being built today.

As we see, Gujaratis have already entered into this slanted lined region for the past 44 years by annexing the former princely states. It is admitted by all and sundry that forests are gone or thinned and the damage done is considerable. This way 500 km of hilly track is ruined from north to south in the eastern Gujarat. What do Gujaratis expect if not the drought-prone pockets in their state? Now they are out to solve their drought problem by building the SSP dam so that they can damage 500 km of hilly track west to east in Maharashtra and Madhya Pradesh. The tragedy is that the construction of the dam goes on and their tomfoolery is unchallenged. They have money and morcha power. They have the most vulgar arrogance of wealth. They think that it is their birthright to do what pleases them without any regard to fellow feeling or compassion. They will build the dam with brute force and naturalists have to oppose this force.

Is the eastern region really Gujarat? The tribal region exactly coincides or overlaps with the eastern regions of Gujarat. This means that the eastern region in reality, is not Gujarat and the tribals living there are not Gujaratis by any stretch of imagination. This fact can also be verified by consulting the tribal map of India. These tribal regions were annexed by Gujarat to exploit their natural wealth and to use tribals as bonded labourers. Besides, these tribals are useful to project rich Gujarat's poverty and to extort grants from the central government. Even then, the fact remains that the appropriate sections of the slanted lined region be given back to Rajasthan, Madhya Pradesh and Maharashtra, so that, these tribals join their own tribes and do not remain divided. This way the tribals can fulfil their expectation for full autonomy provided the tribal regions are made autonomous within the states.

So is there a way to help drought-prone pockets of Gujarat? To answer this question, we, once again, refer to the maps. We find that hilly regions of Saurashtra and Gujarat get copious rains but these very regions are declared-drought prone. Why? The reason is: These regions do not have optimal forest cover. Hence, water runs off the rocks; running streams and small lakes dry up soon without the protection of woods. The end result is man-made drought for which there is no remedy except one: to restore the hills to their original condition. Otherwise, to pump up water from rivers or reservoirs will prove very costly and will be beyond the financial means of tribals. Thus, no dam, however, big, can help hilly drought-prone regions. The SSP dam too cannot help them and it is an acknowledged fact that these regions are not served by the SSP. The remaining drought-prone regions are close to deserts or are deserts and the irrigation there means lack of total sanity. India is not Israel. Many good lands await irrigation in India. And no one has right to divert money for insane projects.

Earlier, we have seen that the effective contribution of the state of Gujarat to the length of Narmada river is just 70 km in 1,312 km. The overall catchment area of the Narmada basin is roughly 1,00,000 sq km out of which Gujarat's contribution is 10,000 sq km which is in the annexed immorally held part of the state—most of which should go to MP. Gujarat practically reserves this 10,000 sq km for its exclusive use. It does not contribute a drop to the common pool. Besides, out of the remaining catchment areas amounting to 90,000 sq km mainly in Madhya Pradesh and Maharashtra, Gujarat's contribution is paltry 423 sq km. Yet, it cries wolf. It claims that all the water goes to sea as a great loss to the nation. This is indeed surprising. Who prevents Gujarat from storing the run off waters of Narmada in its own region from Garudeshwar to Aliabet in Gulf of Cambay? Madhya Pradesh and Maharashtra cannot prevent because they cannot stop run off waters without spending billions of rupees which they do not have. Certainly, since Gujarat claims that it can raise lots of money from all kinds of sources it can store the water in its own region and then supply to the rest of the country by pipelines. But Gujaratis do not want to do that. They want to build the dam at the border of the state and want to ruin 400 or 500 km of Narmada in Maharashtra and Madhya Pradesh and construct an artificial river of 460 km length in their own state for their exclusive use except for a paltry grace to Rajasthan.

What is injustice? Do money and political clout play any role in doing injustice? Did the Narmada Tribunal Award come during the prime ministership of Morarji Desai? The answer to these questions readers have to discover for themselves. Then, will it be a wonder if the award is in favour of Gujarat? The very fact that a riparian state like Gujarat with 423 sq km of contribution in 90,000 sq km gets equal representation with other states on the Narmada Control Authority does not prove the injustice? Only the weakling states can accept such injustice. Otherwise, the concerned states would have told Gujarat that this 423 sq km of contribution too is ours and Gujarat has no right of any representation on the Narmada Control Authority.

Award of Narmada Water Disputes Tribunal

The Gujarat government and the vice chairman and managing director of Sardar Sarovar Narmada Nigam Limited harp again and again on the remarkable 'decision of the tribunal'.

The Narmada Water River Disputes Tribunal gave its final decision in 1979. The main parameters of the decisions were as under:

(a) Allocation: (at 75 per cent dependable yield)

	MAF
MP	18.25
Gujarat	9.00
Maharashtra	0.25
Rajasthan	0.50
	28.00

(b) Height of the Dam:
FRL at 455.0'

(c) FSL of the Main Canal—300 ft: To be extended up to Rajasthan border to cater irrigation to the drought-prone areas of 75,000 ha in Barmer and Jallore districts of Rajasthan.

(d) Power allocation: (in percentage)

MP	57
Maharashtra	27
Gujarat	16

There would be regulated releases from Narmada Sagar Project in MP 280 km upstream.

Did the Gujarat government and its spokesperson P A Raj ask themselves a simple question: Is this a fair victory? A riparian state with 0.5 per cent contribution to the catchment area taking away 33 per cent of water and 16 per cent of electricity. Above this, this state keeps 10 per cent of its own catchment area for its own exclusive use. The state also gains equal rights to sit on the Narmada Control Authority and dictate terms on the basis of the given award. This is patent injustice.

One would like to pose this simple question: Suppose Bangladesh insists on building dams on Ganga and Brahmaputra rivers exactly near the borders of India and submerge India's vast territory, would India agree? Obviously, the answer is simple 'No'. What Bangladesh talks of international laws as the one given here?: "It is well-established in law that the waters of a natural stream or other natural body of water are not susceptible of (*sic*) absolute ownership as specific intangible property. On the contrary, flowing water is publicijuris or res communis and not subject to individual ownership" would India agree? The answer is again 'No'. Because a law cannot be used to destroy people. There were protests registered with the Tribunal:

(i) ... on November 28, 1963 D P Mishra, the chief minister of Madhya Pradesh, in a letter to K L Rao, the union minister for irrigation and power, clearly stated that the

state of Madhya Pradesh was not in agreement with the statement that the Navagam dam should be built up to FRL 425 and the entire benefits should be enjoyed by the state of Gujarat.

(ii) The government of Madhya Pradesh argued that Navagam dam should be restricted to FRL 162 since that was the bed-level at the Madhya Pradesh border.

(iii) The Khosla Committee rejected the proposal of the Maharashtra government that the FSL of the canal should be at RL 185/190.

(iv) (Madhya Pradesh) claimed that a better utilisation of Narmada waters would be possible if part of it were diverted to the Tons Valley in the Ganges basin.

The protests numbered (i) to (iii) are absolutely reasonable but the committee and/or tribunal pushed them aside and imposed their will. This was indeed an unreasonable and unpardonable folly which proves that Madhya Pradesh and Maharashtra have not accepted the award but their governments have compromised the interests of their people for the so-called national interest.

The most remarkable claim by MP is found in number (iv). It shows how desperate the government of MP was to save its sacred waters. It was prepared to transfer them into sacred Jamuna instead of allowing them to flow into the mighty man-built base gutter of Gujarat.

Tribunal's Reasonings

Now, we will see how the tribunal tried to resolve the Narmada water disputes and how the government of Madhya Pradesh tried to contest for many years to save its sacred river. We will list here the main arguments of the tribunal:

(i) Since water resources are not divisible into pieces like land lots, the equality to which parties are entitled does not mean equal division. It means equality of consideration, it means equality of opportunity which very often may not result in the same quantity of water.

(ii) The tribunal refers to various international treaties to establish the convention that the contribution to run-off is not an important criterion for apportionment.

(iii) (The Tribunal) felt that the Helsinki Rules clearly show that in determining a state's reasonable and equitable share in the beneficial use of waters of a river basin, the needs of the state as a whole should be taken into account and not merely the basin portion thereof. Under Section 3 of the Inter-State Water Disputes Act of 1956 also, the state is considered to be an integral unit and its interests include the well-being of its inhabitants within its entire territory including areas outside the river basin.

These are the basic principles used to resolve the Narmada water disputes. Are these principles absolutely valid in the present context? Let us see them one by one.

The item (i) is a beautiful rhetoric which can be used to justify any water dispute and any judgment.

Item (ii) shows the slavish mentality of the Indian authorities, because they cannot think up anything original without consulting the foreign laws—in this case, international laws. All Indian states do not have international borders, but only state borders. The principles ought to have been formulated taking into consideration the topography of basins and not the verbosity of foreign laws.

The height of absurdity is reached in applying item (iii) to the Narmada basin. This basin is essentially intra-basin and Madhya Pradesh cannot use its water for the entire state without resorting to some artefact such as tunnelling water through mountains. Thus, there was no question of considering "the well-being of its inhabitants within its entire territory including areas outside the river basin". This principle was specifically used to favour Gujarat. With a 70 km river, it can use the Narmada waters across trans-basins and cover a large portion of its entire territory. This is patent injustice and even a blind man can see it.

Did Madhya Pradesh feel this injustice? Here is the evidence: (a) "Madhya Pradesh had contended before the tribunal that, along with the factors listed by the Nelsinki Rules (1956) equal weightage should be given to the contribution of Gujarat and Madhya Pradesh to the dependable flow. That is, 9.2 per cent for Gujarat and 90.8 per cent for MP at 75 per cent dependability." This plea was ruled out using item (i) and the quote given with reference to Bangladesh (p 16).

(b) "Both Madhya Pradesh and Maharashtra also stressed that the question of equitable apportionment must be related exclusively to the area and people within the basin. Extension of irrigation to adjoining extra-basin areas could not be justified on the grounds of their dependence on the waters of the basin in question or the easy commandability of such areas. MP and Maharashtra argued that the basin was a legal entity and hence should be treated as such; the water apportionment had to be intra-basin and could not be trans-basin". This was the most valid argument, because Narmada flows between Vindhya and Satpura ranges for more than a thousand km in its course of 1,312 km. But this was ruled out by item (iii). This was stupidly extraordinary.

If anyone examines the tribunal's report, one finds that Madhya Pradesh's high points are ignored and Gujarat's high points are artificially inflated. For example, Madhya Pradesh gains high points as to cultivable area, net sown area and population dependent on agriculture, whereas Gujarat is way down in these categories. To prop up Gujarat the myth of drought area and population affected by drought is brought in. These categories are not easily verifiable and figures can be easily manufactured. Rather, figures can be grossly manipulated. What we find in the report is this: drought areas in Gujarat are 1,74,630 acres and weightage given is 73 per cent; drought areas in MP are 1,01,020 acres and weightage given is 27 per cent, people affected by drought in Gujarat are 54,80,000 and weightage given is 72 per cent; people affected by drought in MP are 30,70,000 and weightage given is 22 per cent. Gujarat is propped up and brought to parity with Madhya Pradesh by such means. This casts shadows on the tribunal award.

This is not the end of the story. The way the Khosla Committee recommended the height of Navagam dam is the blackest chapter among the papers on the SSP dam. Madhya Pradesh and Maharashtra wanted to build Jalsindhi dam between Harinphal and Navagam. How the Khosla Committee scuttled this proposal, we read as under:

> The committee was totally in favour of the higher Navagam dam. It observed that instead of a higher Navagam dam, if Harinphal or Jalsindhi dams were raised to the same FRL, the submergence would remain almost the same because the cultivated and inhabited areas lie mainly above Harinphal while in the intervening 113 km gorge between Harinphal and Navagam there is very little habitation or cultivated areas.

The Khosla Committee observed:

> ...that they had kept in mind national interest rather than state boundaries when considering the possibilities of harnessing the waters of the river Narmada. They further observed that irrigation should receive priority over power and the water going waste to the sea without doing irrigation or generating power should be kept to the unavoidable minimum.

Now we will see the fallacy in these reasonings. The Navagam dam submerges 214 km of the valley and 37,000 ha of the surface area. The Harinphal dam does "almost the same", but it cannot do anything between Harinphal and Navagam, a distance of 113 km, because the dam is at Harinphal. If you want 113 km to come into the picture, then the Harinphal dam just submerges 214-113 = 101 km. By this token the surface area too will be less than 37,000 ha. Anyway, the important point to note is this: "in the intervening 113 km gorge... there is very little habitation or cultivated areas". Thus, the intervening 113 km submergence is of no account even though it involves at least 19 villages of Gujarat and 36 villages of Maharashtra. This is the logic the men in high places use. Hence, bad arithmetic gives us: 214 km = 101 km. Besides, we have: bad arithmetic + bad logic = national interest.

Obviously, the members of Madhya Pradesh were dumbfounded with this type of reasonings. This, we may see from the following narration.

> Gujarat had asked for a height of 530 ft on the shrewd calculation that even after the tribunal reduced the height substantially (say 80 ft or so), a very high dam could still be built. It has been pointed out [Mathur 1978] that Madhya Pradesh was placed in a 'Catch 22' situation regarding the height of the Navagam dam. In the master plan prepared by Madhya Pradesh in 1965 it had proposed that a dam at Harinphal of the height 465 ft

to convince the tribunal that the state wanted to make optimum utilisation of the waters of the river Narmada. At the same time, Madhya Pradesh also tried to argue that the height of the Navagam dam should be restricted to 162 ft so that the dam would submerge no areas from Madhya Pradesh (162 ft is the bed level of the Narmada at the border between Madhya Pradesh and Gujarat). Whether a 465 ft high dam is built at Navagam or at Harinphal, the submergence in Madhya Pradesh would be nearly the same. Hence, if the state of Madhya Pradesh was willing to condone submergence up to 465 ft with a high Harinphal for the sake of hydel power, then it could no' as well argue against a 465 ft SSP, provided that it was being compensated for the loss of potential hydel power generation. Hence, the tribunal settled for a 460 ft high Navagam dam.

This long discourse clearly shows that Gujarat is building the SSP dam at Navagam after gaining a totally unfair victory which was full of legal quibblings and political chicanery. To cover up these dirty possible games, it had to invoke official Secrets Act and needs an advertising agency to do its false propaganda. Readers should ask themselves: Are dams built in this fashion anywhere in the world?

The myth of drought has been invented to serve the industrial belt between Baroda and Ahmedabad. Irrigation too is meant for rich farmers who are mostly found in this region. It was explained earlier that drought areas cannot be helped by building any dam howsoever big. Gujarat has shown drought areas under three categories: (a) mountainous or hilly regions, (b) deserts, and (c) regions adjoining to deserts. Earlier it was pointed out that the hilly regions of Santrampur, Jhalod cannot be served by the SSP dam because to pump up water is very costly. The only way out is to restore these regions to its original condition. The desert regions too cannot be served by canals because the sand dunes offer adverse or uneven gradient, the sand accounts for adverse absorption of water and high temperature and zero humidity explain the adverse evaporation. The only way out is via pipe-lines and not canals.

Ambika Singh, the agronomist appointed by the tribunal said to the panel:

> I have arrived at the conclusion that Ranns area is characterised by high salinity, a very low horizontal permeability, a vertical permeability of nearly nil, a high ground water table and an impervious layer near the ground water, and low rainfall. From this description it could be easily understood that reclamation of the area, even if possible, will be a very difficult task. It has not been established till now whether or not desalinisation of soil is possible.
>
> (He) concluded that (considering the proposed pattern of irrigation and transit losses) the amount of water required to irrigate one acre in Banni would suffice to irrigate 3.9 acres of better quality land near the canal head.

Did tribunal agree with its agronomist? Here is its viewpoint.

> Gujarat's claim on Narmada waters to irrigate areas in the little and the Great Rann of Kutch and the Banni area also was unreasonable. The assessor Dr Ambika Singh had expressed the opinion and the tribunal had concurred with his view that the desalinisation of these areas would prove costly and impracticable.

Readers should note again that India is not Israel. Good land awaits irrigation in the country. Also, Israel has not diverted a mighty river like Narmada in its desert. Their methodology is original.

Now remain the remaining drought areas which are adjacent to the desert areas. Those areas very close to deserts cannot differ much, hence a little portion remains which may benefit. Actually, an agronomist's opinion is very necessary even for this little portion.

The tragedy of the whole situation is: the tribunal props up Gujarat by giving high weightage to drought areas and the people affected by drought and then do not serve them by the dam, nor does it lower this weightage and rule out such a high dam. For some time the Gujarat government even imposed the Official Secrets Act which was lifted under public pressure. Are dams built under secrecy like atom bombs or destructive weapons?

P A Raj has waxed eloquent on the benefits of use of the SSP canal: "4,720 (now 8,215) villages and 131 (now 132) urban centres in Gujarat state would get a permanent solution as regards the drinking water supply needs". He also gets emotional and points out that "75 per cent of the command in Gujarat is drought-prone... and it caters for domestic water supply of the arid areas of Saurashtra and Kutch; it is a real drought-proofing project and hence the life line of Gujarat."

The SSP dam command area is 18 lakh ha. 75 per cent of it is 13.5 lakh ha. The command areas in the districts of Surendranagar, Banaskantha, Mehsana and Kachhchh come out to be (according to Raj) 3.04 + 3.13 + 1.50 + 0.37 = 8.04 lakh ha. These calculations show that 60 per cent of drought-prone areas are in the regions adjacent to deserts. If the canal is passing through this arid region, of course, people will fill their pots with canal water. This is not equivalent to supplying potable drinking water. Anyway, the main question is: has Gujarat a right to build canals in this type of terrain even if the agronomist's ratio 1:4 (exactly 1:3.9) improves to 1:2 or 1:1.5. The author does not think so because it is still a national waste of money and water resources. Is it absolutely true that Narmada waters cannot be used in a better way elsewhere than in this bleak terrain? On the basis of merit Gujarat has no right to build such a high dam at Navagaon, irrespective of the Tribunal's favour.

Plunder of Annexed Adivasi Areas

We have already seen that Gujarat gets sufficient rains every year. There may be some lean years, but then this is true of whole India which includes Madhya Pradesh and Maharashtra. Did the tribunal worry about drought-affected persons of these two states? MP gets very poor weightage. We leave aside this injustice and come to see how Gujarat generated drought areas in the state.

In the last 44 years Gujarat has plundered the forest wealth of annexed adivasi areas right from the Danta state in the north to Dangs in the south. What can be the outcome—drought. According to the report of the principal of the Forest Rangers College at Rajpipla, "Rajendra Sharma stated that between 1970 and 1990, the forests which extended west of Rajpipla had been decimated systematically not only with the full knowledge but with the active participation of the member of the legislative assembly from Rajpipla and the series of ministers in charge of the forest department of the government of Gujarat. He added that this systematic and organised forest felling had led to a recession of the forest area by about 60 km to the east of Rajpipla! The people of Rajpipla openly stated that Chandubhai Deshmukh, Amarsingh Choudhari, Shri Patel... and Virji Munia who had all been ministers of forests of the government of Gujarat had all been responsible for the politicisation of tribals in the Rajpipla area which had eventually led to the commercialisation of forest resources and the large-scale illicit removal of timber. Further, Mr Sharma added that in the Rajpipla division the efforts made by the social forestry department had not made any dent in the rate of forest depletion. He stated that Karaya white gum extracted from Sterculia urens was being systematically pilfered. In such circumstances, he said, it was no surprise that in the forest areas there was a physical battle between the forest department on the one hand and the local leaders enjoying political patronage, on the other."

This is a true story not only for the Rajpipla region but also for the whole eastern region. The length of this region is 500 km from north to south and is the easternmost part of Gujarat habitated by adivasis. In reality (or morally) this region could be classified as a trust territory. Gujarat had no right over this region before annexation and now they have doubly lost it by devastation and default. The Rajpipla area is highlighted here because Rajpipla is 23 km by road from Garudeshwar on Narmada and the region lies on the southern bank of the river and extends up to Manibeli in Maharashtra where the present anti-dam satyagraha is on. In retrospect, "Near the Gujarat broder, the Rajpipla forests have been ravaged completely by timber contractors, with the implicit and explicit support of the local members of

the legislative assembly of Gujarat, during the last two decades. Gujarat politicians have systematically encouraged the decimation of the forest areas right up to the district of Jhabua in Madhya Pradesh on the excuse that these will in any case be submerged under Garudeshwar and Sardar Sarovar reservoirs. But the forest destruction has proceeded far beyond the likely submergence areas. The local Bhils, who are substantially dependent on forests, have either been pushed further into or near the Dangs or towards the Alirajpur areas across the Madhya Pradesh border." The Rajpipla area had "tigers, panthers, civets and jungle cats, the mongoose, hyena, wolf, wild dog, foxes and jackals, others and sloth bears. The black buck, once a common sight, is now seen occasionally." This is the fate of wildlife. How can anyone assess this loss in terms of money or compensation. Yet, the Gujarat government speaks of compensatory afforestation. . This is height of callousness, but let us assess even this callousness.

The SSP-dam will submerge 37,000 ha of land of which 11,000 ha are forests. The government of India has released on September 8, 1987, 4,165.91 ha of forests for Gujarat, 2,731.00 ha for MP and 6,488.54 ha for Maharashtra. The total area of forests comes out to be 13,385.45 ha. Of this area, 11,000 ha will get submerged due to the dam. Gujarat's share is 4,523 ha out of these 11,000 ha. Thus, Gujarat will compensate only for 4,523 ha. The rest is not his concern because the remaining areas are not in Gujarat.

As against this 4,523 ha Gujarat will grow 4,650 ha of compensatory forests in nine villages of Kachchh. And wide publicity is given to this feat. But let us look at the opinion of principal Rajendra Sharma. "In his opinion, the area selected for afforestation is absolutely unsuited for raising trees, because the level of ph (acidity) in these areas is greater than 9.5. Prosopis juliflora which had been selected for plantation will not survive in such soils." He ended by stating that trying to raise compensatory forests in the Rann of Kachchh will be an exercise in futility if not in sheer stupidity.

Of course, the Gujarat government can bring in some other forestry expert to prove that Sharma is wrong. The author does not deny this possibility. Nay, he is aware that the Gujarat government may invite journalists and show them as a matter of fact the compensatory forests in the desert areas of Kachchh and thereby prove this opinion to be unacceptable.

Can artificial forest be equated to a virgin or a true forest? The answer is an absolute 'No'. Compensatory forestry is agro or commercial forestry. It is beneficial to the government officials and contractors in two ways: they make money while growing these forests as well as at the time of felling. This way money always remains in the pipelines. To grow a natural forest requires devotion, love for nature and a rare expertise.

In the present case, in a 113 km stretch or gorge between Harinphal and Navagam, there may be 6,488 ha of natural forest of Maharashtra and 2,731 ha of MP and most of these will be submerged by the Sardar Sarovar. Who will compensate for this submergence is not clear. However, we may assume that the governments of Maharashtra and Madhya Pradesh will grow roses, sag, sal and deodar trees in the deserts of Thar because ample useless land is available there and in the present scientific era impossibility can be converted into reality. Even then, the question remains: Why will Rajasthanis accept these graceful faked forests and why will Maharashtra part with their genuine forests? When consumer societies are supported by the state governments to guard against the ills of faked goods, are there no societies to guard against government's faked forests?

About 33 per cent of India's land used to be covered by forests. Obviously 20 per cent is natural forests inaccessible for commercial use, 8 per cent has to be for the homeland of adivasis who number 6 to 8 per cent of India's population, 5 per cent of forests then will be available for commercial use. It is said that forest cover has come down to 20 per cent (forester's estimate) or 10 per cent (ecologist's satellite based estimate). This is near bankruptcy. Besides, all Indian states cannot have 33 per cent forest cover, for example, Rajasthan. This means that some states should have 66 per cent of forests, whereas some states may not have natural forests at all. Also hilly regions in any one state need to have 80 per cent of forest because the flat populated areas will have none. The Narmada flows between Vindhya and Satpura ranges, hence this region ought to have 80 per cent of forests. More so, because MP is adjacent to Rajasthan which in turn is adjacent to Sindh in Pakistan and MP has to compensate for Rajasthan and Sindh. Similarly, Maharashtra has to compensate for Gujarat. So, Gujarat has no right whatsoever to destroy Maharashtra or MP forests.

Comparison of SSP and NSP Dams

In this section we give some data for the Narmada Sagar project dam and the SSP dam. This is necessary because the NSP dam is nothing but an appendage to the SSP dam. This point will be clear once the readers examine these data.

The points to be noted are: (a) the true dam height and length, (b) the catchment area, (c) the live storage capacity of the reservoir and the irrigation facility, and (d) the electric power.

Gujarat builds a 460 ft high dam whose length is 3,970 ft. The owner state of the river, MP, is just given a 250 ft high dam whose length is 1,894 ft. Gujarat uses 88,000 sq km of the catchment area for the SSP dam in which its own contribution is just 423 sq km. It reserves its own 10,000 sq km of catchment area for its own exclusive use. MP uses its own 61,642 sq km for its NSP dam, which is only true on paper, in actuality it is used by Gujarat but the said area gets included in the above 88,000 sq km. Gujarat's SSP dam submerges 37,000 ha of lands, of which, 11,000 ha are forests. But Gujarat's own submergence is a paltry 4,523 ha, the remaining 32,477 ha is of Maharashtra. MP's NSP dam submerges 90,000 or more hectares, of which 44,363 ha are cultivable lands and 40,332 ha are forests. But this submergence though accredited to the NSP dam is in actuality due to Gujarat's SSP dam. Thus, according to Baba Amte, the SSP and NSP dams are together going to submerge about 1,30,482 ha of land of which 55,681 ha is mostly prime quality cultivable land and 56,066 ha is forest land. Except 4,523 ha, all the land belongs to MP and Maharashtra, predominantly the former. In short, Gujarat actually submerges 1,30,482 ha of land of which 1,25,959 ha will lie outside its own territory, that is, in Maharashtra and MP.

Gujarat's ministers, its newspaper editors, its religious leaders, its Gandhian sarvodaya workers, its spokespersons, keep saying that the 4,523 ha submergence in Rann of Kachchh will be compensated, but they never speak about 1,25,959 ha submergence in others' territory. Gujarat contributes 0.5 per cent to the catchment area and obtains 33 per cent of waters. But then it does not know where to store them in its own territory. So it submerges others' territory and then claims that it is in the national interest. It builds a 460 ft dam, but the live storage capacity of its reservoir is only 4.73 MAF, that too, after damaging 214 km of Narmada mostly in Maharashtra and MP. Thus, the storage of water is mostly in Maharashtra and MP. Gujarat has taken 33 per cent of Narmada waters which turns out to be 9 MAF. So far 4.73 MAF has been stored in the adjoining states. The question is: Where to store the remaining 4.27 MAF of water? Of course, it has to be in Narmada. Where? They have already used 214 km of river up stream from the SSP dam site. Thus, they need another dam which is 300 km away from the SSP dam site. This is the NSP dam, 250 ft high which is in real terms a storage tank of the SSP dam. The reservoir here is not lengthwise but is irregular. Hence, it submerges not the banks of the river but adjoining hilly terrains and forests. Hence, the damage is drastic—90,000 ha or more. The live storage capacity of this smaller dam is greater than that of the SSP. It is 7.9 MAF. Of this 4.23 MAF is utilised by Gujarat via regulated releases, the remaining 3.67 MAF is for MP. In spite of this fact, Gujarat harps that the SSP submergence is the lowest (37,000 instead of 1,30,482). Does MP need 3.67 MAF of water for irrigation? The answer is no. The reason for this 'no' is astonishing: the NSP is allotted only a little (1,23,758 ha) for

irrigation as against 18 lakhs ha for the SSP, that too, for some desert like areas (8 lakh to 13 lakh ha). Thus, MP destroys 1¼ lakh ha of excellent cultivable land and virgin forest to irrigate as much or less of its land. Does MP need the NSP dam to irrigate a paltry 1¼ lakh ha of its agricultural land? The answer is again absolute no—9 MAF of Gujarat suffices for its 18 lakh ha command area, which amounts to 0.5 MAF per 1 lakh ha of land with substandard soil. Thus, MP will not need more than 0.5 MAF of water for its 1¼ lakh ha command area. Assuming that MP will utilise 0.67 MAF of water for its use from its allotment of 3.67 MAF, even then, 3 MAF is surplus. This surplus is a cushion for the SSP dam which can be used in time of distress. Thus Gujarat takes away 12 MAF of waters of Narmada as against its allotment of 9 MAF. This is indeed clever. Not only that, it makes MP pay 82 per cent of the cost on the NSP dam and it pays only the remaining 18 per cent which too it did not want to pay in the first place. Thus, with little money Gujarat takes away all the benefits. Gujaratis may say that MP's downstream Omkareshwar and Maheshwar dams too utilise the NSP waters. Maheshwar is not an irrigation project and Omkareshwar's irrigation project is not bigger than that of the NSP, and hence it cannot utilise more than 0.5 MAF, which it can collect from its own catchment area, irrespective of the NSP. Hence, it is useless to argue on these points. Gujaratis may point out that MP is utilising these waters for generating electricity. This point we will deal separately below.

Readers may wonder that author's calculations may be wrong somewhere. If this is the doubt we proceed by an alternative path. Rajasthan is given 0.5 MAF to serve its 75,000 ha of command area. We know the agronomist ratio for Banni in Kachchh. It is 1:4. Assuming that Rajasthan's soils is better than Banni's, this ratio may improve to 1:2, or 1:1:5, but it cannot be 1:1. This means that 0.5 MAF in MP will serve the command area of 1,50,000 ha or 1,12,500 ha. This proves that the NSP and Omkareshwar can use at the most 1 MAF for irrigation purposes. To be on the safer side we assume 1.63 MAF instead of 1 MAF. Even then, Gujarat takes away 11 MAF out of the combined live storage capacity (12.63 MAF) of SSP and NSP. It may be that Gujarat uses 9 MAF, but then keeps 2 MAF as cushion for the SSP. Whichever way we may look, the NSP dam is nothing but an appendage or a storage tank for the SSP dam. Gujarat gets away with a huge dam at the expense of MP. It pays very little.

Now we see clearly NSP as an appendage or a storage tank of SSP. This can be further proved by the following evidence: "It is on record that lowering of the height of the dam (i e, NSP dam) from 860 ft to 814 ft (i e, from 250 ft to 200 ft) would mean that the land submerged would come down by 80 per cent (i e, from 90,000 ha to 18,000 ha). There is little substance in the criticism from Gujarat's industrial interests that this would affect the viability of the project. Apparently the Madhya Pradesh government had proposed just such a step at the Narmada water disputes tribunal as well. Why the proposal was not considered in the first place is a disturbing comment on the lack of concern for the ecological viability of the project". This evidence proves beyond doubt that the tribunal has shown partiality to Gujarat.

Now we come to the next question : Does Gujarat really need a 455 ft dam? Gujarat is using its dam's water only from 455 ft to 363 ft. The canal outlet is at 300 ft. It needs 363 ft of water above the bed level to keep the generators operative. Thus, Gujarat has an effective 100 ft dam. The outlet is kept at 300 ft because it wants its canal waters to reach the borders of Rajasthan. Also, it wants to use 363 ft of dam as a dump or a pit for silt, so that it can use the dam for the next 50 or 100 years without much worry. This is pure extravagance. Gujarat deserves a dam between Garudeshwar and Aliabet and this should be not more than 100 ft. The waters should be used intra basin (i e, between Tapi and Mahi) and not trans-basin (i e, up to state's borders).

TABLE

	SSP Dam	NSP Dam
Dam Height		
Top of dam height	146.5 m (480.6 ft) + 22.9 m = 169.4 m (MSL)	267 m (MSL) = 880 ft
Maximum height above mean sea level (MAL)	163 m (MSL) = 535.0 ft (MSL)	
Average bed level of river at dam site	22.86 m (MSL) = 75.0 ft (MSL)	
Actual maximum water level (MWL) height, i e, true dam height	140.21 m = 460 ft	84.4 m = 250 ft
Gates (spillway)	30	20
Dam Length		
Length of the dam	1210 m = 3970 ft	574 m = 1894 ft
Catchment Area		
Catchment area above the dam site	88000 sq km.Gujarat's contribution 423 sq m	61642 sq km
Rainfall	Max	
Mean annual rainfall	Navagam: 112 cm (44 in)	Catchment area: 140 cm to 75 cm
Reservoir		
Maximum water level (MWL)	140.21 m = 460 ft	266.35 m (MSL)
Full reservoir level (FRL)	138.68 m = 455 ft	266.13 m (MSL)
Minimum draw-down level (MDDL)	110.64 m = 363 ft	
Gross storage capacity	7.70 MAF	10.8 MAF
Dead storage capacity	2.97 MAF	2.9 MAF
Live storage	4.73 MAF	7.9 MAF
Annual evaporation losses	0.50 MAF	
Length of reservoir	214 km	
Maximum width of reservoir	16.1 km	
Average width of reservoir	1.77 km	
Submergence		
Submergence at FRL	34,867 ha (37,000 ha according to Shri Raj)	90,000 ha
Submergence at MWL	41,000 ha at flood level	
Canal		
Type	Lined contour canal	Lined with concrete
Length	445 km	248 km
Culturable command area (CCA)	21,19,000 ha + 70,000 ha in Rajasthan	1,74,967 ha
Irrigation command area	17,92,000 ha (Gujarat)	1,23,758 ha
Power		
Installed capacity	1450 MW	1000 MW
Number of units	6 (200 MW each on dam) 5 (50 MW each on canal)	8 (125 MW each)

The SSP dam and its canal power houses will produce 1,200 + 250 = 1,450 MW. Madhya Pradesh's NSP, Omkareshwar and Maheshwar power houses may produce 1,000 + 390 + 240 = 1,630 MW. These are then the bare facts. We do not know for the present how 1,450 MW electricity will get distributed among MP, Maharashtra and Gujarat although on paper it is 57 per cent + 27 per cent + 16 per cent = 100 per cent. We have to wait to see in how many phases they produce the targeted electricity. The production of electricity comes much after the dam. So, we cannot deal with facts, but arguments. Also, it should be noted that in the present case electricity is just the by-product because MP can produce electricity in a better way.

Gujarat makes MP spend 82 per cent of the NSP dam's cost because it uses say 0.9 MAF of water for irrigation and the rest (7 MAF) for electricity. In the first place, let us see why MP produces electricity while releasing regulated supply of water for SSP. Between NSP and SSP dams, there is a fall of 860 ft (FRL) to 460 ft (FRL), i e, 400 ft. Now, if this water runs down without being utilised for electricity then the energy stored in the water at the higher level will go waste and that is national waste. Thus, MP has no alternative but to produce electricity at the NSP site (whether it is the best site or not) for the first fall of 250 ft, then again at Omkareshwar for the second fall of say 90 ft and then at Maheshwar for the third fall of say 60 ft. Actually, MP has no alternative but to produce electricity at the NSP site even if the dictating state's choice is bad. Not only that, the Omkareshwar and Maheshwar dams too act as regulators for the SSP dam. If Gujarat does not pay service charges or does not contribute to the cost of these dams then it is a further exploitation of MP. Thus, Gujarat is in no way being charitable to MP when the latter is producing electricity at an exorbitant cost to its environment and at a higher price. The grave injustice done to MP is that it is not given any choice or voice. A riparian state which has all the rights over the river is given a minimum say, whereas a riparian state which has absolutely no rights over the river, at least above the dam site, is given maximum say.

Had MP been given a free choice, it could have utilised its waters and produced electricity in a much better way. Hence, it is MP, which is storing and regulating the supply for the SSP dam, is doing charity to Gujarat and not vice versa. It is indeed a sad kind of development scheme in which a poorer state is made to serve a richer state.

The SSP and NSP dams are thus one and the same dam located at different places, i e, at Navagam in Gujarat and near Punasa in MP and the storage of water is primary and generation of electricity is secondary, that too, the latter is merely a by-product.

For the SSP dam, Gujarat gets Rs 2,063 crore from MP, Maharashtra and Rajasthan, whereas pays Rs 828 crore (B) on the main dam and Rs 809 crore (B) on the power house, that is Rs 1,637 crore. This way too it seems Gujarat gets away with the dam free of costs.

The tribunal has started with wrong premises: it wants to use Narmada intra-basin for the first 1,182 (1,312 - (70+60)) km and trans-basin for the last 130 (70+60)) km—actually 70 km. This is done just to favour Gujarat. Once, you begin with this premise, Navagam in Gujarat becomes the best artificial site for a dam because Narmada just enters Gujarat above it. This premise destroys valuable natural dam sites like Jalsindhi, Harinphal and makes redundant sites like Maheshwar, Omkareshwar. Gujarat also knows that if MP fails to build its own dams then too nothing will happen to it except that it will not get regulated flow. On the other hand unregulated flow will be copious and Gujarat can take as much advantage as possible of this extra flow of water.

Conclusion

(a) The number of people who will get ousted by the Narmada project ranges from 1,00,000 to 3,00,000 and the author does not know which figure he should take as reliable. Assuming the lowest possible figure 1,00,000 as true for the SSP-NSP combine, even then, human suffering involved is heart rending. Assuming four persons to a family, this means 25,000 families and 250 villages. To honestly document the aspirations and hopes of 25,000 families is not an easy task. To complete the task in a year or two would need at least 250 well-qualified social workers.

(b) The origin, living, and artistic traditions, especially paintings of Narmada Man (5500 BC) and of Navdatolian Man (1600 to 1440 BC) are linked to many of the sites which will be destroyed by the project. Ancient and medieval historical sites, such as Maheshwar or Mahishmati and Bhojpur, and Dhar which had Bhoja-Sata University. There is a ruined dam (10-55 AD) on the Bhojpur lake. Flora and fauna of the Narmada basin, specifically, magnificent sal forests. Historical monuments and archaeological sites. And, temples will all be submerged. To put before the readers what is already on record: "The archaeological survey of India has recently completed studies of the historic monuments and archaeological sites. The main conclusion which may be derived is that more than a hundred monuments will be submerged and lost forever. Neither the project authorities nor the World Bank have made an assessment of this loss. In addition, more than 132 prehistoric sites, which are literally a goldmine for archaeologists, will be lost. It may be possible to transplant some of the temples and monuments physically, but in the case of prehistoric sites the loss will be permanent."

(c) Narmada has preserved very useful older alluvial deposits (1,00,000 years old) which will help in studying past climatic changes and the river floodings. Those areas come under paleoflood and paleomonsoon studies. This is a task for specialists in the aforesaid fields.

(d) The Gujarat government has assured all that the SSP dam is safe against any earthquakes. Accepting this claim as honest, what does it mean? It means that the government has used the latest technology in constructing the dam. What is great about it? The dam is being built in 1991 and obviously the dam will be built using the 1991 technology. There are cities in Japan and in Californian coasts of the US where buildings are seismically shock-proof. The SSP dam too may be shock-proof in this sense. It only means that the 4,000 ft (i e, length of the dam) of the dam is shock-proof and will not collapse and the towns of Bharuch district are safe. But this does not rule out the reservoir induced seismicity all around 212 km of submergence. If this seismicity manifests after the completion of the dam then people of Maharashtra and MP living on the Narmada banks will never be secure unless they learn to live with earth tremors as Japanese do.

The SSP-NSP combined dams destroy 1,30,482 ha of virgin forests and cultivable land of high quality mainly in MP and Maharashtra to irrigate 18 lakh ha in Gujarat, of which 75 per cent (i e, 13.5 lakh ha according to P A Raj) is drought-prone. That is, 9 lakh ha is arid and remaining 4.5 lakh ha is of poorer quality of land than in MP. This means that a small high quality part of India is destroyed to serve a large-arid and semi-arid part of the country. This is called national interest. Obviously, this is a great fallacy. Normally, waters are diverted from arid regions to fertile regions and not vice versa. And, that is national interest. In Russia, Siberian waters were diverted to some fertile regions. In the US arid region waters are taken to fertile land.

It is a normal practice, that people from arid and semi-arid regions (i e, drought-prone regions) should migrate to more favourable regions and not vice versa. In the present case, people residing in favourable regions and who have no complaint whatsoever against nature are first made destitute and then shown charity. This is a crime against science and humanity. High technology is there to serve science and humanity; it is not there to destroy well-settled people. If the Gujarat government is so rich as to build a huge dam, relocate people who do not need in the first place relocation, why does it not relocate its own people in favourable regions within the state? This will be in the national interest.

Gujarat has done injustice to Maharashtra by building the Ukai dam and making Maharashtrian adivasis destitutes. It got away

with that crime easily. Later, it did injustice to Rajasthan by building a dam at Kadana on the border of Gujarat. It made Rajasthanis and the Rajasthani-tribals destitutes. Now, it is the turn of MP. And, this is all in the name of national interest. In building Kadana, or Ukai or the SSP, Gujarat sees that it suffers the least damage and causes vast damage to the adjoining states. In the present case, 19 villages are submerged in Gujarat, whereas 36 and 193 villages are affected in Maharashtra and MP respectively. This is also true for families affected and the land submerged

The SSP-NSP combined dams are planned to store 9 MAF of water for Gujarat. Thus, irrigation is primary and electricity is secondary, i e, it is a by-product. MP could have produced electricity at more favourable states, if it would have been given a free hand. Also, natural dam sites like Jalsindhi and Harinphal are lost due to submergence to MP whereas Navagam is not a natural dam site. This is a national loss.

The Narmada river is a intra-basin river for most of its length. It flows between Vindhya and Satpura ranges. Hence, Narmada should be used between Mahi and Tapi. It cannot be used for trans-basin purposes. This way it can only be used for irrigation purposes in the Bharuch and Baroda districts. Perhaps, it may irrigate at the most 4 lakh ha land. Thus Gujarat needs a dam to store at the most 2 MAF of water. For this, it can build a dam between Garudeshwar and Poicha. The dam height may be 100 to 150 feet.

Gujarat has no right to complain about MP or Maharashtra as long as the Narmada waters flow through Gujarat. During monsoon, Gujarat will easily be able to store 2 MAF of waters, because MP or Maharashtra cannot stop the flow of Narmada without spending fantastic amount of money. River waters going to sea is not a national loss. It is a natural eco-cycle and no one has right to stop it.

Indians have lived in arid regions for hundreds of years and they know how to survive there. There is no point in teaching them wrong methods of living. This is not to say that right type of modern technologies should not be used to remove their distress.

The government of Gujarat and the people of Gujarat are happy to see that the SSP dam is coming up fast and now it is a *fait accompli*. They are convinced that the dam can be built by brute force, repression and cruelty. It is a challenge now for ecologists, environmentalists, botanists, zoologists, all scientists and all sane and scientific tempered people of India to see that this dam becomes a grand monument to truth, compassion and justice. And, this can only become so by not allowing the mighty gates of this most sinister dam to be closed and impound waters to form a vast destructive reservoir. This is not an easy task.

The first point to be raised by the state and the central governments will be rhetoric. They will say: we have now spent Rs 20,000 to Rs 50,000 crore to build this dam. It cannot be a waste. That will not be in the national interest. The Supreme Court of India will endorse this stand by saying that this is the most valid argument. So the anti-dam activists will have no alternative but to accept the dam as a *fait accompli*. Are the anti-dam activists prepared to remind the central government that it was already warned by hundreds of eminent persons of this country to reconsider this SSP dam? Yet, the state government rushed to complete the dam in haste and hence should take the resulting consequences of the *fait accompli* philosophy. The natural beauty of this country and the lives of simple, innocent folks living in such surroundings cannot be saved by all kinds of compromises in the name of national interest. The fight is never against any dam but against the philosophy behind it, i e, brute force and cruelty. This is then the challenge.

All present day environmentalists and anti-dam activists should note that they are not the first to take up this challenge. Vishnois or Bishnois who live somewhere near Jodhpur in India took up this challenge long back and won against the might of Jodhpur Maharaja by quietly sacrificing 360 of them just to save their few trees. Even today, they have a beautiful habitat in the desert where deers and peacocks move freely around them without fear. There is a modest temple raised on the ashes of these 360 and it will do a great good to the spirit of modern ecologists to put two small flowers on this shrine.

DISCUSSION

Militant Left and Struggle for Democracy

Niranjan Phukan

THE *EPW* is an omnibus left journal that accommodates views of conservative bourgeois theorists as well as the ultra-left. This sometimes leads to confusion. An issue may editorially recommend some alternative economic policy in a certain sphere to the present government of India, while publishing a strident contribution by a radical leftist condemning in furious language any progressive expectations from the bourgeois state. The leftist thus feels happy to maintain the purity of his 'line' while loftily ignoring the obvious compromise with people holding quite different views. I believe this should induce the purists to do some much-needed and rather uncomfortable re-thinking on the Stalinist legacy, particularly in regard to the concept of the state.

I think there are two serious objections to the Stalinist view of the state prevailing among the militant Indian left. First, by assuming that it is merely an engine of exploitation and oppression impervious to outside pressures, it forecloses the possibility of effective democratic struggle in present-day Indian society, thus indirectly contributing to the growth of fascist tendencies of the state. Secondly, this assumption needlessly restricts the scope of activity of the left parties, confounding all democratic struggles on constitutional lines with parliamentary degeneration. Such a view also fails to account theoretically for the occasional but more or less effective use of bourgeois courts of law, media and human rights bodies by the ultra-left in their own interest. Dogmatic extremism does duty for thought that has to come to terms with a complex reality.

The purer the left the more minuscule its area of activity and influence, though of course it enjoys the unalloyed happiness of deductive theoretical rigour. Everyone else realises the historical obligation to form a united front of forces opposed to various forms of exploitation in our society and the despotic trends in the state. Such forces will necessarily include certain so-called 'revisionist' trade unions, reformist political parties, oppressed regional and ethnic groups, democratic intellectuals and certain sections of the middle class. Against them will be arrayed the opportunist alliance between the semi-fascist state and the motley armies of religious bigotry. To abandon the former option as a surrender to the class-enemy, as various militant left groups tend to do, will be to make the same mistake as Stalin who had indirectly helped the rise of Nazis to power by clubbing with them the social-democrats under the specious plea that social-democrats are 'only social-fascists'.

The genuine left, committed as it is to the politics of social transformation, will of course have to evolve and formulate a plan to lead the alliance to the path of struggle against reactionary forces. The struggle must avoid the complacency and unprincipled compromises of purely parliamentary politics, though it does not dogmatically boycott all participation in parliamentary politics. While it need not oppose all forms of violent struggle, it certainly cannot afford to endorse the line of armed struggle unconditionally.

Otherwise the united front will collapse, to the merriment of the fascists and reactionaries. One still awaits the proper formulation of such a strategy, along with the desired line in culture.

This is the point to discuss the vexed question of the use of the bourgeois state by the left. It has been argued that the bourgeois-democratic state in India is an empty shell, and that democratic rights and liberties are non-existent in India. This is an example of apriorism blind to empirical shades crippling the initiative of the militant left groups. To be sure, the influence of big capital, both global and Indian, is very strong on the Indian state. The social base of the latter contains feudal elements (e g, the role of caste in the administration and the courts of law) that nullify the democratic content of the constitutional rights. Further the bourgeois constitution itself is being progressively recast in an authoritarian direction by numerous amendments. Such an argument wishes away such facts as the removal and rescinding of certain amendments as a result of mass-movements, the struggle against centralising authoritarian tendencies by various regional forces and the occasionally effective though far from satisfactory uses of courts of law by militant forces against arbitrary arrests and detention without trial. While it is granted that the democratic content of the constitution in practice is small and dwindling, it does not at all follow that the democratic forces should therefore retire from the battlefield and allow the fascists and reactionaries to overwhelm the space for democratic politics.

Indeed the dangerous delusion that such forms of democratic mass-struggle are worthless has in practice weakened the democratic forces and armed the reactionaries. Among militant left and democratic groups such a notion leads to irresponsible terrorism and anarchism. In 1988-90 the notion that the Indian democracy is a farce encouraged the ULFA to indulge in a spate of murders of tea-garden managers, bureaucrats, marwari businessmen and political opponents from among the democratic camp itself. It used terror to proscribe all political and cultural work not in line with its adventurism. Eventually it issued death-threats to journalists who took a critical line in reporting their activities. Flamboyant lists of unfortunate villagers (very few of them landlords) under death sentence passed by it were regularly sent to the press. Such behaviour in the end so disgusted and enraged the people that when the state started a counter-offensive, considerable sections among the people kept silent. The ULFA had little political maturity, to be sure. But among its theoretical arsenal was the idiotic notion that there was no room between the bourgeois dictatorship and the dictatorship of the left. While I have no firm knowledge of what happened in Punjab I have a suspicion that the militants there were guilty of similar outrages. This is by no means to support state terror, but only to point out the contribution of adventurism to the consolidation of state terror and the decay of democratic forces.

The national oppression and exploitation underlined by the ULFA in Assam includes the oppression of indigenous small business and the suppression of small local enterprises by big capital. These sections of the people have a constructive approach to national development. When the campaign for national liberation is reduced to a programme of extortion and kidnapping and assassinations, this influential group has little reason to feel enthusiastic. Further, the contemptuous neglect of mass work among the peasantry and the labouring masses has dissolved the fragile links among the various ethnic, linguistic and religious groups, and paved the way to ethnic separatism. Thus a false theory has not only caused injury to the organisation but also endangered the people it would serve.

Hence there is a need to re-affirm the legitimacy of the term 'common man', against adventurist and anarchist subversions. The 'common man' is not the clerk on the Hero Honda, or the engineer with his VCR, as vulgar extremists prefer to believe, but the broad alliance of classes under the united front. Such a united front must work among other things for a transformation of the state with a continuous series of mass struggles maintaining as far as possible democratic norms. Democratic rights and liberties must be upheld and strengthened as weapons of the working people in their struggle for a better life. This is not to reduce the state to a jelly-fish, but to turn the state into an instrument of the people. Its coercive power must turn against religious bigots, communal terrorists, and exploitative landlords and profiteering businessmen. Of course such an outcome will be the achievement of a prolonged well-planned struggle. But that must be on the agenda first, in the teeth of immature and adventurist militancy.

The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

Balance Sheet of the Indian Branches as on 31st March, 1994

CAPITAL AND LIABILITIES	SCHEDULE	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
Capital	1	375,000	250,000
Reserves and Surplus	2	2,683,284	2,101,555
Deposits	3	26,752,545	19,090,376
Borrowings	4	2,182,312	3,648,814
Other Liabilities and Provisions	5	2,607,027	2,467,717
TOTAL		34,225,168	27,308,462
ASSETS			
Cash and balances with Reserve Bank of India	6	2,274,908	3,255,209
Balances with banks and money at call and short notice	7	888,637	1,255,530
Investments	8	15,104,732	8,636,018
Advances	9	11,438,387	10,880,671
Fixed Assets	10	1,876,341	1,443,301
Other Assets	11	2,642,163	1,837,733
TOTAL		34,225,168	27,308,462
Contingent Liabilities	12	36,476,293	45,334,278
Bills for collection		1,373,635	1,640,814
Notes to Accounts	17		

Schedules referred to herein form an integral part of the Balance Sheet.

S.P. MEDORA
Partner
For BHARAT S RAUT & CO.
Chartered Accountants

K. SINHA
Area Financial Controller

G.C. DOBBY
Chief Executive Officer, India

Bombay: 24 June, 1994

Profit and Loss Account of Indian Branches for the year ended 31st March 1994

	Schedule	Year ended 31.3.1994 (Rs 000)	Year ended 31.3.1993 (Rs 000)
I. INCOME			
Interest earned	13	3,260,469	3,176,343
Other Income	14	899,943	935,710
TOTAL		**4,160,412**	**4,112,053**
II. EXPENDITURE			
Interest expended	15	1,983,740	2,191,908
Operating expenses	16	974,954	748,360
Provisions and contingencies		633,201	642,909
TOTAL		**3,591,895**	**3,583,177**
III. PROFIT			
Net profit for the year		568,517	528,876
Profit brought forward		765,528	562,844
TOTAL		**1,334,045**	**1,091,720**
IV. APPROPRIATIONS			
Transfer to statutory reserves		113,703	107,182
Transfer from capital reserves		(16,073)	(6,862)
Profit remitted to Head Office during the year		0	225,872
Balance carried over to Balance Sheet		1,236,415	765,528
TOTAL		**1,334,045**	**1,091,720**
Notes to Accounts	17		

Schedules referred to herein form an integral part of the Profit and Loss Account.

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Chief Executive Officer, India

Bombay: 24 June, 1994

HongkongBank

Member HSBC Group

Schedules forming part of the Balance Sheet of the Indian Branches as on 31st March 1994

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 1 – CAPITAL		
Amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	375,000	250,000
TOTAL	**375,000**	**250,000**
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	280,200	173,018
Additions during the year	113,703	107,182
	393,903	280,200
II. Capital Reserve (See Schedule 17 Note 2(e)(iii))		
Opening Balance	1,048,138	68,873
Additions during the year	18,343	986,127
Transfer to Profit and Loss Account	(16,073)	(6,862)
	1,050,408	1,048,138
III. Revenue and other Reserves		
Opening Balance	7,689	7,689
Deduction in the year	(5,131)	0
	2,558	7,689
IV. Balance in Profit and Loss Account	1,236,415	765,528
	1,236,415	765,528
TOTAL	**2,683,284**	**2,101,555**
SCHEDULE 3 – DEPOSITS		
A. I. Demand Deposits		
i) From banks	190,946	710,543
ii) From others	5,773,035	3,425,726
	5,963,981	4,136,269
II. Savings Bank Deposits	4,040,839	2,872,043
III. Term Deposits		
i) From banks	0	735,942
ii) From others	16,747,725	11,346,122
	16,747,725	12,082,064
TOTAL	**26,752,545**	**19,090,376**
B. i) Deposits of branches in India	26,752,545	19,090,376
TOTAL	**26,752,545**	**19,090,376**

Schedules forming part of the Balance Sheet of the Indian Branches as on 31st March 1994

		As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 4 – BORROWINGS			
I.	**Borrowings in India**		
	i) Reserve Bank of India	0	791,900
	ii) Other Banks	353,391	675,000
	iii) Other institutions and agencies	1,474,853	2,181,914
		1,828,244	3,648,814
II.	**Borrowings outside India**	354,068	0
	TOTAL	**2,182,312**	**3,648,814**
	Secured borrowings included in I and II above	1,305,561	1,929,786
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS			
I.	Bills payable	910,621	1,405,673
II	Inter-office adjustments Branches in India (net)	4,243	0
III	Head Office and Branches outside India (net)	184,507	0
IV.	Interest accrued	1,189,615	543,620
V.	Others (including provisions)	318,041	518,424
	TOTAL	**2,607,027**	**2,467,717**
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I.	Cash in hand (including foreign currency notes)	96,582	85,141
II.	Balances with Reserve Bank of India		
	i) in Current Account	2,178,326	2,888,950
	ii) in Other Accounts	0	281,118
		2,178,326	3,170,068
	TOTAL	**2,274,908**	**3,255,209**

HongkongBank
Member HSBC Group

Schedules forming part of the Balance Sheet of the Indian Branches as on 31st March 1994

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with banks in Current Accounts	505,246	1,182,354
	505,246	1,182,354
ii) Money at call and short notice with banks	70,000	0
	70,000	0
	575,246	1,182,354
II. Outside India		
In Current Accounts	313,391	73,176
TOTAL	**888,637**	**1,255,530**

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 8 – INVESTMENTS (See Schedule 17 Notes 2(c) and 4)		
I. Investments in India in		
i) Government Securities	8,866,428	4,337,161
ii) Other approved securities	1,043,750	871,965
iii) Shares – Fully paid	32,766	22,625
iv) Debentures and Bonds	2,375,204	2,129,309
v) Subsidiaries and/or joint ventures – Fully paid	1	1
Partly paid	500	500
vi) Others – Units of Unit Trust of India	1,754,712	1,259,077
– Canstock	18,005	15,380
– Commercial Paper	1,013,366	0
TOTAL	**15,104,732**	**8,636,018**

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Schedules forming part of the Balance Sheet of the Indian Branches as on 31st March 1994

			As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 9 – ADVANCES (See Schedule 17 Note 2(d))				
A.	i)	Bills purchased and discounted	2,954,856	3,721,084
	ii)	Cash credits, overdrafts and loans repayable on demand	6,344,504	5,904,034
	iii)	Term loans	2,139,027	1,255,553
		TOTAL	**11,438,387**	**10,880,671**
B.	i)	Secured by tangible assets	7,890,268	6,735,059
	ii)	Covered by Bank/Government Guarantees	873,582	1,447,370
	iii)	Unsecured	2,674,537	2,698,242
		TOTAL	**11,438,387**	**10,880,671**
C.	**Advances in India**			
	i)	Priority Sectors (including export finance)	4,095,591	2,232,483
	ii)	Public Sector	728,314	103,337
	iii)	Others	6,614,482	8,544,851
		TOTAL	**11,438,387**	**10,880,671**

Schedules forming part of the Balance Sheet of the Indian Branches as on 31st March 1994

	As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 10 – FIXED ASSETS		
I. Premises (including Leasehold)		
Cost as at 1 April, 1993 including revaluation or cost taken over under the Scheme of Arrangement (See Schedule 17 Note 3)	1,101,828	117,143
ADD: Additions during the year including revaluation	78,529	990,583
	1,180,357	1,107,726
LESS: Deductions during the year	0	5,898
	1,180,357	1,101,828
LESS: Depreciation to 31 March 1994 (See Schedule 17 Notes 2(e)(ii) and (iii)) Amount taken over under the Scheme of Arrangement	766	766
Net Additions to date	41,563	14,524
	42,329	15,290
TOTAL	**1,138,028**	**1,086,538**
II. Other Fixed Assets (including furniture and fixtures)		
Cost as at 1 April 1993 including cost taken over under the Scheme of Arrangement (See Schedule 17 Note 3(b))	609,268	476,166
ADD. Additions during the year	487,160	143,212
	1,096,428	619,378
LESS: Deductions during the year	20,740	10,110
	1,075,688	609,268
LESS: Depreciation to 31 March 1994 Amount taken over under the Scheme of Arrangement	21,172	21,172
Net Additions to date	316,203	231,333
	337,375	252,505
TOTAL	**738,313**	**356,763**
TOTAL	**1,876,341**	**1,443,301**

HongkongBank

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Schedules forming part of the Balance Sheet of the Indian Branches as on 31st March 1994

		As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 11 – OTHER ASSETS			
I.	Inter-office adjustments Branches in India (net)	0	41,551
II.	Head Office and Branches outside India (net)	0	62,974
III.	Interest accrued	530,832	292,941
IV.	Tax paid in advance/tax deducted at source (net)	96,699	0
V.	Stationery and stamps	15,158	5,736
VI.	Items in the course of collection	801,030	624,649
VII.	Others	1,198,444	809,882
	TOTAL	2,642,163	1,837,733

		As on 31.3.1994 (Rs 000)	As on 31.3.1993 (Rs 000)
SCHEDULE 12 – CONTINGENT LIABILITIES (See Schedule 17 Note 5)			
I.	Claims against the bank not acknowledged as debts (including indirect tax matters)	1,097,836	958,102
II.	Liability for partly paid investments	500	500
III.	Liability on account of outstanding forward exchange contracts	24,009,436	30,990,521
IV.	Guarantees given on behalf of constituents		
	a) In India	4,140,859	4,791,729
	b) Outside India	520,047	241,234
V.	Acceptances, endorsements and other obligations	5,681,272	7,306,357
VI.	Other items for which the bank is contingently liable	1,026,343	1,045,835
	TOTAL	36,476,293	45,334,278

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Schedules forming part of the Profit and Loss Account of the Indian Branches as on 31st March 1994

		Year ended 31.3.1994 (Rs 000)	Year ended 31.3.1993 (Rs 000)
SCHEDULE 13 – INTEREST EARNED			
I.	Interest/discount on advances/bills	1,669,426	2,021,657
II.	Income on investments	1,366,323	961,900
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	117,792	163,707
IV.	Others	106,928	29,079
	TOTAL	**3,260,469**	**3,176,343**
SCHEDULE 14 – OTHER INCOME			
I.	Commission, exchange and brokerage	414,399	356,532
II.	Profit on sale of investments (net)	87,147	32,479
III.	Profit/(loss) on sale of land, buildings and other assets (net)	(1,477)	145
IV.	Profit on exchange transactions (net)	363,272	515,013
V.	Miscellaneous Income	36,602	31,541
	TOTAL	**899,943**	**935,710**
SCHEDULE 15 – INTEREST EXPENDED			
I.	Interest on deposits	1,465,866	1,261,641
II.	Interest on Reserve Bank of India/ inter-bank borrowings	267,917	370,640
III.	Others	249,957	559,627
	TOTAL	**1,983,740**	**2,191,908**
SCHEDULE 16 – OPERATING EXPENSES			
I.	Payments to and provisions for employees (See Schedule 17 note 2(f))	331,317	273,959
II.	Rent, taxes and lighting	54,569	41,177
III.	Printing and stationery	30,460	27,541
IV.	Advertisement and publicity	45,057	37,714
V.	Depreciation on bank's property (See Schedule 17 Notes 2(e)(ii) and iii))	112,206	56,653
VI.	Directors' and Local Committee Members' Fees and Allowances	1,084	1,104
VII.	Auditors' fees and expenses	1,514	836
VIII.	Law Charges	2,482	1,076
IX.	Postage, Telegrams, Telephones, etc.	64,854	29,716
X.	Repairs and maintenance	51,056	29,475
XI.	Insurance	15,481	14,884
XII.	Head Office Expenses	82,634	101,873
XIII.	Other expenditure	182,240	132,352
	TOTAL	**974,954**	**748,360**

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SCHEDULE 17

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 1994

1. The financial statements for the year ended 31 March 1994 reflect the results of the Indian Branches of The Hongkong and Shanghai Banking Corporation Limited ("the Bank"), which is incorporated and registered in Hong Kong. The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated and registered in England.

2. Principal Accounting Policies

a) General

The accompanying financial statements are prepared on the historical cost basis as modified by the revaluation of certain premises, and in accordance with generally accepted accounting principles and the statutory provisions and practices prevailing within the banking industry in India.

(b) Transactions Involving Foreign Exchange

(i) Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year end except for those foreign currency non-resident deposits eligible for conversion with the Reserve Bank of India, which are translated at the notional rates applicable to these deposits. Revenues and expenses are translated at the rates prevailing on the transaction date.

(ii) Outstanding forward foreign exchange contracts are revalued at the forward exchange rate prevailing at the year end and the resultant gain or loss is included in the Profit and Loss Account.

(c) Investments

(i) All investments are classified as "Current Investments" and are valued at the lower of cost and market value in aggregate by type of security.

(ii) Cost represents the acquisition cost adjusted by the amortisation of premium or discount over the period from the date of purchase to the date of maturity.

(iii) Market value for quoted investments is determined based on independent quotations and in the case of unquoted investments by reference to the market yield for instruments with comparable risk and residual maturity.

(d) Advances

Advances are stated net of provision for doubtful advances and interest in suspense. Provision for doubtful advances is made in respect of identified advances based on a periodic review and after having considered the provisioning guidelines issued by the Reserve Bank of India. Interest on doubtful advances is credited to an interest in suspense account and not recognised in the Profit and Loss Account until received.

(e) Fixed Assets

(i) Fixed assets are stated at historical cost less accumulated depreciation with the exception of premises which are stated at valuation or cost less accumulated depreciation.

(ii) Depreciation is provided on straight-line basis at rates prescribed under Schedule XIV to the Companies Act, 1956.

(iii) Depreciation on the revaluation of fixed assets is charged to the Profit and Loss Account and a correspoding transfer is made from the Capital Reserve to the Profit and Loss Account.

(f) Staff Benefits

(i) Provision for post-retirement benefits in respect of approved pension funds is made based on actuarial valuations conducted by a qualified actuary.

(ii) Pension payments to non-expatriate Indian staff who retired on or before 31 December 1980, prior to the creation of the approved pension funds, are accounted for on a cash basis. The annual cost of these pensions is Rs. 3 million.

(iii) Monthly payments made under the Voluntary Retirement Scheme introduced in 1992 are also accounted for on a cash basis. The liability at 31 March 1994 in respect of these schemes is

Rs. 10.1 million, provision for which is not made in these financial statements.

(g) Net Profit

The net profit disclosed in the Profit and Loss Account is after:

(i) provision for any depreciation in the value of investments;

(ii) provision for doubtful advances;

(iii) provision for taxation;

(iv) provision for other unusual and necessary expenses;

(v) charge for head office expenses.

3. Fixed Assets

(a) The most recent valuation of the freehold and long leasehold premises was conducted by independent professional valuers in November 1992 and the results of the revaluation were included in the Balance Sheet at 31 March 1993.

(b) Certain premises acquired under a Scheme of Arrangement are held in the name of Hongkong Bank (Agency) Private Limited, a wholly owned subsidiary, for the benefit of the Bank. Accordingly, these premises have been treated as assets of the Bank in these financial statements.

4. Investments

(a) Investments include securities of Rs. 23,850,000 which have not been transferred to the Bank's name. The Bank has filed an affidavit with the Custodian under the Special Court Ordinance, 1992 and awaits the Court's ruling. In the opinion of management, these securities will be transferred into the Bank's name thereafter.

(b) Investments include 110,760 Canstock Units of Rs. 100 each for which the Bank holds a valid Banker's Receipt from the counterparty. Physical delivery of the units is pending settlement of an unresolved issue, included under contingent liabilities, in respect of security transactions with the same counterparty.

5. Securities Transactions

The final Reports of the Janakiraman Committee, enquiring into the securities transactions of Banks and Financial Institutions in India were published in May 1993. Chapter XVII of the fifth Janakiraman report contains observations and criticisms of the securities operations of the Bank, notably deficiencies in the documentation of the client investment scheme and the imprecise basis on which the management fee was earned by the Bank in respect of the scheme. There were also references to the Bank's relationship with a broker through whom the bulk of the 416 transactions aggregating Rs. 43,909 million were entered into between 1 April 1991 and 31 May 1992, and to pay orders drawn in favour of the Bank which were credited to the broker's account, and to a number of transactions recorded as being with counterparties rather than with the broker.

There are certain securities transactions currently in dispute with the Bank involving an aggregate sum (including interest) of Rs. 1,030 million which are not acknowledged as debts by the Bank. In addition, the consequential taxation implications of the above transactions remain unclear. The Bank intends to defend itself against these claims vigorously. On the basis of information and advice currently available, management does not anticipate any material loss to the Bank.

6. Custodial Services

During the year the Bank introduced Custodial Services for securities, aimed mainly at Foreign Institutional Investors ("FII"). Unprecedented volumes generated by the overwhelming response from the FII customers led to a backlog in the process of transfer of securities. The backlog has since been cleared and the Bank does not expect any material claims to arise.

7. Taxation

Tax liabilities in respect of Mercantile Bank Limited taken over by the Indian branches are pending final outcome of the tax assessments/appeals filed by the Bank/Tax authorities relating to the assessment years 1967-68 to 1983-84 and those in respect of the Bank for assessment years 1984-85 to 1991-92. The amount is not ascertainable.

8. Previous year's figures have been regrouped and reclassified as far as practicable and wherever necessary.

HongkongBank
Member HSBC Group

Auditors' Report on the Financial Statements of the Indian Branches of The Hongkong and Shanghai Banking Corporation Limited under Section 30 of the Banking Regulation Act, 1949

We have audited the Balance Sheet of the Indian Branches of The Hongkong and Shanghai Banking Corporation Limited (incorporated in Hong Kong with limited liability) ("the Bank") as at 31 March 1994 and the related Profit and Loss Account for the year then ended. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not drawn up, in accordance with Schedule VI of the Companies Act, 1956. The financial statements are therefore drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

In respect of the matters mentioned in Notes 4 (a) and 5 to the financial statements, we are unable to form an opinion on their outcome and consequently their effect, if any, on the results of the Bank for the year.

In our opinion, subject to the effect of the adjustments, if any, that might have become necessary had the outcome of the matters referred to in the previous paragraph been known, the financial statements give a true and fair view of the state of affairs of the Bank as at 31 March 1994 and of its profit for the year then ended.

We further report that:

(a) the financial statements are in agreement with the books of account and give the information required by the Companies Act, 1956, in the manner so required for banking companies.

(b) the Bank has maintained proper books of account as required by law insofar as appears from our examination of those books;

(c) the returns received from the branches of the Bank have been found adequate for the purposes of our audit;

(d) the transactions which have come to our notice have been within the powers of the Bank.

For Bharat S Raut & Co.
Chartered Accountants
S P Medora
Partner

Bombay
24 June 1994

HongkongBank

Member HSBC *Group*

Hongkong Bank (Agency) Private Limited

Balance Sheet as on 31st March 1994

31-03-1993 Rs (000s)	LIABILITIES	Rs (000s)	Rs (000s)
	Share Capital		
	Authorised		
	100,000 Ordinary Shares		
1,000	of Rs. 10 each		1,000
	Issued		
	100,000 Ordinary Shares		
1,000	of Rs. 10 each		1,000
	Subscribed		
1	100 Ordinary Shares of Rs. 10 each fully paid	1	
499	99,900 Ordinary Shares of Rs. 10 each Rs. 5 paid	499	
500			500
	Note: The entire share capital is held by The Hongkong and Shanghai Banking Corporation Limited and its nominees		
	Reserves and Surplus		
36	Balance in Profit and Loss Account		57
	Current Liabilities and Provisions:		
	Current Liabilities		
	Sundry Creditors		
544	The Hongkong and Shanghai Banking Corporation Ltd	502	
7	Others	10	512
1,087	**TOTAL**		**1,069**

31-03-1993 Rs (000s)	ASSETS	Rs (000s)	Rs (000s)	Rs (000s)
	Current Assets, Loans and Advances:			
	Current Assets			
	Sundry Debtors			
32	Unsecured, considered good over six months	11		
80	Other debts	47		
112			58	
	Bank balances with scheduled bank - on deposit with			
501	The Hongkong and Shanghai Banking Corporation Ltd., Calcutta	501		
137	On Current Account with The Hongkong and Shanghai Banking Corporation Ltd., Calcutta	102		
307	On Current Account with The Hongkong and Shanghai Banking Corporation Ltd., Bombay	378		
945			981	
	Loans and Advances			
	Advances recoverable in cash or in kind or value to be received			
30	Unsecured considered good		30	1,069
1,087	**TOTAL**			**1,069**

Notes on Accounts as per Schedule attached form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

K. H. VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Bombay, June 23, 1994

J. P. SAMANT
Secretary

G. E. DOBBY
Director

R. CHOPRA
Director

K. SINHA
Director

HongkongBank

Member HSBC *Group*

Profit and Loss Account for the year ended 31st March 1994

31.03.1993 Rs (000s)	EXPENDITURE	Rs (000s)	Rs (000s)	31.03.1993 Rs (000s)	INCOME	Rs (000s)	Rs (000s)
	Expenses reimbursed to the holding company:				Sundry Fees:		
				296	Trusteeship (including Rs. Nil (previous year Rs 78,750) in respect of prior years)	279	
203	Salaries	398					
58	Rent	40		4	Income	18	
19	Electricity	23		25	Acceptance	200	
5	Stationery	16		10	Management	36	
11	Postage & Telegrams	16	493	1	Services	1	
18	Legal Expenses		8	-	Withdrawal	1	535
	Auditors' remuneration						
7	Audit Fees	10					
1	Out of pocket expenses	2	12				
1	Charges General		1				
13	Profit carried down		21				
336			535	336			535
36	To balance carried to Balance Sheet		57	13	Profit for the year		21
				23	Balance brought forward from last account		36
36			57	36			57

Notes on Accounts as per Schedule attached form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date

K. H. VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Bombay: June 23, 1994

J. P. SAMANT
Secretary

G. C. DOBBY
Director

R. CHOPRA
Director

K. SINHA
Director

SCHEDULE OF NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1994

Significant Accounting Policy – Fee income is accounted on an accrual basis

No provision has been made in these accounts for income tax for the year as also for the earlier years as the income of this Company belongs to The Hongkong and Shanghai Banking Corporation Limited, the holding company, as per the Scheme of Arrangement approved by the Bombay High Court whereby the contractual obligation under the agreement dated 14 May, 1929, with Mercantile Bank Limited has vested in The Hongkong and Shanghai Banking Corporation Limited.

Contingent Liability in respect of (a) taxation matters Rs 104,000 (previous year Rs 104,000). (b) other matters – amount not ascertainable (previous year Rs Nil).

Other additional information pursuant to the provisions of the paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956, has not been furnished as there are no particulars to be given.

5. Trusteeship fees include Rs. 30,000 (previous year Rs. 30,000) in respect of companies where trust deeds are yet to be executed.

6. Earnings in foreign exchange – Fees Rs 10,162 (previous year Rs Nil)

7. The Company is in the process of running down the Trusteeship business as it is not remunerative. The Securities and Exchange Board of India (SEBI) has permitted the Company to continue with the existing Debenture Trusteeships until maturity, though the Company has not been registered as a Debenture Trustee under the SEBI regulations. The Company has decided not to accept any new Debenture Trusteeships as directed by SEBI.

8. Previous years figures have been regrouped wherever necessary.

K. H. VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Bombay: June 23, 1994

J. P. SAMANT
Secretary

G. C. DOBBY
Director

R. CHOPRA
Director

K. SINHA
Director

HongkongBank

Member HSBC Group

AUDITORS' REPORT TO THE MEMBERS OF HONGKONG BANK (AGENCY) PRIVATE LIMITED

1. We report that we have audited the Balance Sheet of Hongkong Bank (Agency) Private Limited as at March 31, 1994, and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon, give in the prescribed manner, the information required by the Companies Act, 1956, and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 1994, and its profit for the year ended on that date.
3. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books and the above-mentioned accounts are in agreement therewith.
4. The Company is engaged in the business of supplying and rendering services. Accordingly, as required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 dated September 7, 1988, and issued by the Central Government and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
   - i. The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, and/or from the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
   - ii. The Company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 and/or to companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
   - iii. The Company has not granted any loans or advances in the nature of loans.
   - iv. The Company has not accepted any deposits from the public.
   - v. In our opinion, there is a system of internal control commensurate with the size of the Company and the nature of its business.
   - vi. The paid-up capital of the Company at the commencement of the financial year did not exceed Rs. 25 lakhs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rs. 2 crores and as such we are not commenting on its internal audit system.
   - vii. On the last day of the financial year, there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
   - viii. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such a case by the management.
   - ix. The Company is not a sick industrial company within the meaning of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.
   - x. We have not reported on the matters contained in paragraph 4A(i) to (vi), (x) to (xii), (xiv), (xvi) to (xvii) in respect of fixed assets records and physical verification of fixed assets, revaluation of fixed assets, physical verification and valuation of inventories, internal control procedures relating to purchase and sale of goods, purchases and sales made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, unserviceable or damaged stores and raw materials or finished goods, records for sale and disposal of realisable by-products and scrap, cost records and provident fund and employees state insurance dues respectively as they are not applicable to the Company in respect of the financial year under audit.
   - xi. In view of the nature of services rendered by the Company, the matters specified in items (ii) to (iv) under paragraph 4(B) of the Order to the extent they relate to receipts, issues, consumption of materials and stores, allocation between materials and man-hours consumed, stores and labour authorisation at proper levels are also not applicable.

K.H. VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Bombay: 23 June, 1994

EAST WEST

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"Investors may note that in case of oversubscription the allotment shall be on a proportionate basis and a SEBI nominated public representative shall be associated in the process of finalisation of basis of allotment."
"Investors are requested to refer to the para on 'Justification of Premium' before making an investment in the issue."
"The fair value of shares as per erstwhile CCI formula is Rs. 18.10 based upon 12% capitalisation rate."

RISK FACTORS

External → Air taxi service is subject to Government policies and guidelines. Any changes therein could have a bearing on Company's operations → Increased market forces on certain lucrative routes may have a tendency towards a price war → The Company may face competition from new private air-taxi operators → Break-even levels are high, which is typical of aviation industry

Internal → Winding up petition has been filed by creditors viz. M/s PLM Equipments and Bank of Utah in Bombay High Court → Assistant Collector of Customs (IATT) had issued show cause notice for payment of Rs. 1428.32 lakhs towards inland travels tax for the period March 1992 to February 1993. In pursuance of the above a demand of Rs. 968.61 lakhs and penalty of Rs. 300 lakhs has been made → The Income Tax Department has raised demands for Rs. 54.13 lakhs for A. Y. 1990-91, Rs. 392.96 lakhs for A.Y. 1991-92 and Rs. 35.85 lakhs for A. Y. 1992-93 → The Company has overdrawn balances aggregating Rs. 10.67 crores in the Consortium Banks Accounts, out of which Rs. 3.24 crores is due to overdue interest → Estimates of capital expenditure to be incurred are based on the Company's past experience/enquiries made, the Company is yet to obtain quotations for equipment → The Company, on the basis of the past experience and inventory levels, has estimated Rs. 5973 lakhs as total working capital requirement of the Airline Division as against Rs. 4901 lakhs assessed by the Consortium of Banks led by State Bank of India.

Management Perception • External → To cope with increased demand of domestic air travel and to give boost to tourism, Government's policies are expected to be favourable to Air-Taxi Operators → Price war, if any, may not be a long term phenomenon → The Company being the largest and most experienced air taxi operator with comprehensive maintenance base and well trained manpower along with widely distributed network of ticketing, travel agency and allied services will be in a better position to meet the competition → Already established airline operations will enable the Company to achieve the projected load factors.

Internal → Payments of lease rental has been ongoing and regular activity for the last 2 years. The Company has disputed the Statement of Accounts sent by PLM Enterprises regarding amounts claimed by way of legal charges and political risk insurance and interest alleged on the above outstanding charges, which do not fall within the provisions of the agreement between the Company and the PLM. It may be mentioned that the authorities in India are not in favour of allowing insurance cover against political risk which tantamounts to acknowledging political instability in the country. It appears that the Company's refusal to make payments in excess of the agreed lease rentals has prompted foreign lessors to resort to pressure tactics at the time of the Company's forthcoming public issue. The Company has not been served with winding up petition notice. The Company would be entitled to file their reply and oppose the admission of the winding up petition when the notice of the petition is given to the Company. The Company has also taken up the matter with the lessors and based upon the initial round of discussions it is confident that the winding up petition will be withdrawn. It may also be noted that compared to the size of operations of the Company and its networth the disputed amount of about Rs. 2 crores is not material to have effect on its operational and overall viability → The Company has challenged the legality as well as the correctness of the show cause notice of the Assistant Collector of Customs, New Delhi by filing a writ petition in the Delhi High Court. The Company has Interline Agreements with 18 international airlines. It carries a substantial number of passengers, who undertake inland journey as a part of their international journey. This category of passengers is exempted from payment of IATT. The Company also claimed exemption from payment from IATT for its employees carrying inland journey as part of their duty or on leave on the ground that employees of Air India, Indian Airlines are enjoying these benefits. The Company is filing an appeal to the Collector of Customs (Appeals), Indira Gandhi International Airport, u/s 11 of the IATT rules 1989. The Company has provided Rs. 273.46 lakhs against IATT dues payable to customs authorities for the period March 1992 to February 1993. Additionally by an interim arrangement with the Revenue Authorities, the Company has been forwarding monthly statement of IATT Returns since 1st April 1993 and making regular payments on the same basis. In case of any contingent liability being materialised the cash flows in future years will enable it to fulfil the same → Income Tax appellate authorities have passed order for 1990-91 in the Company's favour giving substantial relief. The demand in 1991-92 is mainly on account of disallowance of handling charges which was decided in the Company's favour in the previous year. The Company is therefore confident of getting substantial relief against 1991-92 demand. Rectification application u/s 154 to income authorities for 1992-93 has been made → The overdrawn balance is on account of shortage of working capital funds faced by the Company due to increase in size of operations and typical requirement of aviation industry. The Company has applied for temporary accomodation to the Consortium of Banks.

NOTE: Investors may note that the maximum size of single application under net public offer is restricted to 4,25,000 shares aggregating Rs. 170 lakhs or application money of Rs. 42.50 lakhs.

Lead Managers to the Issue

Industrial Development Bank of India
Merchant Banking Division
IDBI Tower 14th Floor Cuffe Parade
Bombay - 400 005 Gram: INDBANKIND

SBI Capital Markets Ltd.
Merchant Banking Division
101, Maker Towers E
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Indbank Merchant Banking Services Ltd
Merchant Banking Services Ltd
17th Floor Maker Tower F
Cuffe Parade Bombay 400 005
Telex 118 [illegible] Fax 91 22 2187128

Registrar to the Issue

Karvy Consultant Pvt. Ltd.
6 1 667 Saifabad
Hyderabad 500 004
Gram: KARVY

If the Company does not receive the minimum subscription of 90% of the issue amount including devolvement of underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. For the delay beyond 78 days, if any in refund of such subscription, the Company shall pay interest as per Section 73 of the Companies Act, 1956

ISSUE OPENS ON 28TH JULY, 1994

ECONOMIC AND POLITICAL WEEKLY

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REVIEW OF POLITICAL ECONOMY

MARX'S FIRST CRITIQUE OF POLITICAL ECONOMY, 1844-1994

POLITICAL ECONOMICS OF WORLD CAPITALISM

SUSTAINABILITY OF DEPENDENT CAPITALISM: LESSONS FROM CANADA

NEW INSTITUTIONAL ECONOMICS, MARX AND MARXISM

CLASS AND SURPLUS VALUE: A RE-EXAMINATION OF CONCEPTS

- AUCTIONING OF RUPEE FUNDS: NEW ISSUES IN INDO-RUSSIAN RELATIONS

- COLONIAL STATE AND COLONIAL WORKING CONDITIONS: BENGAL JUTE MILL HANDS

CRISES, CRASHES AND SPECULATION: HEGEMONIC CYCLES OF CAPITALIST WORLD ECONOMY

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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Director

Vol XXIX No 31 July 30, 1994

In Transition

Competition for capital between states is necessary for the system to reproduce itself but so is the need for order. Hegemony is the process through which that equilibrium is established. In the past hegemonic transitions have been associated with dramatic crises and wars. Will these occur again now when old regimes and institutions are being transformed out of recognition, replaced and reconfigured? **PE-86** The ongoing recession and the crisis in the Canadian economy appear to be the outcome of a cumulative impact of structural maladies in the economy because of a particular development strategy it adopted which engendered a vicious circle of dependence. **PE-80** Is the unequal relationship between the capitalist class in the advanced countries and the capitalist class in countries like India an exploitative one, in the sense that there is an extraction of surplus value from the weak to the strong? **PE-60** Where did the 'dependency theory' go wrong? Is the theory of 'unequal exchange' false? What is driving India towards globalisation? Is it possible to construct a theory with elements from the contributions of Kosambi, Mahalanobis and Myrdal on India, which will illuminate the present complex reality of contradictory forces in all three spheres, the economic, political and religious? **PE-70** The difficulty of putting Marx within the neoclassical framework is that while the former tries to understand the reality with a view to changing it, the latter gets involved with the rationality of arrangements and behaviour, giving an impression of rationalising the system. **PE-65** When Marx wrote his first critique of political economy 150 years ago, he was aware that communism, while emancipating the immediate producers in the first place, is in fact a project for total human emancipation. The solution of the contradictions engendered by alienated labour is an eminently practical task, not of knowledge alone. **PE-54**

Restructuring 'Debt'

The Russian proposal to auction rupee funds representing debt repayment to Russia and investment of these funds in equity capital in India raises new issues in Indo-Russian economic relations.

Factory and the State

Working conditions in the jute mills seen within the triangular structure constituted by the colonial state in India, the Anglo-Scottish management of the mills in and around Calcutta and the labour force employed provide insights into the crucial role the colonial state played in establishing the factory system in the colonies. **1994**

Understanding a Fall

A retrospective critique of the theories of the Soviet system provides some insights into the larger implications of the collapse of a unique socio-economic and political system. **2036**

A New Ball Game

The World Cup USA was a game of the New World Order played according to the rules and norms of globalisation. **1996**

Ecology and History

While there is a burgeoning interest in exploring the history of people's struggles over ecological issues, we still lack a framework for systematic study of ecological history. **2006**

Extending Boundaries

A large part of a human being's dialogical experience is spent in realms outside available institutional arrangements. Political theory needs to comprehend these realms. **2011**

Productivity Growth

Contrary to general assumption, productivity growth in the 1980s may actually have been slower than in the earlier decade. **2028**

Lajja and Language

People for whom modernity is essentially a west-of-Khyber phenomenon will find it difficult to understand that Tasleema Nasreen's *Lajja* raises, in the last analysis, issues of language, not theology. **1998**

Counterfeit Renaissance

M S S PANDIAN's piece (June 25) has no iota of fact in its contents. Originally, V Gopalsamy faced various problems from the high command. Gopalsamy was very loyal to the high command and to Karunanidhi. Due to his sincerity and honesty in public life, he is respected by DMK cadres especially youngsters. Therefore, Karunanidhi's son Stalin could emerge as leader of DMK. Under these circumstances, Karunanidhi and other second rank leaders loyal to his family tried to install and project Stalin as leader next to Kalainagar. But they failed in their attempts. Finally, Karunanidhi met the press and released a letter stating that the LTTE was going to assassinate him to promote Gopalsamy in DMK party. This was meant to isolate Gopalsamy from party cadres. This calculation also misfired. After that Gopalsamy convened the general council at Trichy. A number of genuine DMK cadres and leaders attended the council. Unfortunately, due to some reasons, Gopalsamy was forced to name his party as Marumalarchi DMK.

Honesty in politics, purity in public life and consistency in principles are the major slogans of MDMK. Nowadays, politics is in a bad shape without honesty, purity and principles. Hence the MDMK's principles will pave the way to healthy politics. The MDMK respects various faiths which are adopted by the general public in good spirit and good sense. Therefore, there is no question of criticising religious points of view. MDMK is against the theocratic domination and it has raised its voice for secularism in the democracy. I deny that Gopalsamy is not following the footsteps of M G Ramachandran. We have our own role to play in politics in the footsteps of Anna

K S Radhakrishnan

Madras

Triple 'Talaq'

GAUTAM NAVLAKHA (May 21) has unnecessarily mixed up many issues and thus lost the thrust of the point he wanted to make. Not just me but most of the Hindu, Muslim, Sikh and Christian women students here have admired justice Tilhari's unique judgment declaring the reciting of talaq at one sitting as unconstitutional. Justice Tilhari is capable of pronouncing controversial judgment if it helps a cause and brings some social changes. The judges of the Supreme Court normally go by the evidence and constitutional point placed before them. Thus Tilhari's judgment on demolition of Babri masjid should not be compared with the triple talaq because in the earlier case a controversial building was involved while in the case under discussion a human/woman's life is involved. Let us keep politics away from this issue.

The judgment has certainly highlighted the sad plight of Muslim women in India if Shariat supports such an unreasonable custom—a review is necessary in the light of outlawed system of talaq in Pakistan, Syria, Libya, Algeria, etc. Many probably do not know that before talaq is uttered thrice in one sitting the woman is kept under tension causing physical and mental harassment. She is forced to accept what is impossible. In this context it is important to remember Bangladeshi woman writer Taslima Nasreen who says that the laws must be enacted to forbid Muslim men to marry four times, about custody of children of divorced parents and deprive women of an equal share of family inheritance. They must accept family planning.

The article gives an impression that it is no surprise if Muslim women suffer because the plight of Hindu women is no better. Since both are governed by different social customs and laws of the land, the comparison is not logical. In case of Hindu women laws are not made effective but Muslim women suffer because there was no protection from courts.

Shalini Sharma

New Delhi

Just Politics

'SECULARISM, Modernity and the State' (July 9) has documented excellent concepts and ideas about secularism. However, since secularism has become a part of politics rather than of our society, it is not being taken seriously by the common man. It has, to my mind, become a myth rather than a reality even for politicians and intellectuals who demonstrate ever increasing concern for secularism.

Ironically, there is no acceptable (I mean universally acceptable) definition or concept of secularism. Is it necessary to have no faith in any religion to be recognised as a secularist? As long as we do not curb the hate-Hindu and the hate-Muslim hysteria, how can one promote secular feelings? Hindutva is an ideology of the affluent class and the amount of effort and money that is being spent to promote it is significant. The Muslim community, on the other hand, spends much less in terms of money but more in the form of propaganda and effort to promote anti-Hindu feelings.

The occasional eruption of militancy in J and K and the government propaganda that Pakistan is engineering trouble in the border states act as slow poison against secular efforts. Modernity and democracy in India are a blend of traditions and caste. Secularism is not a driving force.

At times, I wonder if only BJP-RSS, VHP-BD-SS are to be branded as anti-secular parties. The sad economic and social status of Muslims in India in the last nearly 50 years, which have been dominated by Congress Party rule, is enough to show how little has been done to improve their plight.

I wish the articles in this issue of *EPW* could have paid a little more attention to the down-to-earth reasons instead of discussing the issues at such a level of abstraction that not many students even in universities would be able to understand the discussion. Showing concern for Hindus and/or Muslims is now little more than politics.

A Reader

New Delhi

ECONOMIC AND POLITICAL WEEKLY

Missing Quotient

WHAT is the finance minister up to? Is he trying to prove that his brand of economic liberalisation and globalisation cannot succeed without unlimited recourse to political cynicism and amorality? Was it really necessary for him to come out publicly in support of the Maharashtra chief minister and damn his critics, whose charges of corruption and abuse of power against Sharad Pawar have in the last few weeks evoked an unprecedented popular response, as "forces of destabilisation"? The finance minister's intervention, hailing Pawar for having "done us proud", was altogether gratuitous, since the occasion, a talk on the Indian economic scene in Bombay last week, definitely did not call for it.

And then comes, this week, the government's so-called action taken report on the findings of the Joint Parliamentary Committee on the stock market scam. The report, prepared in the finance ministry and piloted by the finance minister through the cabinet committee on economic affairs, smacks of the same lack of the "moral quotient, of a common sense appreciation of right from wrong" which, according to the JPC, had characterised the whole system which had spawned the gigantic fraud in financial and stock market transactions. The tone as much as the content of the report has provoked the otherwise splintered opposition in parliament to take a common stand which, it is beginning to look at the time of going to press, may in the end force the government to eat humble pie. So lackadaisical has been the government's attitude and so inadequate the action so far against those acknowledged to be involved in the scam that the opposition would have had enough to go to town over anyway, especially the continuance in the council of ministers, though with changed portfolios, of the two ministers, B Shankaranand and Rameshwar Thakur, who came as close to being indicted in the JPC report as anyone possibly could. But by choosing to go on the offensive and attempting to dismiss out of hand the JPC's observations on its own conduct in dealing with the scam, the finance ministry has managed to stir up hornet's nest, involving the question of the privilege of parliamentary committees and of parliament itself.

The JPC's observation that the finance ministry had failed to anticipate the scam and respond to it effectively after it had surfaced is dismissed as "unwarranted" and "unfair". The criticism of the ministry for its failure to deal adequately with the consequences of the scam and apply the needed correctives is held to be "unjustified". It is asserted that "it is not correct that the finance ministry during the stewardship of the present government was lacking in its intention and willingness to take necessary action both in anticipation of the scam and subsequently". The JPC's adverse comments against the then minister of state for revenue, Rameshwar Thakur, for delaying action on an urgent income tax file dealing with Harshad Mehta are rejected with the observation that "a careful examination of the facts shows that the delay in no way affected the progress of investigation or compromised any course of action". On the partiality of the then petroleum minister, B Shankaranand, to investing the Oil Industry Development Board funds under his control in Canfina and Syndicate Bank, from where they flowed as intended to Harshad Mehta, the report finds that "on the basis of record" the charge of "preferential treatment at the hands of the OIDB to some institutions is not borne out". Even when it makes a rare concession that there may have been "inadequacies" in the supervisory machinery of the Reserve Bank, no action is really called for as the then governor, one of the deputy governors and another senior official, held responsible by the JPC, had since "retired from the Bank".

The problem is a basic one. It has to do with, in the JPC's words, the lack of an "appreciation of right from wrong". Just as the finance minister is ready to dismiss the Maharashtra chief minister's detractors as engaging in "destabilisation", he no doubt regards the JPC and those who take its report, already more than half a year ancient, seriously and, what is worse, expect it to be acted upon, as obstacles in the way of his efforts, as he once chose to put it, to "release the entrepreneurial spirit and animal energy of our businessmen, industrialists and entrepreneurs to create wealth". Among such, unfortunately for him it turns out, are a not inconsiderable number of the people's representatives in parliament, including perhaps some from his own party.

EDUCATION

Where Are the Teachers?

DOES anyone in this country worry at all about the problems of education? The constitutional deadline for the introduction of universal and compulsory primary education has been passed many times. Yet neither the union government nor any of the state governments is ready to take any major or decisive steps in the matter. Even those political parties which are habitual breast-beaters about the poor and the downtrodden have shown no greater sense of purpose when in power. Only a few months back, it was reported that the Janata Dal government in Bihar chose to leave some 10,000 school teachers' positions (meant for women teachers, at that) unfilled because of the apprehension that most of these jobs would be gobbled up by high caste women.

The present is in many respects a very opportune time for a major expansion of primary, secondary and adult education in the country. The vocationalisation of the higher secondary (plus 2) stage having proved a non-starter and with near-stagnation in the industrial and agricultural job market, the country is facing an ever growing army of educated unemployed, which can very easily be channelled into the teaching profession.

To expand primary education, it is first necessary to ensure an adequate supply of trained teachers—high school pass-outs with a diploma in education (D Ed)—and to have them in sufficient number, it is necessary to have a large number of high school teachers, graduates with a degree in education (B Ed). It is true that high school and college education has expanded in the past few decades (almost entirely on the basis of non-official initiatives). But there has been no commensurate increase in teacher-training facilities in the country. Take the case of Maharashtra. It would be safe to say that the available teacher-training facilities in Maharashtra are insufficient even for the normal replacements and additions in the school system. The result has been the recruitment of a large number of untrained persons as teachers. Since a teacher is normally confirmed/promoted only if he or she is trained, one finds a large number of teachers working year after year as temporary hands. Needless to say, at least some of the private school managements find this arrangement extremely profitable.

Even though there are some half-a-dozen government or government-aided institutes, teacher education in Maharashtra has come to be dominated by scores of private institutes controlled by politically influential promoters. They are run mainly as business ventures and are sustained by the fees collected, without any aid from the government. One may naively assume that they would surely be interested in increasing the number of seats, but this is not so. Because of the quick, handsome and invariably unaccounted gains that can be had because of the scarcity of seats, they have no interest in creating additional seats: a classic example of profiteering in a scarce commodity. Moreover, a majority of these promoters are also locally influential political activists and controlling school/college admissions is one standard lever of power in local politics. Their influence in the organs of state has always been exerted in favour of *not* increasing the number of seats.

The actions and the inactions of the government of Maharashtra have clearly failed the cause of mass education. At the same time, they have resulted in creating ample room for malpractices which are fully utilised by the more enterprising managements. They have also caused a build-up of frustration among the young entrants in the teaching profession.

The drift of government policy is easily explained, because by and large the very individuals who are making a neat killing under the present system are also the decision-makers in the state and the local administrations. The situation which was bad enough till last year has considerably worsened since June 1994 because of (1) the increase in the seats reserved for the 'deprived sections of the society' to 50 per cent, and (2) the government's latest decision to reserve seats not only castewise but also regionwise and districtwise, exempting only minorities-run institutes from most of these restrictions.

The cumulative effect of the various regulations has been a plethora of representations, complaints and law suits, with students running from pillar to post searching for admission, while those who are cashing in on the continuing scarcity of 'open' seats are happier than ever before. The latest regulations have added enormously to the pent-up anger of the student community and the public, but one may safely predict that until it bursts out in some ugly form, the government will continue its present policies.

ANTI-POVERTY PROGRAMMES

Leakage as Excuse

DURING his one-day visit to Thiruvananthapuram, finance minister Manmohan Singh made a number of observations worth noting. Speaking to local industrialists, he chose to address all the state governments. If the states want more private sector investment to come to them, it is their responsibility to create conditions for such investment to flow in. The finance minister's observation was particularly significant in Kerala's context because it has been the state government's case that the state has lagged behind in development of economic infrastructure largely because of the neglect it has suffered at the hands of the centre, both directly and indirectly: directly because the state has not been receiving its due share of central sector investments and indirectly because in the financial devolutions through the Finance Commission and the Planning Commission Kerala's case for support in building up its economic infrastructure has gone unheeded.

Just a week or so before the finance minister's visit to the state, its chief minister, K Karunakaran, who loses no opportunity, to impress upon his people what enormous clout he enjoys with the powers that be at the centre, had announced that the centre was agreeable to investing as much as Rs 23,000-crore in the state. Manmohan Singh made no such commitment. If anything, his observations had a clear message for the state, namely, the centre had little money to put into the state's economic infrastructure. If the state government wants to make up for what it failed to do in the past, for whatever reason, it has now to create conditions for the private sector to come in and help the state overcome its weaknesses in regard to its economic infrastructure.

This links up in a way with Manmohan Singh's observations to a different audience during his visit. This time he was addressing a meeting organised by the local university's economics department. There he conceded that anti-poverty funds did not always reach the target groups; the leakages were enormous, he acknowledged. Of course, this is not anything new, but coming from him, it could not be without some purpose. True, he would like to keep the budget deficit low, not only because he feels committed to his target, but also to contain inflation which is showing no signs of relenting. But does he have to achieve his deficit reduction target at the expense of the poor and the states? Coming as it did from Manmohan Singh, the statement creates the strong suspicion that he might be preparing the ground for backtracking on the financial commitments he made so much of while presenting his budget for the current year.

So not only is the finance minister telling the states that the centre has no funds to commit for investments in their economic infrastructure, but he is also trying to create a climate of opinion in which poverty alleviation programmes can be done away with, not because poverty has disappeared, but because the programmes are not making any impact.

RELIGION AND POLITICS

Who Is a Fundamentalist?

E M S NAMBOODIRIPAD has evidently raised a hornet's nest with his recent comments on fundamentalism. Even his own party is trying to dissociate itself from his characterisation of Gandhi, Tilak, Azad and Ghaffar Khan as fundamentalists. Indeed the party general secretary is reported to have publicly reprimanded the savant.

But is not the subject of fundamentalism something worth probing? Are we clear about what it really stands for before we decide whether it is indeed a dirty word as it is being made out to be? What Namboodiripad had

done is to ask precisely such questions. If 'religious fundamentalism is the approach of subordinating everything else to religion", he wrote in his *Frontline* column, "all devout followers of all denominations of religion are fundamentalists". And that would include 'the tallest leaders of India's freedom movement".

Having said that Namboodiripad drew a distinction between those "who were religious fundamentalists in their personal beliefs and practices but subordinated every aspect of their philosophy to the requirements of the nation's anti-imperialist struggle" and Jinnah who, without being a religious fundamentalist in the above sense, made use of religion to lead "a separatist communal movement".

Obviously, if the term 'fundamentalism' is to be employed only in the sense of the use of religion for anti-national or separatist purposes regardless of whether the perpetrator himself or herself is a particularly devout follower of religion, it is a very special meaning we shall be giving the term. In fact, the question can well be asked whether a person like Jinnah has necessarily to be called a fundamentalist to bring out what he did.

The question does remain whether Gandhi or Tilak could be called a fundamentalist on the grounds that (a) he was personally an intensely religious person and (b) he did invoke religion and religious symbolism for mobilising political opinion in the struggle against colonial rule. The answer boils down to what fundamentalism is meant to stand for.

Can we overlook in this context that the much-abused term came into prominence in the western press in the context of the struggle in Iran to be rid of the imperialist yoke. Ayatollah Khomeini, who led this struggle, was an intensely religious person—indeed he was the country's top cleric—and used religion to the full to wage his battles. And the western press continues to speak of him as if he was the foremost fundamentalist of the century. If Gandhi were alive when Khomeini was waging his battles, would he have distanced himself from Khomeini, the way some people are blushing over Namboodiripad referring to Gandhi as a religious fundamentalist and in the same breath as one of the tallest of the leaders of the freedom struggle?

There are some who would accuse Namboodiripad of ulterior motives for provoking the debate. Perhaps, this is so. But have the accusers, the louder ones among them especially, no ulterior motives themselves? Who is interested in the basics?

FOOD

Redefining Undernutrition

A correspondent writes:

ACCORDING to the just released report on the *State of World Population*, the world's food production has increased by 24 per cent in the last decade, but very unevenly with an estimated 780 million who may be undernourished living in developing countries. There is thus, the report points out, no global shortage of food, but inequitable distribution. "Poverty", says the report "in effect translates global adequacy into national and local shortages", including intra-family maldistribution. While the solution is to strengthen inputs into the agricultural sector which provides employment to the majority in most developing countries, the other larger objective is obviously to work towards limiting population growth. The first option, investing to provide employment, is clearly out in the context of structural adjustment programmes which generally accord preference to investing in increasing productivity in sectors which produce goods for global consumption, rather than create employment. Nor is the redistribution of incomes (or food resources) even a remote possibility in the current context. The solution is therefore to re-examine the issue of what is adequate food.

Not surprisingly, the issue has exercised many minds and institutions over the decades. It is certainly more than a matter of biology. A new study on how third world rural households adapt to dietary energy stress prompts the question if political and ideological considerations do not often overwhelm and distort the understanding of food and energy requirements and how to measure them. The study contends that the starting point for such an enquiry should be to look at strategies communities use to "avoid, repartition or resist, or tolerate undernutrition" so that policy-makers "can allocate scarce nutritional and health resources in the public domain effectively". This has prompted the group to see, for instance, that size and stature by themselves do not prove a lack of low inputs over generations, but show that by natural selection, the size and stature obtained are indeed the most efficient in terms of making the best use of available nutrition. Since size changes are adaptive for survival and a community under nutritional stress will select tasks which are suitable to small people, policy-makers should play a part in ensuring that the earning capacity and employment in these "small people's tasks" are advanced.

Another set of conclusions relates to food requirement of women during pregnancy. On the basis of evidence from a Nestle Foundation-sponsored study in five populations which suggests that metabolic efficiency increases during pregnancy, the group concludes that the energy requirements in pregnant women suggested by WHO/FAO in 1985 "if 'implemented', could needlessly transfer food from pre-schoolers who require it more or map pregnant women into obesity or both". Whatever scientific expertise may have gone into such reviews and studies, they are not, it must be remembered, free from a variety of biases. And the worst of these is to be blind to the growing social distress and disruption that poor communities are being subjected to in the absence of adequate food. Altering the definitions of what is adequate is hardly the right solution.

WORLD BANK

'Managing Poverty'

Michel Chossudovsky writes:

'SUSTAINABLE poverty reduction' under the dominion of the Bretton Woods' institutions is predicated on slashing social sector budgets and redirecting expenditure on a selective and token basis 'in favour of the poor'. The 'social emergency funds' established (on the Bolivia-Ghana model) in developing countries and eastern Europe are intent on providing 'a flexible mechanism' for 'managing poverty' while at the same time dismantling the state's public finances. In Sub-Saharan Africa, 'targeting' in favour of so-called 'vulnerable groups' has largely been responsible for the collapse of schools, health clinics and hospitals, while providing a semblance of legitimacy to the Washington-based institutions. Freezing the number of graduates of the teacher training colleges and increasing the number of pupils per teacher are explicit conditions of World Bank social sector adjustment loans. The educational budget is curtailed, the number of contact-hours spent by children in school is cut down and a 'double shift system' is installed: one teacher now does the work of two, the remaining teachers are laid off and the resulting savings to the treasury are funnelled towards the Paris Club of official creditors. These initiatives (implemented in the name of 'poverty alleviation'), however, are still considered to be incomplete: in Sub-Saharan Africa, the donor community has recently proposed a new imaginative ('cost-effective') formula which consists in eliminating the teachers' meagre salary altogether (in some countries as low as 15-20 dollars a month) while granting small loans to enable unemployed teachers to set up their own informal 'private schools' in rural backyards and urban slums. Under this scheme, the ministry of education would nonetheless still be responsible for monitoring 'the quality' of teaching.

A similar approach prevails in the area of health: state subsidies to health are said to create undesirable 'market distortions' which 'benefit the rich'. Moreover, according to the World Bank's recent 'estimate' (contained in its *World Development Report 1993* titled *Investing in Health*), an expenditure of eight dollars per person per annum is in any event amply sufficient to meet acceptable standards of clinical services. User fees for primary health care to impoverished rural communities should be exacted both on the grounds of 'greater equity' and 'efficiency'. These communities should also participate in the running of the primary health care units by substituting the qualified nurse or medical auxiliary (hitherto paid by the ministry of health) by an untrained and semi-illiterate

health volunteer. The results: with the exception of a small number of externally funded 'showpieces', health establishments in Sub-Saharan Africa have *de facto* become a source of disease and infection. The shortage of funds allocated to medical supplies including disposable syringes, as well as the price hikes (recommended by the World Bank) in electricity, water and fuel (e g, required to sterilise needles) increase the incidence of infection (including HIV transmission). The recent devaluation of the CFA franc imposed by the IMF and the French treasury, rather than constituting 'a means of eradicating rural poverty' as claimed by the donor community, compresses (with the stroke of a pen) the real value of wages and government expenditure (expressed in hard currency) by 50 per cent while massively redirecting state revenues towards debt servicing. The impact of devaluation is brutal and immediate: the domestic prices of food staples, essential drugs, equipment, etc, have skyrocketed. It is worth recalling that in Nigeria in the 1980s, the steep price of soap which resulted from the devaluation of the naira was the cause of a high incidence of certain types of skin disease.

There is little to rejoice about as the international community commemorates the 50th anniversary of the Bretton Woods Conference. In anticipation of this event, some critics have intimated that because the World Bank is entrusted with 'poverty alleviation' and 'the social safety net', its approach is more palatable and 'humane' than that of its sister organisation. In addressing this issue, it should be emphasised that there is a well thought-out 'division of tasks' between the two institutions, both of which are bureaucracies accountable to powerful financial interests as well as to the governments of the G-7 countries. Moreover, while the role of the IMF often appears to be politically decisive and unyielding, the World Bank through its resident country office and its numerous technical missions (which directly oversee the activities of line ministries), is far more engrossed in the 'routine' policy mechanics of economic and social destruction.

WEST ASIA

Flank Attack

PANEGYRISING the signing of the Washington accord between Israel and Jordan last week the US president said that the vibrations sent out by the event had prompted the Russian decision to withdraw troops from Estonia, bringing an end to the presence of Russian troops in eastern Europe. Vibrations the accord has certainly caused, but hardly of the kind that the US envisaged or anticipated in west Asia. For it is more than likely that Jordan's anxiety not to be left out of the peace process and the benefits accruing from it has caused it to take steps which may delay if not derail the west Asia peace process.

The accord between Israel and Jordan comes after 46 years of conflict. It includes an agreement between the two neighbouring countries on such issues as a resolution of border disputes, a survey of border posts through a boundary subcommission, negotiations on water resources ensuring equitable allocation of the water of the Jordan and Yarmuk rivers, abolition of economic boycott and the establishment of bilateral economic relations and of power and telecommunication links and the initiation of negotiations towards creating an air corridor between the two countries. The accord also ensures that Israel will give "high priority" to Jordan's historic role in guarding the holy sites of Jerusalem. Or in other words, Israel has virtually assigned to King Hussein custodianship of the Al-Agsa shrine in East Jerusalem. Israel's argument is that the king has been financially supporting the Muslim high council which administers the shrines and that, in recent years, has even given $ 10 million towards the coating of the dome of the mosque with gold.

The Palestinians, however, point out that the status of Jerusalem had not been decided upon under the PLO-Israel agreement signed last year. Israel therefore had no right to allocate responsibility over any part of Jerusalem to anybody unilaterally. While Arafat has officially welcomed the declaration, several authoritative Palestinian sources have denounced the assigning of authority to Jordan over any part of Jerusalem. The anxiety of the PLO that Israel by apportioning authority over Jerusalem is moving towards consolidating its own authority over the disputed area is not misplaced. For some time now Israel has been mooting the idea of having a multi-religious authority to oversee the Christian, Islamic and Jewish shrines in Jerusalem, which would make it possible for it to retain control over the area. If Jordan is well disposed towards such a dispensation, then it is likely to tilt world opinion towards such a move.

That Jordan would agree to what appears to be a circumventing of the September agreement between Israel and the PLO is not surprising. With the signing of that accord, Jordan found its political and economic role in west Asia vastly diminished. Moreover, the fall of the value of the Jordanian dinar, the main currency in the West Bank and Gaza after Palestinian autonomy became a reality, caused speculation about Jordan's economic future. Given these conditions, Clinton's offer that he would press Congress to write off Jordan's $ 700 million debt to the US was just the bait needed to persuade King Hussein to initiate the peace process with Israel. In the circumstances, it would not at all be surprising if once again the PLO becomes isolated. However, today unlike in earlier times, the PLO may well be forced to make further compromises.

TWENTY YEARS AGO

EPW, July 27, 1974

The government has been talking of a package of anti-inflationary measures, which it is unwrapping bit by bit. Of the measures announced so far, only the ordinance impounding increases in wages and dearness allowances can be expected to have an impact, though this impact will be felt more in terms of hardship caused to salary and wage earners than of any perceptible effect on the inflationary situation. The other measures—the restriction on dividend distribution by companies and the compulsory deposit scheme for income-tax payers with annual incomes of Rs 15,000 and above—are obviously intended to deceive salary and wage earners, and their trade union organisations, into believing that the rich are being made to share the burden of fighting inflation.

Even as the government has made much of so-called measures which have either nothing to do with inflation or are of peripheral significance, all is quiet in the one area in which action could have a swift and sharp impact on inflation—controlled distribution of the basic necessities of life. Instead, in this area there has been a marked regression. For instance, the scale of operation of the public foodgrain distribution system has been slashed to less than one-half of what it was around this time last year. The prime minister has talked soothingly of large quantities of foodgrains, mainly wheat, which are proposed to be imported this year. What is forgotten is that, as far as public distribution is concerned, these imports will barely make up for the government's dismal failure to procure foodgrains internally. An idea of the shape of things to come can be had from the announcement that the Maharashtra government is considering a further cut in the foodgrains ration quota in Bombay so as to increase supplies to the rural areas where, according to representations received by the government, the availability of foodgrains through the fair price shops is "almost nil"!

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In spite of having one of the largest scientific communities in the world, choosing chief executives for scientific organisations has always been a vexing problem in this country. Whenever a vacancy arises or a new programme is initiated, the choice again and again narrows down to a select few. These few invariably already hold other positions of leadership. The latest example is the appointment of M G K Menon as Scientific Adviser to the Ministry of Defence, Director-General of Defence Research and Development, and Secretary to the Government of India. Menon, it is reported, will continue as Secretary to the Government in the Department of Electronics and Chairman of the Electronics Commission, though he has kindly consented to give up the post of Director of the Tata Institute of Fundamental Research. This decision of the government is unfair to R and D programmes in both Electronics and Defence. Both need full-time chief executives because they are critical to the country's development, are of large size, and are different from each other. One person, however gifted he may be, cannot devote enough attention to the two organisations. As a result, both Electronics and Defence R and D will suffer for want of leadership and timely decision-making.

Savita Chemicals

SAVITA CHEMICALS (SC), a 33-year-old flagship company of the Rs 100 crore Savita group, which was initially engaged in refining liquid paraffin from semi-finished base stocks, is today a front-runner in the development of petroleum speciality products in the country having a product range catering to a diverse group of industries like transformer oils for the power sector, liquid paraffins for the pharmaceutical industry, cable splice filling and flooding compounds for the telecom industry, petroleum sulphonates, calcium/barium sulphonates for the additive industry and a host of other petroleum speciality products. All the products of the company are utilised in core industries and have been developed by its own R and D centre, which received recognition from the Department of Science and Technology way back in 1976. In line with its policy of continuous innovation, the company is now diversifying into the allied field of automotive and industrial lubricants and is also doubling the capacity of its existing product range by setting up a new unit at its existing site (on the Thane-Belapur road in Maharashtra). The unit, which is expected to cost around Rs 28.3 crore, will have an installed capacity of 15,000 kl of lubricating oils, 14,000 kl of transformer oils, 7,000 kl of liquid paraffins (white oils) and 1,500 mt of petroleum sulphonates per annum. The company has entered into a technical collaboration agreement with Idemitsu International (Asia) Pte, which is an affiliate of Japan's largest independent oil company, namely, Idemitsu Kosan Co, under which the collaborator will provide the technical know-how for the manufacture and marketing of the entire range of lubricants and also train the marketing and technical staff of SC. Further, the company will be using the Idemitsu trade mark in India and its lubricants will be launched under the brand name 'Apolloil' and 'Daphne' in October this year. Commercial production of transformer oils, lubricating oil and white oil is expected to commence shortly. To part finance its project and to finance the setting up of marketing and distribution infrastructure for its lubricants the company is entering the capital market with a public issue of 22,62,100 equity shares of Rs 10 each at a premium of Rs 100 per share. The issue, which will open for subscription on August 9, will be lead managed by Kotak Mahindra Finance.

NK Industries

A government recognised trading house and India's largest exporter of various grades of castor oil to developed countries, NK Industries enjoys a 25 per cent market share in the country's castor oil exports and its forex earnings for 1993-94 stood at Rs 66 crore as against Rs 33 crore in the previous year. The company now plans to enhance its installed capacity for expelling from 60,000 mtpa to 1,20,000 mtpa and that for refining from 45,000 mtpa to 90,000 mtpa. Further, it also plans to install a 75,000 mtpa solvent extraction plant, a 7,500 mtpa hydrogenated castor oil plant and a 7,500 mtpa 12-hydroxy stearic acid plant. The company also plans to modernise its refining process in order to improve productivity by using the latest technology in detoxification and castor derivatives for the first time in the country. The project, which is being undertaken at an outlay of Rs 20 crore, is being set up at Kadi in the Mehsana district of Gujarat and will be eligible for backward area benefits in addition to enjoying easy access to castor seeds and being in proximity to the port of Kandla. The company has already received firm orders from Nidera Handelscompangnie b v of Rotterdam, Nl and Braswey SA of Brazil for about 70 per cent of its production. The company is also entering the global market for agriculture commodities by setting up a trading branch at London, UK, for which it has received RBI approval. While the expeller section has already been commissioned, the refinery section is expected to be commissioned in September and the solvent extraction plant is to be commissioned in February/March 1995. Production of castor derivatives is to commence in December this year. To part finance its project and also to meet working capital needs the company is entering the capital market with a public issue of 15,00,000 equity shares of Rs 10 each which will be offered at a premium of Rs 30 per share. The issue, which will open for subscription on August 8 and will be lead managed by Bank of Baroda and Mehta Integrated Finance, will bring down the promoters' (and associates') stake in the total paid-up equity of the company to 75 per cent.

Man Aluminium

The flagship company of the Mansukhani group, Man Aluminium, is engaged in the manufacture of aluminium extruded sections (AES) which are mainly used in building construction, furniture, automobile bodies and irrigation. The project was set up in 1989 at a total cost of Rs 5.5 crore and has an installed capacity of 4,000 mtpa. A leading exporter of AES in the country, Man Aluminium now proposes to diversify by setting up a project for the manufacture of API standard submerged arc welded (SAW) pipes up to 12m length, 0.4m to 1.5m in diameter with wall thickness from 6mm to 25mm, in financial and technical collaboration with CHR Haeusler AG of Switzerland. The project is being set up in the Dhar district of Madhya Pradesh at a total cost of Rs 44 crore and is expected to commence commercial production by July 1995. To part finance the project the company is entering the capital market with a public issue of 55,95,000 equity shares of Rs 10 each which will be offered at a premium of Rs 5 per share. The issue will open for subscription on August 9 and will be lead managed by IDBI and Indus Financial Services.

Saurashtra Paper

Saurashtra Paper and Board Mills (SPBM), a member of the Saurashtra group which has four decades of experience in the paper and packaging industry, is entering the capital market, with a public issue of equity shares of Rs 10 each which will be offered at a premium of Rs 25 per share. The company presently manufactures cultural papers such as writing and printing papers in addition to industrial papers (kraft papers) at its two plants in Navagam and Shapar. The former has an installed capacity of 4,800 mtpa to manufacture kraft paper while the latter has an installed capacity of 12,000 mtpa and 7,500 mtpa to manufacture deluxe grade kraft paper and writing-printing paper, respectively. The company now proposes to raise the capacity of the Navagam plant to 6,000 mtpa and that of the Shapar plant to 15,000 mtpa of deluxe grade kraft paper and 9,375 mtpa of writing-printing paper. The issue aggregating Rs 5 crore is to part finance this Rs 7.1 crore expansion programme and will open for public subscription on August 3.

Wim Plast

Wim Plast, which has been jointly promoted by the Cello group and M G Shah group, is setting up a project for the manufacture of high fashion injection moulded plastic furniture like chairs, tables, etc. The project will have an installed capacity of 7,34,400 pcs per annum (2,020 tpa) and is estimated to cost Rs 10.9 crore. The company's products will be marketed under the 'Cello' brand and in addition to being cost-effective compared to conventional products made out of wood, steel and other materials, will also have the latest and contemporary European designs and other distinctive features such as vivid colour combinations, maximum comfort and light weight. The project is expected to commence commercial production by October and is to be part financed through a public issue of equity shares aggregating Rs 1.3 crore which will open for public subscription on August 2.

The annual rate of inflation remains above the 10 per cent mark, but more disturbingly, the rise in prices of food items, both primary and manufactured, has been significantly higher in the past 12 months than in the corresponding previous period. Reflecting this, the rise in the cost of living indexes for both industrial and agricultural workers has been far sharper over the last 12 months. The composition of exports and imports in 1993-94 by commodity groups shows a notable rise in the share of capital goods in total imports, which has to be seen in the context of the decline in the domestic production of capital goods for the second year in succession in 1993-94.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	July 9, 1994	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	267.6	1.4	10.4	7.1	3.6	4.0	10.8	7.0	13.6	12.1
Primary Articles	32.3	275.8	2.6	11.8	3.7	6.5	6.2	11.5	3.0	15.3	17.1
Food Articles	17.4	306.6	3.2	8.5	2.5	9.[illegible]	5.3	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	286.8	1.4	20.9	2.5	2.4	5.7	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	279.3	0.5	9.8	18.8	0.5	3.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	260.8	0.8	9.6	7.0	2.5	2.9	9.9	7.9	12.6	8.9
Food Products	10.1	272.4	1.3	11.8	7.7	8.1	8.6	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	294.0	2.5	9.5	4.2	8.9	6.4	7.0	5.8	17.2	16.8
All Commodities (Average Basis) (April-July 9, 1994)	100.0	264.1	–	9.7	6.2	11.1	6.9	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	272[5]	1.1	10.6	5.1	1.9	1.2	9.9	6.1	13.9	13.6
'Urban Non-Man Emp (1984-85=100)	222[7]	0.5	8.3	7.3	–	8.3	–	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1175[5]	0.9	13.2	–1.9	-	–1.4	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	June 24, 1994	Variation (Per Cent)					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M3)	456185	2508 (0.6)	22619 (5.2)	17905 (4.9)	65827 (17.9)	49344 (15.5)	51653 (19.4)
Currency with the Public	90689	–603 (–0.7)	8491 (10.3)	6124 (9.0)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	361344	903 (0.3)	12504 (3.6)	3944 (1.3)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	217056	1720 (0.8)	13270 (6.5)	14094 (8.0)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	236755	–2882 (–1.2)	–488 (–0.2)	1669 (0.8)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Reserve Money (July 1, 1994)	151230	2177 (1.5)	12608 (9.1)	11066 (10.0)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre (July 1, 1994)	100215	–448 (–0.4)	3432 (3.5)	17790 (18.4)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks (July 8, 1994)							
Deposits	328861	6 (–)	15047 (4.8)	9602 (3.6)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	166518	627 (0.4)	2895 (1.8)	4042 (2.7)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food advances	154247	432 (0.3)	1531 (1.0)	1035 (0.7)	7476 (5.1)	24317 (20.1)	120922 (8.4)
Investments	144998	229 (0.2)	12605 (9.5)	2463 (2.3)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	March 1994	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages						
			1993-94	1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	263.8	225.4 (3.0)	218.9 (2.3)	2.3	–0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	307.0	229.2 (2.5)	223.7 (0.5)	0.5	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	248.3	215.3 (2.2)	210.6 (2.1)	2.1	–1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	325.1	289.7 (7.3)	269.9 (5.0)	5.0	8.5	7.8	10.8	9.5	7.7	10.3

Capital Market	July 29, 1994	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	4191 (88.0)	4212	2232 (–19.0)	3600	4333	2037	4286	3779 (65.7)	2281 (–46.8)	4285 (266.9)
National Index (1983-84=100)	1982 (88.0)	1995	1055 (–16.5)	1765	2041	934	2055	1830 (79.2)	1021 (–48.1)	1968 (234.1)

Foreign Trade	May 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
		1994-95	1993-94				
Exports: Rs crore	5661	11898 (9.8)	10832 (41.4)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1805	3793 (9.7)	3459 (29.7)	22173 (20.4)	18421 (3.1)	17866 (–1.5)	18143 (9.1)
Imports: Rs crore	6037	12181 (12.2)	10852 (4.6)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)
US $ mn	1924	3883 (12.1)	3465 (–4.1)	23212 (6.8)	21726 (11.9)	19411 (–19.4)	24073 (13.2)
Non-POL US $ mn	–	–	–	17559 (14.6)	15319 (9.1)	14047 (–22.2)	18045 (3.1)
Balance of Trade: Rs crore	–376	–283	–21	–3259	–9572	–3809	–10640
US $ mn	–119	–90	–6	–1039	–3305	–1545	–5930

Foreign Exchange Reserves	July 15, 1994	Year Ago	Mar 31 1994	Variation Over							
				Month	Year	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
						1994-95	1993-94				
Rs crore	53036	21438	47626	2645	31598	5410	1242	27430	5385	10223	–1383
US $ mn	16954	6821	15176	792	10133	1778	369	8724	731	3383	–1137

Foreign Trade

Commodity Composition of Imports and Exports	April-March 1993-94 Rs Cr	US $ mn	April-March 1992-93 Rs Cr	US $ mn	1992-93 Rs Cr	US $ mn	1991-92 Rs Cr	US $ mn	1990-91 Rs Cr	US $ mn
Imports										
Food and live animals chiefly for food	1551(2.1)	494	1911(3.0)	660	1911(3.0)	660	804(1.7)	326	917(2.1)	511
Pulses	567(0.8)	181	334(0.5)	115	334(0.5)	115	255(0.5)	104	481(1.1)	268
Cashewnuts, raw	483(0.7)	154	376.3(0.6)	130	376.3(0.6)	130	267(0.6)	108	134(0.3)	75
Crude materials inedible oil except fuels	4199(5.8)	1339	4777(7.5)	1649	4777(7.5)	1649	3268(6.8)	1326	3363(7.8)	1875
Fertiliser crude	390(0.5)	124	459(0.7)	158	459(0.7)	158	455(1.0)	185	347(0.8)	193
Metalifers ores and metal scrap	1299(1.8)	414	1922(3.0)	664	1922(3.0)	664	1175(2.5)	477	1528(3.5)	852
Mineral fuels, lubricants and related materials	19514(26.8)	6222	18525(29.2)	6396	18525(29.2)	6396	14160(29.6)	5744	11606(26.9)	6468
Petroleum, crude and prod	18055(24.8)	5756	17142(27.0)	5919	17142(27.0)	5919	13123(27.4)	5323	10816(25.0)	6028
Animal and vegetable oils, fats and waxes	166(0.2)	53	168(0.3)	58	168(0.3)	58	249(0.5)	101	326(0.8)	182
Chemicals and related products	9286(12.8)	2961	8913(14.1)	3077	8913(14.1)	3077	7526(15.7)	3053	5447(12.6)	3036
Organic chemicals	2882(4.0)	919	1871(3.0)	646	1871(3.0)	646	1361(2.8)	552	1442(3.3)	804
Fertiliser manufactured	1989(2.7)	634	2023(3.2)	698	2023(3.2)	698	1591(3.3)	645	1141(2.6)	636
Manufactured goods classified chiefly by materials	14715(20.2)	4692	12455(19.7)	4300	12455(19.7)	4300	9193(19.2)	3729	8638(20.0)	4814
Pearls, precious/semi-precious stones	8284(11.4)	2461	7072(11.2)	2442	7072(11.2)	2442	4825(10.1)	1957	3738(8.7)	2083
Iron and steel	2452(3.4)	782	2060(3.3)	711	2060(3.3)	711	1741(3.6)	706	1892(4.4)	1055
Non-ferrous metals	1490(2.0)	475	1144(1.8)	395	1144(1.8)	395	839(1.8)	340	1102(2.6)	614
Capital goods	18944(26.0)	6040	13123(20.7)	4531	13123(20.7)	4531	10432(21.8)	4232	10465(24.2)	5833
Machinery except electrical and machine tools	6871(9.4)	2191	4786(7.6)	1653	4786(7.6)	1653	3593(7.5)	1458	3768(8.7)	2100
Transport equipment	3973(5.5)	1267	1338(2.1)	462	1338(2.1)	462	915(1.9)	371	1670(3.9)	931
Project goods	4394(6.2)	1401	3701(5.8)	1278	3701(5.8)	1278	3625(7.6)	1471	2551(5.9)	1422
Others	4430(6.1)	1412	3503(5.5)	1209	3503(5.5)	1209	2220(4.6)	900	2431(5.6)	1355
Total	72806(100.0)	23212	63375(100.0)	21882	63375(100.0)	21882	47851(100.0)	19411	43193(100.0)	24073
Exports										
Food and live animals chiefly for food	10770(15.5)	3434	8084(15.1)	2791	8084(15.1)	2791	6861(15.6)	2783	4665(14.3)	2666
Cashew kernels	1042(1.5)	332	745(1.4)	257	745(1.4)	257	672(1.5)	272	441(1.4)	252
Oil meal	2309(3.3)	736	1545(2.9)	534	1545(2.9)	534	921(2.1)	374	609(1.9)	348
Marine products	2537(3.6)	809	1743(3.2)	502	1743(3.2)	602	1443(3.3)	585	960(2.9)	549
Beverages and tobacco and tobacco manufactures	136(0.2)	43	160(0.3)	55	160(0.3)	55	102(0.2)	42	70(0.2)	40
Crude materials, inedible oil except fuels	4048(5.8)	1291	2798(5.2)	966	2798(5.2)	966	3022(6.9)	1226	2926(9.0)	1672
Iron ore	1357(2.0)	433	1104(2.1)	381	1104(2.1)	381	1435(3.3)	582	1049(3.2)	600
Mineral fuels, lubricants and related materials	1248(1.8)	398	1379(2.6)	476	1379(2.6)	476	1022(2.3)	415	938(2.9)	536
Animal and vegetable oils, fats and waxes	344(0.5)	110	162(0.3)	56	162(0.3)	56	169(0.4)	69	89(0.3)	51
Chemical and chemical products	5973(8.6)	1904	4198(7.8)	1449	4198(7.8)	1449	4146(9.4)	1682	2722(8.4)	1555
Drugs, pharmaceuticals and fine chemicals	2014(2.9)	642	1533(2.9)	529	1533(2.9)	529	1550(3.5)	629	1014(3.1)	580
Dyes/intermediates/coal tar-chemicals	1150(1.7)	367	958(1.8)	331	958(1.8)	331	781(1.8)	317	442(1.4)	253
Plastic and linoleum prods	1014(1.5)	323	433(0.8)	150	433(0.8)	150	276(0.6)	112	200(0.6)	114
Manufactured products classified chiefly by material	38851(55.9)	12386	3052(57.3)	10618	3052(57.3)	10618	23540(53.4)	9549	17085(52.5)	9764
Leather manufactures	2634(3.8)	840	2512(4.7)	867	2512(4.7)	867	1984(4.5)	805	2566(7.9)	1467
Leather footwear	1505(2.2)	480	1188(2.2)	410	1188(2.2)	410	1143(2.6)	464	neg	neg
Gems and jewellery	12528(18.0)	3994	8897(16.6)	3072	8897(16.6)	3072	6750(15.3)	2738	5247(16.1)	2999
Rubber mfd products	811(1.2)	259	639(1.2)	221	639(1.2)	221	287(0.7)	117	270(0.8)	154
Primary and semi-finished iron and steel	1355(1.9)	432	476(0.9)	164	476(0.9)	164	226(0.5)	92	189(0.6)	108
Cotton yarn fabrics/ madeup, etc	4837(7.0)	1542	3911(7.3)	1350	3911(7.3)	1350	3203(7.3)	1299	2100(6.5)	1200
Manmade yarn fabrics/ madeup, etc	1324(1.9)	422	1079(2.0)	373	1079(2.0)	373	821(1.9)	333	407(1.2)	232
RMG cotton incl accessories	6166(8.9)	1966	5156(9.6)	1780	5156(9.6)	1780	3754(8.5)	1523	2642(8.1)	1510
Capital goods	6232(9.0)	1987	4964(9.2)	1714	4964(9.2)	1714	4054(9.2)	1645	3087(9.5)	1764
Manufacture of metals	2174(3.1)	693	1622(3.0)	560	1622(3.0)	560	1194(2.7)	484	819(2.5)	468
Machinery and instruments	1996(2.9)	636	1569(2.9)	542	1569(2.9)	542	1433(3.3)	582	1249(3.6)	714
Transport equipment	1840(2.6)	587	1546(2.9)	534	1546(2.9)	534	1224(2.8)	496	719(2.2)	411
Others	1946(2.8)	620	1192(2.2)	412	1192(2.2)	412	1125(2.6)	457	971(3.0)	555
Electronic goods	978(1.4)	312	615(1.1)	212	615(1.1)	212	654(1.5)	265	417(1.3)	238
Total	69547(100.0)	22173	53688(100.0)	18537	53688(100.0)	18537	44042(100.0)	17865	32553(100.0)	18604

(Figures in brackets are percentages to total)

GSL (INDIA)

Modernisation and Expansion

GSL (INDIA) (formerly Gujarat Spinners), a joint venture between Sudershan Silk Mills and GSTC and one of the leading manufacturers of speciality blended yarn, improved its performance significantly in 1992-93. The company's net sale rose by 40.6 per cent over the previous year while operating profit increased by 75 per cent. The company claims that the rise in production and sale has been due to its aggressive marketing, shopfloor management, cost controls and product-mix changes. The labour rationalisation carried out during the year led to a 20.3 per cent fall in total remuneration to employees. With the completion of the company's moderni-sation-cum-expansion programme during the year, production of yarns during the year was higher at 4,771 mt as compared to 4,183 mt and exports saw a more than 100 per cent rise over the previous year to Rs 3.1 crore. Though interest and depreciation charges rose significantly over the previous year, net profit rose by 380 per cent and the dividend rate was raised to 20 per cent on the enhanced capital. The company's focus on quality can be seen in the fact that it won two awards during the year, namely, the European Market Research Centre award at Brussels in recognition of its export performance in the European market and the Rashtriya Udyog award given by the All India Forum of Economic Development for maintaining high standards of productivity. Further, it also won the Unity award for creating public awareness on unity in the wake of the Ayodhya riots.

To part finance its modernisation-cum-expansion programme, which was implemented at a total cost of Rs 13.3 crore, the company entered the capital market in 1992-93 with a rights issue of equity shares aggregating Rs 1.6 crore in the ratio of two equity shares for every five shares held, leading to a [illegible] in the company's equity capital to Rs 5.1 crore. The programme which envisaged increasing the company's spindlage from 23,856 spindles to 30,016 spindles was successfully completed and autoconers and two-for-one twister machines have been installed to manufacture uniform knotless and fancy yarn. The company now has plans to carry out a diversification programme for generation and distribution of power and it also plans to invest in the shares of GSL Products. For the purpose it plans to increase its authorised equity capital from the present Rs 7 crore to Rs 10 crore.

Meanwhile, for the first six months of 1993-94 the company earned a net profit of Rs 2.2 crore which is 28 per cent higher than the net profit earned for the entire year in 1992-93 and sale was also higher at Rs 31 crore. Encouraged by its performance the company undertook to increase its capacity to 40,000 spindles by March 1994 and further to 50,000 spindles in December 1995 at a total cost of Rs 27 crore.

LML

Towards a Turnaround

The Kanpur-based, Singhania group company, LML, which has a technical-cum-financial agreement with the Italian two-wheeler giant, Piaggio, managed to increase its net sales in 1992-93 by 85.6 per cent (on an annualised basis) over the previous year. Further, as against a net loss of Rs 34.8 crore in the previous year, the company's loss was only Rs 6.1 crore in 1992-93, showing signs of a turnaround. The company attributes its performance to the measures initiated by it such as rationalisation, improved product quality and performance as also the thrust given to marketing. Production was higher at 1,21,722 scooters as against 1,10,646 scooters in the previous year and sale was higher at 1,24,159 scooters as against 1,10,797 sold in the previous year. The company has also succeeded in reducing the import content of its product from 29.4 per cent to 17.7 per cent. Further, the contribution per vehicle improved significantly mainly due to the overwhelming success of the new model 'Select' which was introduced during the year. The new model, which is easily the most expensive scooter in the market, accounted for 55 per cent of its turnover and is already the most sought-after scooter in the market according to the company. Further, operating profit more than quadrupled over the previous 18-month period.

Meanwhile the friction between the Singhanias and Piaggio has reportedly been sorted out and a new arrangement worked out under which management control of all the Indian operations of LML will rest with the former who will also have a 25.5 per cent stake in the company's equity capital. LML will also manufacture and export its scooters to Piaggio, which in turn will market them in Europe.

For the year 1993-94 the company has managed a turnover of Rs 126 crore and a net profit of Rs 7.6 crore. Further, it increased its market share from 8 per cent in 1991-92 to 18 per cent. The company now plans to undertake an expansion programme to increase its capacity from 15,000 vehicles to 25,000 vehicles per month at a total cost of Rs 60 crore. It also plans to introduce a new series of two-wheelers with improved technology and design features conforming to international standards. The company plans to position itself as a manufacturer of premium products with a presence in all the segments of the two-wheeler market.

POLAR INDUSTRIES

Diversification Programme

The flagship company of the Rs 120 crore Polar group, Polar Industries has five divisions, namely, a portable fans division, a ceiling fans division, a press and lamination division, a pump division and a motor division. The company manufactures well known brands of ceiling fans and table fans. In 1992-93 the company saw a fall in net sales (on an annualised basis) and profits. During the period the company manufactured 4,62,473 (5,90,326) fans, 75,493 (53,343) pumps, 14,278 (5,305) electric motors and 1,012 mt (1,440 mt) of electric stampings of various types. The production facilities at the pump division at Noida, which were destroyed by fire during the year, were completely re-erected and the company has received the insurance claim in full.

During the year the company set up a new motor division at Faridabad to cater to the cooler fan industry and it now plans to manufacture washing machine motors, general purpose motors and other specialised motors at this division. With the increase in activity at the motor division, the pressing division is also expected to utilise its capacity to a fuller extent. The company now has plans to install a high speed press for manufacturing electrical stamping. With the company commencing export of new models and capturing the export market in European countries like Germany, France, Switzerland, etc, its export earnings more than doubled in 1992-93. The company also planned to enter the capital market with a rights-cum-public issue to finance its various backward integration projects as also to meet its long-term and working capital requirements.

With the merger of Polar Electrotech with the company, economies of scale are expected to accrue and with the heightened emphasis on rural electrification by the government, the company's directors envisage improved performance in the future. The company has planned a major expansion programme at an outlay of Rs 30 crore which envisages strengthening its other related activities such as the manufacture of monoblock pumps, electrical stampings (a vital component of a motor) and fractional horse power motors (FHP motors) which are used in white goods such as air-conditioners, washing machines,

The Week's Companies

(Rs lakh)

Financial Indicators	GSL (India)		LML		Polar Industries		Rasoi		Shrenuj and Company	
	June 1993**	June 1992**	March 1993	March 1992	June 1993*	March 1992	March 1993	March 1992	March 1993	March 1992
Income/appropriations										
1 Net sales	5687	4044	20800	16806	5225	4256	6183	6509	6234	4677
2 Value of production	5785	4249	20463	17162	4969	4358	5900	6641	6940	4942
3 *Total income*	5813	4273	21322	18201	5151	4385	6024	6756	6964	4958
4 Raw materials/stores and spares consumed	3828	2652	13489	11985	3043	2891	5230	5880	5300	3654
5 Other manufacturing expenses	292	316	743	709	1194	755	288	278	515	425
6 Remuneration to employees	337	423	1477	1807	248	194	136	125	67	50
7 Other expenses	356	311	2945	3211	365	268	231	247	140	104
8 *Operating profit*	1000	571	2668	489	301	277	139	226	942	725
9 Interest	468	331	1732	2262	81	69	42	59	270	187
10 *Gross profit*	380	71	436	–2121	258	207	127	165	704	538
11 Depreciation	212	36	1043	1360	54	40	56	58	13	15
12 *Profit before tax*	168	35	–607	–3481	204	167	71	107	691	523
13 Tax provision	0	0	0	0	23	12	40	68	5	10
14 *Profit after tax*	168	35	–607	–3481	181	155	31	39	686	513
15 Dividends	86	35	0	0	69	52	30	30	182	168
16 Retained profit	82	0	–607	–3481	112	103	1	9	504	345
Liabilities/assets										
17 Paid-up capital	511	349	3842	3833	350	350	120	120	819	560
18 Reserves and surplus	302	221	-3720	–3113	1003	371	709	708	2721	920
19 Long term loans	1005	1110	9998	10801	276	317	290	368	0	0
20 Short term loans	1002	985	5438	4871	751	966	21	2	2263	1418
21 Of which bank borrowings	807	655	2308	2239	598	830	0	0	2078	1308
22 Gross fixed assets	2549	2288	13979	13757	1673	1022	942	893	550	375
23 Accumulated depreciation	1309	953	7441	6407	178	127	448	393	28	38
24 Inventories	1488	1287	4262	3962	643	937	644	962	3645	2678
25 Total assets/liabilities	3766	3432	22663	21799	3556	3607	2277	2437	6535	3761
Miscellaneous items										
26 Excise duty	195	227	5146	3999	531	539	93	97	0	0
27 Gross value added	1043	662	3065	1560	629	477	226	249	1076	777
28 Total foreign exchange income	313	155	973	1462	310	117	0	0	6146	4498
29 Total foreign exchange outgo	157	29	2325	2343	313	123	4	1	5384	4003
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	151.0	117.8	91 8	77.1	146 9	118.0	271.5	267.1	95.4	124.4
31 Sales to total net assets (%)	201 7	151.7	133 7	102.5	219 5	212 4	542.4	543.3	107.4	161.4
32 Gross value added to gross fixed assets (%)	40.9	28 9	21 9	11.3	37.6	46 7	24.0	27.9	195.6	207.2
33 Return on investment (gross profit to total assets) (%)	10.1	2.1	1.9	–9.7	7 3	5 7	5.6	6.8	10 8	14.3
34 Gross profit to sales (gross margin) (%)	6.7	1.8	2 1	–12.6	4.9	4 9	2.1	2.5	11.3	11.5
35 Operating profit to sales (%)	17.6	14.1	12.8	2.9	5 8	6 5	2.2	3.5	15.1	15.5
36 Profit before tax to sales (%)	3.0	0.9	–2.9	–20.7	3.9	3.9	1.1	1.6	11.1	11.2
37 Tax provision to profit before tax (%)	0.0	0.0	0.0	0.0	11 3	7 2	56.3	63.6	0.7	1.9
38 Profit after tax to net worth (return on equity) (%)	20.7	6.1	-497.5	–483.5	13.4	21.5	3 7	4.7	19.4	34.7
39 Dividend (%)	20.0	10.0	0.0	0.0	20 0		25 0	25.0	30.0	30.0
40 Earning per share (Rs)	3.29	1.00	–1.58	–9.08	5.73	5.03	2.58	3.25	8.38	9.16
41 Book value per share (Rs)	15.91	16.33	0.32	1.88	26.17	22.37	69 08	69.00	43.22	26.43
42 P/E ratio (based on latest and corresponding last year's price)	31.2	0.0	-53.8	0.0	8.9	0.0	39 7	0.0	18.5	0.0
43 Debt-equity ratio (adjusted for revaluation) (%)	123.6	194.7	8195 1	1500.1	33.1	44.0	35.0	44.4	0.0	0.0
44 Short term bank borrowings to inventories (%)	54.2	50.9	54.2	56.5	93.0	88 6	0 0	0 0	57 0	48.8
45 Sundry creditors to sundry debtors (%)	107.6	118.1	201 7	254.4	88.2	67.4	1035 8	1882 9	42 2	105.0
46 Total remuneration to employees to gross value added (%)	32.3	63.9	48.2	115.8	39.4	40.7	60.2	50.2	6 2	6.4
47 Total remuneration to employees to value of production (%)	5.8	10.0	7.2	10 5	5 0	4 5	2.3	1.9	1 0	1 0
48 Gross fixed assets formation (%)	11.4	7.9	1.6	5.9	63.7		5.5	13 9	46 7	63.8
49 Growth in inventories (%)	15.6	31.6	7.6	–16.6	-31.4		–33 1	17.9	36.1	28.3

* 15 months

** 18 months

audio/video equipment and the like. It plans to derive about half of its turnover from divisions other than fans in the next three years. For the purpose the company is scouting for a technological tie-up to produce hi-tech 'jet pumps'. It also plans to increase the capacity of the electrical stamping division from the present 180 tpa to 400 tpa which will be a kind of backward integration for the company as it will utilise up to 60 per cent of its capacity for its own consumption.

Anil Agarwal, chairman, expects the company to save up to Rs 1.8 crore per annum from the manufacture of stampings (increased capacity) which will go as a straight support to its bottomline. Meanwhile the company has finalised a deal with Amcol for setting up a joint venture for manufacturing electric fixtures at a total cost of over Rs 10 crore with both companies having an equal stake in the venture. Amcol has reportedly chosen India as its base in order to take advantage of the low labour cost. A joint venture for manufacturing fans in China is also planned with Amcol.

For the six months ended December 1993 the company earned a net profit of Rs 1.3 crore on a net sale of Rs 21.1 crore.

RASOI

Raw Material Shortage

Rasoi, which is engaged in the manufacture of vanaspati, refined oil, acid oil and oxygen gas, saw a 5 per cent fall in net sales in 1992-93. Vanaspati, which is the main product of the company, constitutes only 15 per cent of total edible oils and is the only cooking medium which is subjected to heavy taxation and excise duty by the state and central governments when even high priced refined oils are exempt. Though the excise duty on vanaspati was reduced from Rs 1,900 per mt to Rs 1,500 per mt in the 1993 Finance Bill, refined oils which compete with vanaspati are still cheaper. The industry as a whole already suffers from low capacity utilisation following the discontinuance of allocation of imported oils and the banning of use of expeller mustard oil in the manufacture of vanaspati further aggravated the problem of raw material shortage during the year under review. Further, with the newly set up vanaspati units enjoying sales tax exemption/deferment benefits as per the respective state governments' rules, the old units are outpriced, mainly so in the northern part of the country leading to the company's decision to suspend operations at Haryana Vanaspati and General Mills.

With the adverse situation prevailing in the industry the company saw a fall in both production and sale realisation. Production of vanaspati fell from 17,134 mt last year to 16,817 mt in 1992-93 while that of tin containers and oxygen gas fell from 5 lakh and 29,773 cubic metres to 4.6 lakh and 10,392 cubic metres, respectively. Though sale of vanaspati increased from 16,891 mt to 17,265 mt, sale realisation fell from Rs 62.9 crore to Rs 59.3 crore. Sale of acid oil and oxygen gas fell from 2,216 mt and 29,825 cubic metres to 1,810 mt and 10,340 cubic metres, respectively. The company's operating profit fell by 38.5 per cent and even the fall in interest charges, depreciation charges and tax provision could not arrest the 20.5 per cent fall in net profit.

For the year 1993-94, as per its unaudited results, the company managed to show a rise in net profit (Rs 80 lakh) despite a fall in its net sales to Rs 59.8 crore.

SHRENUJ

Growing Demand

The third largest company in the diamond business in the country, Shrenuj and Co which exports up to 98 per cent of its net sales, is next only to Suraj Diamonds and Classic Diamonds. The company is engaged in the business of cutting, polishing and processing rough diamonds at its three sites at Rajkot, Navsari and SEEPZ, Bombay (a 100 per cent EOU). A pioneer of the laser cutting technology in the country, the company has improved its performance in 1992-93 by notching a 33.3 per cent rise in net sales and a 30 per cent rise in operating profit. Though interest charges rose by 44.4 per cent, a fall in depreciation charges and tax provision led to a 33.7 per cent rise in net profit. The company saw a 36.6 per cent rise in exports during the year. Though there was a shift in demand towards low value diamonds in the global market, which is under recessionary conditions, the company managed to improve sales by changing its product mix. During the year the company produced 67,939 carats of cut and polished diamonds as against 54,994 carats produced in the previous year. The 100 per cent export-oriented jewellery manufacturing unit at SEEPZ was commissioned in January 1993. Sales of cut and polished diamonds were also higher at 71,569 carats (worth Rs 61.6 crore) as against 52,886 carats (worth Rs 46.4 crore) in the previous year.

With the company's rights issue (which comprised 28,00,000 equity shares of Rs 10 each offered at a premium of Rs 25 per share) in November 1992 to part finance its 100 per cent EOU, its equity capital has risen from Rs 5.6 crore to Rs 8.2 crore. Encouraged by its performance in 1992-93 the company maintained the dividend rate at 30 per cent on the enhanced capital.

With the demand in US and Europe improving steadily, the company's net sales for the first six months of 1993-94 have risen to Rs 45.3 crore and net profit to Rs 3.6 crore as against a net sale of Rs 32.3 crore and net profit of Rs 3.3 crore in the corresponding period last year.

MAXWELL APPAREL

Targets Exceeded

The flagship company of the VIP group, Maxwell Apparel Industries achieved sales of Rs 82.5 crore and a net profit of Rs 4.1 crore in 1993-94, representing an increase of 30 per cent and 46 per cent respectively over the previous year. The company's performance has exceeded its projections at the time of its public issue and, further, it has declared a 1:1 bonus. Its new process house near Bombay, which is now fully operational, will cater not only to internal needs but also undertake job orders from other companies while the yarn spinning mill which is being implemented in Tamil Nadu is expected to commence commercial production by January 1995. The company plans to achieve international quality standards through backward integration by setting up its own fabric processing plant and cotton spinning mill with an initial capacity of 20,000 spindles

GNFC

New Ventures

Gujarat Narmada Valley Fertilizers Company (GNFC) is implementing an acetic acid project for which the basic engineering work has been completed. The detailed engineering of all equipment and instruments has also been completed and civil works at site are progressing in full swing and mechanical erection will commence shortly. Meanwhile in order to take advantage of the new government policy and the existing market environment in the country following liberalisation the company has converted its project into a domestic tariff area (DTA) unit resulting in an increase of Rs 21.7 crore in the total cost of the project to Rs 222.3 crore. The increase in cost is to be financed through internal accruals and through the retained over-subscription part of its non-convertible debenture issue. The company is also implementing TDI and aniline projects which are being implemented by a joint venture company (christened Narmada Chematur Petrochemicals) between GNFC and Chematur Engineering AB of Sweden. The first phase of the project consisting of nitrobenzene and aniline plants together with the common off-site facilities is expected to go into production by October 1994. The company also planned to launch a US $ 115 million in July.

A 'Language' Problem

GPD

The issue raised by Taslima Nasreen's* Lajja *is, in the last analysis, one of language and not theology. People for whom modernity is essentially a west-of-Khyber phenomenon will find it difficult to understand this.

LET us put the matter straight. We have not read Rushdie's *Satanic Verses*. Nor have we read Taslima Nasreen's *Lajja*. But then this piece is not about the books themselves anyway. It is possible that *Lajja* is a second-rate book, as a leading Indo-Anglian writer of India has pointed out. *Satanic Verses* has been taken a little more seriously. The book has been attacked on the ground that it is blasphemous of Islam. The argument against Rushdie's book seems to be mainly theological. The case with Nasreen's novel seems to be different. A number of critics and writers have made bold to say that it is a second-rate work in the first place. The thought crossed our mind whether the fact that Nasreen's work is in Bengali and has been published in Bangladesh has been responsible for this difference. Rushdie's book was written in English and published in Britain and as such might have got an advantage which Nasreen's work was unlikely to get. As if this disadvantage were not enough, people connected with the BJP and the Sangh parivar who are normally fairly ill-informed about literature and the arts decided to celebrate her book. The 'lajja' (honour) of the book could not have been more damaged.

You might think that we are making too much of this 'language' problem. But Indian society, especially its elite, has the most callous attitude to Indian languages (except of course English and Hindi). There was a big seminar in Lonavala (at one time a beautiful hill-station midway between Bombay and Pune) recently. We understand that a film-maker there said that he was proud of the fact that he did not know any Marathi in spite of the fact that he lived in Bombay. He makes films in Hindi, so presumably the status of Hindi as a civilised language is acceptable to him. Why he does not make his films in English would have been one good question to ask. Yet another sociologist went on to argue that with authors like Amitav Ghosh and Upamanyu Chatterjee (we hope we have spelt the names correctly) writing in English and writing so well, there was virtually no need to read 'Bengalee' writing. We could get the flavour of Bengal without reading Bengalee literature. We were not invited to that seminar. So these views are given here the way they were summarised for us by somebody who was there. One can ignore the sociologist inasmuch as all modern sociology in India is in English and, as such, if somebody like that thought that Indian languages were redundant it made sense. But the film-maker who does employ a native language in his films was arguing that 'regionalism' was no longer valid. He should be making his films in Esperanto or, next best, in the English of the one, universal land unpolluted by regionalism.

It would seem that this colonised mind-set is partly responsible for the violent reaction to Nasreen's (possibly second-rate) Bengali novel which attempts to look at the plight of a minority family in Bangladesh. Those who think (and there are many) that Indo-Anglian literature is good enough to understand the world of the natives would not understand the impact that a book in the vernacular seems to make. *Lajja* thus is not only taken to be blasphemous but also as a 'native' intrusion into the glory of religious excellence on the one hand and the excellence of English on the other. There is a linguistic aspect to the quarrel over the *Lajja*.

In the case of *Satanic Verses* the colonial mind-set acted in one way—how can you say this or that about Islam in English was the question then. In the case of *Lajja* the colonial mind-set operates in a different way—how can you say these things in the language of the natives? In both cases, the argument is taken to be proven. With Rushdie the case is internationalised. With Nasreen it remains more localised. *Satanic Verses* was banned because it was published in England, the land of the international. *Lajja* was not banned because a book in a native language is presumably not harmful. It has now been translated into more than one native language which does not matter to our languageless elite of film-makers and sociologists. The problem is one of language and not a theological issue in the last analysis. We are waiting to acquire the translation of *Lajja* in our language so that we would know what 'blasphemy' reads like in a native language.

Precisely because it is a linguistic (and only remotely a theological) question, *Lajja* has raised a storm much larger than what Rushdie's book could ever do. Rushdie came under attack. In the case of Taslima, the educated people of Bangladesh are divided. Had she been writing in English or any such 'international' (and presumably therefore civilised) language, it would not have led to the genuine rift among the Bangladeshi Muslim intellectuals. The Sangh parivar's favourite argument has always been that there is no 'modern' element among the Muslims. The mobilisation on the Shah Bano case proved them wrong. So has the stout defence of Nasreen by a section of Bangladeshi Muslims.

Modernity is a universal phenomenon. But it achieves its universality paradoxically through its regionalism. The universality is possible only because there is still regionality. Those who have no use for the dialectics of regionalism and universalism cannot see the mobilising quality of the native languages. This is the reason also why Rajab Ali of Mymensingh (father of Taslima Nasreen) and his family have been threatened and they have bravely stood up to the challenge so far. Of course anything could happen tomorrow. But a 'Bengalee' book (let me repeat, possibly a second-rate one) has created a storm which is going to change quite a few things. Maybe, even a setback would follow. But the 'regional' character of Bengal would have proved itself. A section of Bangladeshi Muslims have made all those who still use native languages (apart from Hindi, that is) proud of their enterprise. Because it is in those languages that the arguments in favour of a position or against become meaningful. In that sense the genuineness of the fundamentalist opposition cannot be doubted. Its wisdom can be. It would be foolhardy to say how the battle over Taslima's novel would end. But that it has been joined is beyond doubt. People for whom modernity is essentially a west-of-Khyber phenomenon would find it difficult to understand this or, even if they understood it, they would probably find it irrelevant and meaningless and return to their favourite Indo-Anglian writers. In the meanwhile, the natives would go on threatening and killing each other—and writing in the native languages.

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Circulation Manager

Auctioning of Rupee Funds

New Issues in Indo-Russian Economic Relations

R G Gidadhubli

Two proposals mooted by the Russian government during the Indian prime minister's recent visit to Russia—auctioning of rupee funds representing debt repayment to Russia and investment of these funds in equity capital in India—raise new issues in Indo-Russian economic relations which need to be carefully considered by the Indian government.

THE visit of prime minister Narasimha Rao to Moscow from June 29 to July 2, during which a joint declaration was made and nine agreements were signed covering political, defence, economic, scientific-technical and cultural fields, assumed great significance in forging close Indo-Russian relations in the years to come. In the economic field efforts are to be made in the next two-three months to translate the agreements into concrete measures. When implemented, a new chapter will be opened in economic ties between India and Russia. Two proposals that mark this new development are: (a) auctioning of the rupee funds in Moscow; and (b) investment of the rupee funds in equity capital in India.

The genesis of this new development is that from 1993 Russia has been receiving rupee funds to the tune of Rs 3,000 crore per year as part of debt repayment to Russia. Thus over the next 12 years, a sum of Rs 36,000 crore will be made available by India. An agreement had been reached during Boris Yeltsin's visit to India in January 1993 that these funds were to be used by Russia for the purchase of goods from India. But during the last over one year Russia has not been able to utilise much of these funds and hence the rupee funds have been getting accumulated. So Russia has now proposed modifications in the mode and purpose of the use of funds. An effort is made here to analyse these proposals in view of their implications for India in the years to come. It is also worthwhile to consider possible measures to safeguard India's interests.

It appears that the Russian government was considering tthe auction of 'clearing rupees' (the term used for rupee funds in Moscow) over the last several months which would serve not only as an incentive for availing of accumulating rupee funds but also for boosting sagging Indo-Russian trade. Moreover, it could also be a source of earning dollars for the Russian exchequer. What lent credence to this concept was that some foreign firms operating in Moscow apparently offered US $ 2 for Rs 100 to buy up crores of clearing rupees from the Russian government after Yeltsin's visit to India last year. But the deals did not materialise probably because there was pressure on the Russian government from the newly-emerging groups of private trading houses and even the state trading organisations dealing with foreign trade who feared loss of the opportunity to use these rupee funds.

There is an added dimension to the rupee auctioning. As reported by Vladimir Radyuhin (*The Hindu*, June 29) the proposal to auction clearing rupees in Russia was reported to have been made by the Russian finance ministry. That this proposal did not originate from the ministry of foreign trade (MFT) was significant. The MFT had actually prepared a list of commodities worth Rs 1,900 crore to be purchased from India against debt repayment before the proposal of rupee auction was made by the finance ministry. Further, according to the Russian deputy prime minister Yuri Yarov, several Russian government agencies were putting up claims for the clearing rupees which again suggests that there was no lack of demand for Indian goods to be bought with the clearing rupees. What was really lacking was a proper mechanism by which the clearing rupees could be utilised.

Be that as it may, the need for rupee auction was justified by the Russian side on the eve of the visit of the Indian prime minister. Elaborating the Russian government's position on this issue, it has been observed that notwithstanding the inter-governmental exchange of letters of January 28, 1993 on the use of the rupee funds, several factors had hampered the utilisation of the funds for importing goods and services from India. They stem from the transitional character of the Russian economy in which the market mechanism for international valuation of the Russian currency is far from perfect. Hence, as an experiment, allocation of a portion of the rupee funds to Russian importers through the Moscow central stock exchange had been under consideration. It is further contended that this would also enhance the receipts to the Russian exchanger and also enable establishment of a real market rate of exchange for centralised imports against the rupee funds.

Two possibilities can be visualised in rupee auctions by Russia:

Possibility I: It has been suggested that rupees may be auctioned at 20 per cent discount in Moscow to earn more dollars (*Indian Express*, July 7). Instead of Rs 31 for one dollar which is the prevailing exchange rate, the Russian government will be able to auction rupees at about Rs 25-26, which means getting $ 400 mn and not $ 330 mn by auctioning an estimated Rs 1,000 crore in 1994, a net additional earning of $ 70 mn.

Possibility II: As per another report, clearing rupees are to be auctioned at 80 per cent of the rupee-rouble cross rate through the US dollar (*The Hindu*, June 29). The prevailing dollar rate is US $ 1 = Rb 2000 = Rs 31. This means cross rate for Re 1 = 65 roubles and 80 per cent of this means Re 1 = 52 roubles. Thus if about Rs 1,000 crore (about one-third of the Rs 3,000 crore which India is required to pay annually) are auctioned in one go, the Russian bidders will be required to pay only Rb 520,000 mn instead of Rb 650,000 mn. For Russian importing agencies this will be an incentive to import from India and this will make Indian goods cheap and competitive in the Russian market.

While a clear picture will emerge in due course as and when auctions actually take place, the rupee auctions have several implications and raise many issues:

(1) A major possible implication is that the rupee auctions will encourage 'switch trade' by the agencies and organisations who have access to rupee funds. They may use these funds to divert goods imported from India to earn hard currencies. This is particularly likely in the case of many traditional agricultural items of export such as tea, coffee, tobacco, oil cake and so on. Apart from possibly affecting Indian exports to other markets, this will deprive Indian exporters of the opportunity to cultivate the Russian market. Another result may be unstable or even declining demand for Indian goods exported to Russia and other CIS countries thus affecting the Indian economy.

(2) Rupee auction may not help India's export of engineering goods and hi-tech items if no guidelines or conditions are stipulated by the Russian government on the use of the auctioned funds. Russian agencies and enterprises may prefer to import these goods from the west, although in the past huge investment was made and capacities were created in India to produce many goods to cater to the former Soviet market. So far as

other manufactured goods such as textiles, garments, etc, are concerned, in principle the rupee auctions may make Indian goods relatively cheap and hence competitive as compared to those from China and South Korea. But if the latter countries resort to dumping, then this advantage may be lost.
(3) A Russian commentator has said that the rupee auctions will be confined to Russian buyers and will carry a stipulation that the rupees can be used only for importing goods from India. Re-export to third countries will also be prohibited. It is doubtful that such commitments can be expected to be made, much less enforced. Once the rupees are auctioned, the Russian government may not be able to exercise much control over their use. This is the case with several decrees or laws in Russia which are there on paper but are hardly implemented. If it is seen as a lucrative proposition, then Russian agencies could be used as a cover by foreign firms for participating in the auctions. Alternatively, they may buy up the rupee funds from the Russian agencies who procure them at a discount from the Russian government. Hence the rupee auctions may not help genuine Russian trading agencies and may be exploited by speculators and mafia groups.
(4) Rupee auctioning goes against the basic objectives of rupee trade between India and the former Soviet Union as promoted for the last about four decades. First and foremost, rupee accounting was intended to avoid and bypass hard currency transactions and intervention. India was to repay in terms of goods whatever credits the former Soviet Union offered for the development of India's basic industries such as steel, power, mining, etc. There was bilateral balancing of trade so that neither country was required to make any monetary payment.
(5) The rupee auction has in a sense been forced on India by the Russian government. The contention that it is an internal matter of Russia as to how to use the rupee funds is not entirely tenable since the move does go against the spirit of Indo-Soviet economic ties, the legacy of which Russia has inherited. The rupee auction proposal underscores the fact that India has been making concessions to Russia once again after consenting to a very favourable rupee-rouble exchange rate during Yeltsin's visit to New Delhi in January 1993. It is to be examined whether the proposed defence deals and joint venture schemes will adequately compensate India for these concessions.
(6) On the eve of the summit meeting in Moscow the Russian government decided to grant Russian importers of Indian goods a 180 days' deferred payment facility which amounts to six months' interest-free credit to the importers. Moreover, goods imported against debt repayments have been exempted from the value added tax of 20 per cent and the special tax of 3 per cent. These two concessions will help increase imports from India. As an additional measure to use the rupee funds, the Russian government has organised contract tenders for importing specific commodities from India, enabling Russian trading agencies to import a wide range of consumer goods such as toothpaste, shoe uppers, medicines, detergents, cosmetics, spices, bed linen and so on (*The Hindu*, July 15).

INVESTMENT IN INDIAN EQUITY

Another important issue relates to the utilisation of the rupee funds for investment. Both India and Russia have agreed on this issue in principle so that a portion of India's debt repayment can be utilised to finance construction and modernisation of industrial and other projects in Russia and in India (*The Times of India*, July 9). Thus the Russian contribution to the equity of Indo-Russian joint ventures to be set up in India could be financed out of the rupee funds. In other words, the Russian government will be converting the past (Soviet) rouble credits to India into equity shares in Indian companies. While the details are being worked out, the implications of the move deserve careful consideration.

The Russian government seems to have invested about Rs 1,000 crore in Indian securities in 1993-94 out of the rupee funds at its command. That the Russian government would have done this with the consent of the Indian government is to be taken for granted. The present proposal for equity investment seems to be a shrewd logical next step on the part of Russia which was mooted by the Russian prime minister, Viktor Chernomyrdin, at his meeting with Narasimha Rao in Moscow.

From Russia's point of view, investment in Indian equity capital will partly take care of the accumulated rupee credits. At a time when Russia needs huge investments at home for transforming its own economy, the decision to invest in equity capital in India seems to be motivated by expectation of high and secure returns on the investment. Moreover, the relative worth of Rs 1,000 crore in stocks in India will be higher and hence preferable to the equivalent of $ 300 mn in stocks in Russia where inflation is high, the economy is in disarray and there is high risk on investment. It is possible that the Russian government will use its leverage to secure participation in joint venture enterprises in India, besides employment of Russian consultants, technical advisers, etc, in India.

So far as India is concerned, there will be no immediate capital outflow following investment of the rupee funds in Indian equity. The funds are to be utilised for the setting up of new enterprises and modernisation of existing units and for infrastructure development. Russian investment may be particularly welcome in power projects which have been held up or delayed for want of funds. Russia also proposes to utilise part of the funds for reconstructing the Novorossisk port and related communication facilities.

Russian investment of rupee funds in equity capital in India raises several issues:

—Had Russia imported goods from India fully utilising the debt repayment amount of Rs 3,000 crore per year, the question of Russian investment would not have arisen at all. That would have been more beneficial for India by way of creating job opportunities, expanding the manufacturing sector, increasing the demand for agriculture-based goods and so on. Non-utilisation of repayment funds by Russia for import of goods might have forced India to agree to this arrangement. It will be highly speculative to presume that this could be part of Russia's new policy objectives.

—Investment of rupee funds by Russia is qualitatively different from foreign investment in terms of hard currency in the Indian economy and the net benefit may not be significant.

—Russian investment of rupee funds goes against the basic principle of linking aid and trade underlying Soviet-Indian economic co-operation for four decades. The former Soviet government had claimed that its socialist foreign economic policy of linking aid and trade differed from and was superior to the capitalist approach. The Soviet Union was also against export of capital, against investment abroad in the private sector and above all against repatriation of profit. The Soviet Union encouraged imports from aid-receiving countries, including India. These principles had been transformed into policies and protocols between India and the Soviet Union. Russia should now abide by the previous commitments to India instead of converting past Soviet socialist economic assistance into Russian capitalist investment.

—The value of Russian investment for modernising the Indian industrial sector is open to question. Russia's ability to modernise hi-tech Indian industries, such as electronics, is limited considering Russia's own technological lag in these sectors. Even for the fuel and energy sectors, Russia has been approaching Germany, US, etc, for advanced and eco-friendly technologies. Russian investment is likely to be beneficial to India for modernising only a few defence-oriented industries.

In these circumstances the question is how India should safeguard its interests. The Indo-Russian joint commission will meet in September. Before the meeting, negotiations are to take place in the next two-three months.

Indian policy-makers and India's trading community should urge upon the Russian authorities the following:

(a) There should be a limit fixed by Russia with the knowledge of the Indian government on the amount of rupee funds to be auctioned in Russia.

(b) The Indian government should categorically oppose any experiment by Russia to auction rupee funds for dollars as this will amount to devaluing the rupee and will also lead to switch trade deals on a large scale affecting India's interests.

(c) The Russian government should specify and notify items which will be allowed to be imported from India with the auctioned rupees. This will help Indian exporting firms to meet Russian requirements. There should be supervision over the adherence of the Russian and Indian governments to this condition.

(d) Clearing rupees auctioned by Russia should also be utilised by Russian trading firms for import of manufactured goods, particularly engineering and electronic items and machinery and equipment, which used to be imported on a large scale from India before the Soviet disintegration and for which necessary capacities were specially created in India.

(e) Indo-Russian joint trading ventures and Indian export agencies with a well-established track record of trading with the former Soviet Union and later Russia should be allowed to participate in the rupee auctions in Moscow. They should be treated on par with Russian agencies since rupee trade is involved. If this is not done then speculators in Russia and India may band together to exploit the situation to the detriment of the interests of both countries.

(f) Russian investment in equity capital in India should be the last priority for utilising the rupee funds. If such investment is inevitable, then it should be distributed between joint ventures in India and in Russia.

World Cup USA: A Different Perspective

Dipankar Sinha

While the world debates the art of Latin American football and the power play of their European counterparts the fact that the World Cup USA was also a 'game' of the New World Order played according to the rules of globalisation cannot be ignored.

WITH the end of the 'greatest show on earth', the US-hosted World Cup football tournament, incorrigible sceptics, some of whom still survive the onslaught of the totalising 'New World Order' further marginalise themselves. Obsessed with exploration of hidden dimensions and the dimensions that are often overlooked, the sceptics do not even spare the World Cup USA. While the rest of the world continues to debate on issues concerning the 'art' of the Latin American football and the power play of their European counterparts, standards of referees, rise and fall of megastars and the worth of the champions, the sceptics 'break up' the tournament differently to come to the conclusion that it was also a 'game' of the 'New World Order' played according to the rules of globalisation.

If we conceptualise globalisation as a set of universal processes which, by multiplicity of explicit and implicit interactions, interconnections and interdependence, seeks to develop what Roland Robertson calls the "concrete structuration of the world as a whole", it might help to realise how the sceptics argue that the 'greatest show on earth became a 'great show of globalisation'

One of the prime features of globalisation in the 'New World Order' is elimination of culture-specificity. The process of elimination entails steamrolling the claims of a specific culture by the so-called global culture. By itself the process is inherently political because the publicists of 'global' culture in aggressive display of power seek to promote it unilaterally. In the World Cup 1994 the game of football was promoted to make it a part of 'global' culture. The very selection of the site of the tournament might have been, as is argued generally, a result of the financial might of the US Soccer Federation and the influence it has over FIFA, but it can also be viewed from a broader perspective. That the bonanza had to be offered in a country where the overwhelming majority of citizens are not even aware that soccer could be so popular as to have worldwide competition, made it clear that a 'football culture' based on popular awareness and attachment was not considered an essential criterion by the promoters of 'global' culture. Then again, the imposition of 'global' culture does not require an enlightened public.

The sponsors of globalisation in the 'New World Order' always insist on a global show. Even a case of estrangement and tragedy like the Gulf War had to be a global show because the 'sponsors' wanted it that way. Because of the grandeur of its show the Gulf War till today holds the distinction of being the only war in the history of mankind to have provided a 'visual treat' of death and destruction by its global live telecast to the people at the dining table. To refer back to the World Cup USA, the opening ceremony held at Soldier Field was a part of the effort to "make the game more spectator friendly", to quote Jim Paglia, the president of Entertainment Destination Enterprises, USA, in a nation where spectators refuse to become 'soccer friendly'. That America has set its eyes on football was globally witnessed through live telecast of the show which had among others, the US president delivering a dull speech, Diana Ross dancing and crooning, and Oprah Winfrey, 'the talk show lady', wandering aimlessly most of the time. In a vulgar and absurd show of the so-called composite nature of the 'global' culture which was threatened by the Yankee show, highly un-artistic movements, called by the name folk dance, were shown by 24 human peacocks, representing the 'culture' of the contending states. The giant sized replica of the World Cup placed at the site of the opening ceremony seemed to have symbolised the award of the 'champion-state' of the 'New World Order', in display for the rest of the world to see and admire.

It is an open secret that the processes of globalisation in the 'New World Order' are tied to various short- and long-term commercial propositions. The World Cup USA was no exception to the rule. It is widely believed that FIFA's 'blue-eyed boy' in the US, the chairman and chief executive officer of the tournament, was 'elected' as the president of the US Soccer Federation when he agreed to pay a greater percentage of Federation's marketing rights to FIFA than what his chief contender, Werner Fricker, could offer. Also, the FIFA-directed change in the long-established rules of the game was motivated by what Joseph Blatter, the FIFA secretary-general, described as "the desire to provide more entertainment to the crowd". However, it goes without saying that more entertainment to more spectators means more money from advertisements. In the tournament the playing arenas were literally engulfed by banners of some of most powerful companies having global operations. The list runs like this: Coca Cola, Chevrolet, JVC, Canon, Fujifilm, Gillette, Philips, Opel, Snickers, MacDonald, and the company paying for telecast, MasterCard. With a record number of people in hundreds of countries watching the live telecast, the tournament provided these 'giants' with the opportunity to exploit the world's most popular game for what in advertising parlance is known as 'global mileage'. The point is not that

advertisement revenues are unimportant but allowance to advertisers needs to be kept within a reasonable limit so that interventions by the merchandising world do not reduce the game to a mere consumerist affair.

Even the 'Maradona episode' in the World Cup USA is interpreted in some quarters as a 'product' of a not-so-fair-gameplan of a well known German sportsgoods company which also acts as sponsors to both FIFA and the German world cup squad. The argument put forth was simple: that the company had exerted its influence on FIFA to 'destroy' Maradona and his team so that the German team could win the World Cup and serve the commercial interests of the company. While there is little evidence to suggest that such a 'request' was ever made, or that the FIFA officials are gullible enough to accede to such a request if it was ever made, the logic based on the 'hand of the multinationals' encourages the sceptics for a different reason altogether. The nature of allegation, akin to that made against some well known cosmetics- and garments-manufacturing companies during the Miss Universe Beauty Pageant '94 for their lobbying activities, proves that there are some who have at least spared a moment to think of the possibility of intricate and hidden linkages and oversighted trade practices of the multinationals in the global supermarket.

International media has a vital role to play in the globalisation game. In fact, it can be said that nothing in the 'New World Order' happens without the media being involved in some way or other. Recent history shows that in most cases the media-hyped 'drama' has a great contribution to media's globalisation role. It needed the 'drama' of the fall of the Berlin wall for international media to announce the globalisation of neo-liberalism; the 'drama' of famine was needed to let the world know about Ethiopia, and the 'drama' of death and destruction to globalise concerns about relief in Bosnia. In the somewhat lacklustre World Cup USA, Maradona, arguably the greatest footballer ever, provided the international media with much-needed 'inputs' to globalise the 'drama' with so much vigour that even the extermination of Andres Escobar, the ill-fated Colombian world cupper, was relegated to the background. After all, Escobar lacked fame/notoreity to have aroused interest at the global level. Not being able to capitalise on the rise of a megastar, with Roberto Baggio, the Italian super-hero and the media-tipped successor to Maradona, failing to live up to expectations in the first round of the tournament, the media in desperation chose the fallen megastar—christening him Diego the Disgraced or Dirty Diego. In an uninspiring case of a decongestant relieving, if not Maradona's flu but the man himself and his team from the tournament, the western media as well as their third world counterpart found all the ingredients of a 'drama'.

The moot point for the sceptics is not that Maradona was victimised for having found an idol in Fidel Castro, the 'commie' president of Cuba. In the 'New World Order' the political supremacy of the US logically demands that the American policy-makers will be too busy to bother about a footballer's personal choice, even if the footballer happens to be Maradona. Nor are the sceptics obsessed with arguments about whether Maradona had taken the five banned substances deliberately or whether Brazil or Italy had a hand in ejecting the football genius and his team from the competition. What is worth being analysed is the way the media injected a moral and ethical dimension to the 'drama' by raising the bogey of justice and fairness for all. That FIFA also endorsed this line of thinking was proved by Alan Rothenberg's stance that "reasons do not matter because it is all a fairness issue", and Step Blatter, the FIFA secretary, describing it as a "human, moral issue". Even if one accepts that Maradona had made a blunder in not only causing dishonour to himself but also to his country and millions of fans around the world, one cannot ignore that fact that in simultaneously criminalising Maradona, the individual and moralising Maradona, the issue the media only followed yet another condition of the globalising embrace of the 'New World Order': overplay moral issues to construct and disseminate a monolithic story making everyone else inaudible. Here again the Gulf War *story* might serve as a good example.

The World Cup USA was also utilised by the media for global dissemination of 'coloured' images of the world. While Colombia was depicted as violence-ridden, criminal-infested, chaotic jungle of druglords, Argentina was projected, especially through the 'Maradona episode' as a nation of hero-worshipping paranoids. While Brazil received the 'distinction' of being a nation of football-maniacs or soccer-lunatics, Romania, being personified in Gheorghe Hagi, and Bulgaria, with Hristo Stoichkov, the 'reincarnated Christ', as nations inspired by 'liberation' from the communist bondage. Nigeria, Cameroon and Morocco, especially the first two, were described as states which averted a war because football 'brought them closer'. We learn more: that the Germans are most disciplined and powerful, even if somewhat mechanistic; that the Scandinavians exude confidence in spite of low key-appearance; that the Italians have religious tolerance in accepting Baggio, the Buddhist as their idol; that if the Americans do not excel in something it is because they do not want to.

While it might seem paradoxical that such images of 'fragments' are being disseminated at a time when the vigorous promotion of 'global' culture is evident more than ever before, it is not hard to explore the rationale of such practice. As is evident from the instances, we have black/dark regions comprising the 'third world' where evil 'guys', paranoids, lunatics and war-mongers roam. We also have the bright and shining white realm marked by the rule of the disciplined, civilised, progressive, powerful and liberated members of humanity. Then there are the grey areas which are in a state of transition after shaking off socialism. The hidden politics of 'global' culture which has an essentially westcentric base, demand that such categorisations be made. Epistemologically, globalisation rests on a systematic interaction with 'others', knowledge of the 'other'; an assessment based on acquired knowledge thus becomes essential. However, it is also an interesting feature of globalisation that the knowledge acquired for the purpose of assessment need not be accurate or complete. Inaccurate or incomplete knowledge of 'others' is regarded as accurate or complete as long as it proclaims the superiority of the sponsors of globalisation in the 'New World Order'.

The 'New World Order' is based on an extremely complex trajectory of global consolidation. Globalisation necessarily involves such consolidatory moves which manifest themselves in different modes and in different spheres to present an image of the world as a single system with its centre in the west. As part of systematic macro-construction of the contemporary world order, the processes of globalisation in the 'New World Order' have to take a more complex form than the microlevel globalisation based on empire-building in the imperialist era. The levels and layers of penetration of globalisation have a bewildering variety because its centrality calls for 'proper ordering' of standards of behaviour, orientations, belief-systems, norms, identities and life-styles for development of a collective social understanding at a global scale.

In their effort to understand this process the sceptics devise a special 'route'. First, because they are not ready to treat everything at the programmatic level and in terms of action-orientation the sceptics look for methodological, rather, epistemological roots. Second, unlike the mainstream academics the sceptics do not use the principle of exclusion in the name of academic respectability to exclude 'trivial' events from the purview of their search for vital clues. Thus, the surviving sceptics of the 'New World Order' could avoid 'deconstructing' the World Cup USA only at their peril.

Human Rights and Dawoodi Bohras

Asghar Ali Engineer

There is large-scale infringement of civil liberties and human rights of the Bohra community at the hands of its priestly class. Although two human rights commissions have urged the government to intervene in the secular affairs of the community on behalf of ordinary Bohras, nothing has been done so far.

I

THE Dawoodi Bohras and their priesthood have been in the news for close to two decades now. Today the Bohras are a highly oppressed and exploited community at the hands of their own priesthood. Few communities are so harshly oppressed and exploited as the Bohra community. The Bohras are a Shi'a Ismaili sub-sect of Islam. The Muslims, as is well known, were divided into two major sects—Sunnis and Shi'as after the death of the prophet. These two major sects were subdivided into number of sub-sects over a period of time. The Shi'as believe in the institution of imamat as the Sunnis believe in that of khilafat.

According to the Shi'a belief, the holy prophet had appointed 'Ali, his son-in-law, as his political as well as spiritual successor. The institution of imamat continued in his progeny of which imam Ja'afar al-Sadiq was the fifth (and according to the Isna Ashari Shias, the sixth) imam. After his death the Shi'a Muslims split into Ishna Ashari and Isma'ili Shi'as. The Bohras are a branch of Isma'ili Shi'as. According to the Isma'ilis, the chain of imamat continued in the progeny of Isma'il. However, after the 18th imam al-Mustansir, the Isma'ilis were divided on the question of succession into Nizaris (followers of the present day Aga Khan) and Must'alians (earlier, Qaramitas and Duruzes had already split from the Isma'ilis, forming new sects of which Qaramita are extinct but the Duruze Muslims live in the hills of Lebanon).

On the side of Must'alian branch, the 21st imam Tyeb had to go into seclusion on account of political conditions, and he died in seclusion. However, the Bohras believe that the institution of imamat continues in his progeny in seclusion but in the absence of imam da'is (literally, summoners to the faith), they began to deputise imam and carry out religious functions on his behalf. The first da'i was appointed in Yemen and was known as Syedna Zoeb bin Musa. However, unlike the office of imam, the office of da'i was not hereditary and any competent alim (scholar) could be appointed to the august office by his predecessor. Also, imam is supposed to be infallible but a da'i is not. A da'i is liable to commit error. However, later on a new dogma was evolved that though da'i is not infallible ('m'asum'), he is like infallible ('kal-m'asum'). However, the reformist Bohras challenge this as it is not born out by the authenticated books of the sect. There are grave implications indeed, if this claim of the da'i being kal m'asum is accepted. Today, the reformists in the community are fighting against reeking corruption in the system headed by the da'i who is 52nd in the line of the da'is. However, the head priest refuses to accept that the system headed by him is facing rampant corruption.

The Dawoodi Bohras, most of whom were converted from Hinduism (from various castes ranging from brahmans to vaisyas and shatriyas) in the 12th and 13th centuries, are today about 12 million throughout the world. Of them, around a million live in India principally in four states, i e, Maharashtra, Gujarat, Rajasthan and Madhya Pradesh. They are also found in big trading centres like Calcutta, Madras, Hyderabad, Cochin, Calicut, etc. Bohras are mainly a business community and hence tend to be peace loving. They are comparatively economically better off than other Muslims but have their own quota of poverty. In cities like Bombay some Bohras live in extreme poverty in various slums like Golibar, Jogeshwari, Dharavi, etc. Bohras are somewhat more literate than other Muslims though higher education is not very widespread. They generally opt for functional literacy useful for trading rather than higher education.

The Bohras have been historically a well-knit and cohesive community. As it faced persecution from the Sunni rulers in India, it became extremely centripetal, generally avoiding inner dissensions. However, it did face splits, both major as well as minor, from time to time, especially on the question of succession to the office of da'i. Even then it can be termed to have been a fairly obedient community until the advent of the British rule in India when it was relieved of external pressures. It was after the consolidation of the British rule that inner dissensions began to surface within the community.

When the Bohras went for modern education they began to distinguish between the religious and the secular, and to feel that the Syedna should not exercise control over the secular aspects of life. It must be mentioned here that the earlier da'is were quite benevolent towards the community and lived simple and exemplary life. They generally did not extort money from the community and whatever voluntary contributions were made, were generally spent on various welfare measures. However, after the consolidation of the British rule when the Bohras began to prosper in western region of India, the high priests began to exercise greater and greater control over the community so that they could also get more share in the wealth. This tendency became quite acute particularly during the time of the 51st da'i, Syedna Ther Saifuddin. As he became more repressive and greedy for money, a challenge emerged to his authority from within the community.

However, the community faced rift in Udaipur towards the end of 19th century on the question of managing the affairs of local jamaat. The da'i at the time asked the members of the local jamaat to hand over the keys of the jamaat khana to the amil (head priest's representative) but they refused. They maintained that the da'i could not interfere in secular affairs of the community. The matter went to the court of the Rana of Mewar who gave his verdict in favour of the Udaipur jamaat. Similarly, the sons of Adamji Pirbhai, a wealthy and influential businessman of Bombay, challenged the authority of the 51st da'i in the Bombay High Court in early 20th century for misusing the funds from the cash box kept at the mausoleum of Chandabhai Seth in Bombay for buying private properties.

The Bohra high priest made fantastic claims in the Bombay High Court. He claimed that he was the real owner of the properties as well as souls and bodies of the Bohras. They were mere slaves. That he was a god on earth and could change provisions of the Islamic shari'ah. Of course these claims were dismissed by the then Justice Martin who heard the case. The high priest then began to use the weapon of 'salam bandh' (i e, ex-communication) against the dissidents. The 51st da'i began a repressive era which continues in our times. It is an unending tale of woes. The da'i took ruthless measures to consolidate his authority and his prime concern was no more to offer religious guidance in a spirit of humility but to establish his full control over the minds and souls of the community. And what his successor Syedna Muhammad Burhanuddin did was even worse.

Through various means, fair and foul, both these da'is have been engaged in amassing wealth and living in style. The 51st da'i began to describe himself as 'Sultan-ul-Bawahir', i e, the king of the Bohras. These were no mere empty words. The Syedna tried to live like sultan. He called his dwelling place a palace, Saifee Mahal. Like the Mughal kings, he demanded of his followers that they not only bow before him but also perform 'sajda' (prostration). Needless to say, these are all un-Islamic acts, the prophet of Islam led a simple life, even went hungry for days to live within frugal means. He had strictly forbidden everyone to bow before him. Sajda was meant only for Allah. But, in the care of

the Syedna's herald announces his coming and all are required to stand with folded hands, with their heads bowed.

For all this a lot of money was needed. The 'royal family' devised ingenious ways to amass wealth. The Bohras were required to pay to the high priest seven taxes—zakat, khums, sila, fitra, sabil, haqqun nafs and nazar muqam. A network of amils was required to collect the taxes regularly and exercise coercive measures against the defaulters. The high priest was not satisfied even with this. In order to extort more money, he began distributing honorific titles NKD (Al-Nashito fi Khidmatid Dawat) and MKD (al-Mu'in fi Khidmatid Dawat). He also gave the title of 'sheikh' now to rich businessmen, a title earlier meant only for distinguished ulama and learned theologians. In return for these titles, he charged great deal of money. Also, he demanded huge amounts by way of salaam (personal offerings). The salaam amount may run into lakhs of rupees. One who refused to give would be humiliated and insulted. It is also true that the neo-rich vied with each other for offering him huge amounts generally earned legitimately or illegimately during the first world war.

Since the 51st da'i gave up the simplicity of earlier da'is, many problems began for the community. The emphasis shifted from religiosity to worldly glamour. More and more emphasis began to be laid on the glory of the da'i and his role in 'dawat'. His entire family began to be glorified. Also, the members of the da'is family began to distance themselves from the ordinary members of the community. They treated these 'ordinary members' with disdain. The Islamic concept of equality of all human beings was relegated to the background. The da'i began to emerge as not only the central figure but also the most important one in the whole system. The imam in seclusion was now mentioned only in passing. The birthday of the da'i began to be celebrated with much greater fan-fare than that of Imam al-Zaman (i e, Imam of the time in seclusion).

Many felt disturbed at these developments but could not speak out for fear of ex-communication. Even many amils disliked all this but felt helpless as their livelihood depended on the establishment of the da'i. Strict censor rules were enforced and the amils were required to submit the material of their sermons (va'az) to the da'i for his approval. These amils were also instructed to devote most of their time to glorifying the da'i. Those amils who complied were richly rewarded by posting them to high income-generating cities, and those who did not, were punished either by being suspended or posted in less income-generating towns.

The glorification of the da'i was further intensified during the 52nd da'i's regime. It went so far as to relegate even the prophet of Islam to (believe it or not) an inferior position. In a calendar published a few years ago, da'i's picture was inserted after Allah, and only then the name of the holy prophet was mentioned. The Muslim ulama and leaders who were sent copies of the calendar did not mutter a word against it nor did the Urdu newspapers write anything against it. Most of the ulama and editors of Urdu papers as well as Muslim leaders are beholden to the Syedna in one way or the other. And, therefore, they never protest even if the Syedna is guilty of most blatant anti-Islamic acts. Many of these leaders and ulama are lavishly treated by the Bohra high priest in his palace.

II

As pointed out above, the period of the 52nd da'i proved to be much more repressive than that of his predecessor. It was, therefore, natural that deep discontent developed within the community. A revolt broke out in Udaipur in 1972 when the da'i's establishment tried to compel the Bohras of Udaipur to dissolve their legitimately formed Bohra Youth Association as well as a co-operative bank set up by them on the grounds that these organisations were formed without the 'raza' (permission) of the high priest. The high priest's establishment was now seeking to impose strictest possible control over the institutions of the community. No institution could be set up without permission of the high priest. Even the local priest could not give permission. He has to seek permission from the Syedna before giving his approval.

When the Bohras of Udaipur maintained that it was their constitutional right to establish any such institutions, they were severely punished. The high priest declared social boycott against them and their womenfolk were molested in Galiakot dargah where they had gone to visit the mausoleum on the death anniversary of the saint. Moreover, in order to make the 'punishment' exemplary, the Bohras of Udaipur belonging to the youth group, as they came to be identified now, were debarred from entering any mosque or mausoleum throughout India. Also, anyone who maintained any contact with them was also similarly punished. Most of the families in Udaipur were divided between pro- and anti-Syedna, i e, 'shababis' and 'youthis' as they were known.

The Syedna's establishment created a reign of terror in the entire community. Any paper which supported the reformist cause was also punished. *Bombay Samachar*, a Gujarati paper which consistently supported the reformist cause and is widely read among the Bohras was specially denounced and any Bohra reading it was severely punished. Urdu *Blitz*, another paper which supported the reform movement, was also proscribed, though very few Bohras read it. The repressive measures went to such an extent that if a husband or a wife supported the reform movement, their marriage was forcibly dissolved. Many families were thus disrupted. In few cases, even children born of these marital bonds had already entered into wedlock. When the reformists complained to the government of serious violations of their fundamental and constitutional rights, it took no notice of these grievances. If feared loss of Bohra votes, though the fear was hardly justified. The reformists were really exasperated.

After the emergency they approached Jay Prakash Narayan, who was also the president of Citizens for Democracy (CFD) which had courageously fought against emergency. Jay Prakash not only patiently heard the reformists but also wrote a letter to the Syedna urging upon him to see that the dispute within the community was amicably resolved. However, the Syedna's establishment chose to remain silent. The reformists then requested Jay Prakash to institute an enquiry into their grievances on behalf of the CFD, which he agreed to. An inquiry commission was constituted headed by justice N P Nathwani—a retired judge of the Bombay High Court. Other members of the commission comprised two eminent academicians, Alam Khundmiri and Moin Shakir, a legal luminary and human rights activist justice V M Tarkunde, and C T Daru and Alu Dastur, a noted Gandhian who later resigned as she was inducted into the Public Service Commission by the Janata government.

The commission examined several witnesses and documentary evidence submitted by many aggrieved Bohras and prepared its report which was published in 1979. The commission observed in its report: "Our enquiry has shown that there is large-scale infringement of civil liberties and human rights of reformist Bohras at the hands of the priestly class and that those who fail to obey the orders of the Syedna and his amils, even in purely secular matters, are subjected to 'baraat' resulting in complete social boycott, mental torture and frequent physical assaults. The 'misaq' (the oath of unquestioning obedience to the head priest) which every Bohra is required to give before he or she attains the age of majority, is used as the main instrument for keeping the entire community under the subjugation of the Syedna and his nominees. On the threat of baraat and the resulting grave disabilities, Bohras are prevented from reading periodicals which are censored by the Syedna (such as the *Bombay Samachar*, the *Blitz* and the *Bohra Bulletin*); from establishing charitable institutions like orphanages, dispensaries, libraries, etc, without the prior permission of the Syedna except by submitting to such conditions as he may impose; from contesting elections to municipal and legislative bodies without securing beforehand the blessings of the Syedna; and above all, from having any social contact with a person subjected to baraat, even if the person is one's husband, wife, mother, sister, father or son. The weapon of baraat has been used to compel a husband to divorce his wife, a son to disown his father, a mother to refuse to see her son, and a brother or sister to desist from attending the marriage of his or her sister or brother. An excommunicated member becomes virtually

an untouchable in the community, and besides being isolated from his friends and nearest relatives, is unable to attend and offer prayers at the Bohra mosque. Even death does not release him from the taboo, for his dead body is not allowed to be buried at the community's common burial ground."

We have given this long quotation from the findings of the Nathwani commission report to show the extent of repression which the Bohra priesthood is imposing on the community. The publication of the report brought to the public notice the serious problem in the Bohra community and the gravity of the struggle being waged by the reformist Bohras demanding democratic changes in the functioning of jamaats and their secular affairs. However, as expected, the government took no notice of the recommendations of the Nathwani report. However, it did help the reformists by creating public awareness.

III

The Nathwani commission carried out investigations of various complaints up to 1979 when the report was published. However, the Bohra priesthood continued to oppress and exploit the Bohras even after the report was published. It took, as if, no notice of the report. In many ways, the repressive measures increased on its part. Thus many things happened during early 80s. A drive was launched to compel the Bohras to close their accounts in the Mercantile Co-operative Bank on the pretext that giving and taking interest was prohibited in Islam. The real motive was to destroy the Mercantile Co-operative Bank, because if interest was prohibited, it was prohibited for all the banks, not only for one particular bank. They sought to destroy the bank because they could not bring it under their control. It has been the Bohra high priest's practice that either they established their total control over an institution or they destroy it.

The Bohra priesthood also launched a drive for compulsory wearing of 'rida' (veil) for women and growing of beard and wearing of cap for men. Those who did not comply were put under social boycott ruining their social and family life. Also, women without rida and men without cap and beard were not permitted to join marriage, funeral or any other social functions. Hundreds of persons were insulted, humiliated and driven out of such functions. A strong wave of resentment spread through the community but no one could show courage to resist. Most of the Bohras preferred to submit meekly. There were only few cases of protest.

There were also many cases of physical assaults on the reformists and their supporters. This writer was also assaulted twice in early 80s, once in Hyderabad and again in Cairo (Egypt). Similarly, many others were also assaulted. In sheer desperation the priesthood, in order to improve its sagging

image, planted a bomb outside the mausoleum of the 51st da'i. The bomb exploded damaging two vehicles and injuring one person. The priesthood cried wolf and tried to implicate the reformists. But no one was convinced and accusing fingers were pointed towards priesthood itself. However, the priestly establishment organised processions in many towns and cities to celebrate the fact that the Syedna escaped unhurt in the bomb explosion incident.

Throughout the 80s the priesthood continued to let loose a reign of repression on the Bohras. The reformists, therefore, once again approached CFD and Indian People's Human Rights Organisation to appoint a commission to investigate into the cases of harassment and persecution of the Bohras at the hands of their priesthood. The president and secretary general of both the organisations, respectively, agreed to conduct an inquiry. An announcement to this effect was made in the 8th All World Dawoodi Bohra Conference held in Bombay in February 1991.

Justice D S Tevatia, the retired chief justice of Calcutta High Court and Kudip Nayar, a noted journalist and an ex-high commissioner of India to UK agreed to be on the commission of inquiry. The commission framed a questionnaire and sent it to a number of Bohras. It received response from more than 1,500 persons. They gave details of their grievances, many of them attaching documentary evidence too. The commission held two sittings, one in Udaipur and another in Bombay. In Udaipur deponents came from various places in Rajasthan and also from Neemuch in MP. In Bombay, on the other hand, deponents came from various places like Aurangabad, Hyderabad, Calcutta, Mandsaur, Indore, Bhopal, Ahmedabad, Lathi, Godhra, Ujjain and several others. However, for lack of time the commission could examine only 55 deponents in Udaipur and about 125 deponents in Bombay during its sittings.

The commission also received a trunk full of documents from various complainants. It had to examine all these documents to prepare its report. About the control of the high priest over the community, the report observes: "Virtually all vital social and secular actions of the members of the community were controlled by the high priest through the instrumentality of raza (permission). No member of the community could marry without prior permission, no member of the community could construct a house without permission, no member of the community could start an organisation or a business without prior permission, no member of the community could bury his relative's dead body without prior permission, no member could open an orphanage, open school, create a trust, stand for any election, vote for any candidate without prior consent of the head priest, conveyed directly or through his local amil...Any member of the community who does so without prior permission is made subject to baraat total social boycott by the members of the Bohra community."

This clearly shows the extent of the control exercised by the priesthood over the community. There is undoubtedly total regimentation. The social network of the community is such that there is no escape from this regimentation for an ordinary Bohra. He is so completely dependent on this network that his/her existence outside it cannot be imagined, let alone attempted. The high priest exploits this fact to the hilt. It would thus be no exaggeration to say that a Bohra is literally not free even to breathe. His entire life is under tight control of the priesthood.

Thus the Tevatia commission report says, "The use of misaq, raza and baraat is intended to effectively and absolutely enslave the members of the Bohra community to the head priest so that the head priest has a free hand to do what he likes and financially exploit the community to the extent he likes and interfere in their social and secular affairs to the extent he likes and virtually reduce them to the position of pawns and puppets in his hands and thus with impunity violate their human rights and self dignity and in turn enjoy unquestioned and undiluted authority over everything connected with Dawoodi Bohra community and make such use of them as he likes for his own or his family's political and financial advancement and interest."

The commission has also given details of the taxes levied by the high priest and estimated his income to around Rs 20 crore per annum. All this money remains totally unaccounted for and is spent mostly on personal comforts and luxury. The whole family consisting nearly of 200 members lives off this income. They have found out ingenious ways to avoid even taxation on this huge income every year. On collection of taxes the commission observes: "The efficiency with which the aforesaid taxes and levies are collected by Syedna saheb is all too evident from the form at Annexure D earlier referred to. The taxation department of the government of India may learn a lesson or two from his efficiency. A reference to the abovesaid taxes would show that a Dawoodi Bohra has to pay to the high priest even before he is born and continues to pay until after he is dead. Thus tax is levied on foetus as well as on dead ancestors. Taxes on foetus is a novel idea which perhaps no government in the world had ever tried. The levy on foetus is called 'hamal' (literally meaning pregnancy). A separate column is provided for it in the printed taxation forms provided to the collectors."

Thus it will be seen that taxation and its collection by the priesthood is so efficient that it could be envy of any government, particularly in India. However, this efficiency is the result not of efficiency of the tax collecting machinery but its coerciveness. The threat of social boycott makes people pay up. Sometimes arbitrary levies are imposed. The Bohras have no option but to pay. In addition to these taxes, the Bohras are also made to pay donations on one pretext or the other.

About coercion and persecutory measures resorted to by the priesthood, the commission says, "Every Bohra who answered the questionnaire has his own story to tell, of physical assault, of social persecution, of agony and mental torture, of attack on his property, of ruination of his business due to the fear of baraat and social boycott, of deprivation of company and starvation of affection of one's spouse, children, parents, close relations and friends, of subjection to ban on entering into mosque, jamaatkhana, community guest houses, one's own burial as also of his relations in the community graveyard, denial of permission for marriage of one's children by the high priest. However, out of large number of instances we propose to relate by way of illustration only a few instances of social boycott and the resultant mental agony, and torture."

Thus one can imagine the kind of harassment and persecution a Bohra faces if he dares to challenge the priesthood. No wonder then that most of them choose to submit, quite meekly at that. In conclusion the commission says, "Ours is second commission after a lapse of 14 years. It is painful to find that Syedna has not learnt anything from the criticism that the Nathwani commission, the first one, made about his working. In fact he has become worse now, not even bothered about what others say, much less the Dawoodi Bohra community which he heads. No community among the Muslims has suffered so much and for so long as the Dawoodi Bohras have done at the hands of a leader, who continues to be dictatorial, ruthless and unmindful of cruelties he perpetrates."

The commission further observes: "His mode of working is to strike terror in the minds of his followers. They dare not question Syedna. Even the highly placed among them obey him and his petty subordinates blindly. Any tax imposed or money demanded is paid obediently, although most members of the community are aware of the luxuries in which he and his family wallow."

This and much more has been said by the commission. No doubt this report will tell the painful story of the sufferings of the reformists among the Dawoodi Bohras. But the powers that be would not be moved. The government bothers more about the votes than the sufferings of the people. The Tevatia commission has recommended two bills to be enacted: one against social boycott and another one to control Syedna's finances. The draft for the first bill was given by the Nathwani commission also. But the present commission has given a comprehensive draft for the second bill too. Both the bills need to be urgently enacted to contain coercion as well as corruption of the Bohra high priest.

Will the government of India do something?

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A four-year settlement, covering all Bombay-based unionised employees, was signed in December 1993. Industrial relations in all establishments and worksites were by and large cordial. The active cooperation of employees is an important factor in the Company's growth and success.

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Looking Back in Wonder

In Search of Our Ecological Roots

Rahul

The burgeoning struggles around natural resources have generated a groundswell of debate in political and academic circles which has established the validity of social science research from an ecological angle. The need today is to evolve a framework and eventually establish the guiding principles of an ecological historiography and praxis.

Oh, our mothers all have their price and our sons throw themselves away
For the crew of the sinking ship will be glad to reach any old rock
And all the dying man wants of this world is to fight that he
May know dawn once again and again the third crow of the cock.

—Bertolt Brecht.

CONFLICTS over natural resource use have sharpened over the past two decades or so in India and have found expression in the form of organised mass movements. The distinguishing feature of these movements is their concern primarily with the human deprivation caused by industrial development through displacement and environmental degradation than with just its environmental impact *per se*. This burgeoning struggle has also provided inspiration for considerable investigative journalism as the issues raised by these movements have caught the imagination of a constituency not directly affected by the deleterious effects of development but who are nevertheless worried by the long-term consequences. This groundswell of interest and the debate generated in political and academic circles has established the validity of social science research from an ecological angle.

Consequently there has been a trend among historians to research instances of similar protest in the past. This has come as a reaction to mainstream history writing which has tended to ignore the struggle for existence of the poor and the downtrodden, the subalterns. A considerable amount of theoretical and factual material regarding the activities of the subalterns during the British rule has been generated by the subaltern school of historians. Similarly there has been an increase in anthropological and natural scientific enquiry into the lives of communities living in close proximity to nature and their habitats. The pressing need today is for a framework that can provide a systematic basis for further enquiries. Such a framework will also help in the formulation of a strategy for future struggles.

This Fissured Land authored by Madhav Gadgil and Ramchandra Guha (Oxford University Press, New Delhi, 1992) is a pioneering effort in the direction of providing such a framework and as such deserves to be commended. However, by trying to take in the broad sweep of Indian history from the ancient times to the present without a sufficient grounding in hard facts their effort has turned out to be more conjecture than history. Moreover, the framework they have adopted as the basis for historical enquiry is itself flawed and has resulted in their reaching some dubious and dangerous conclusions. A detailed critique is here attempted with the aim of starting a debate, that, it is hoped, will eventually establish the guiding principles of an ecological historiography and praxis.

The book has been written in three parts. The first part constitutes an attempt by the authors to build a systematic framework for the study of ecological history. The second part is a recapitulation of ancient and medieval Indian history interpreted from an ecological standpoint. The third part recounts in detail the encounter between the British imperialists and the Indians and the effect British colonial rule had on the forests of India. It also examines the forest policies of the government of India after independence up to the present times. The critique will follow the same sequence for convenience.

A Theory of Ecological History

The authors state in the prologue that they have attempted to study the conditions under which humans are prudent or profligate in their use of natural resources, the various technologies and belief systems that have influenced this resource use and the conflicts arising out of competing claims of different groups of people on these resources. To do this a new concept 'mode of resource use' has been advanced to supplement the Marxist concept of 'mode of resource use, however, is as problematical as the concept of mode of production' as a means of identifying distinct historical epochs. This they have done to remove the lacuna of neglect of the interaction between humans and their ecological base that they have perceived in the study of history so far. The concept of mode of resource use, however, is as problematical as the concept of mode of production which it seeks to replace. Both modes of production and modes of resource use are not independent and absolute variables but very much determined by and in turn determining other variables such as the distribution of political and economic power and belief systems in society. The different modes have always overlapped and apart from the modern industrial era and the early hunter gatherer era it is very difficult to specify precisely a particular era as being dominated by a particular mode. The material base, the belief systems and social relations have all influenced each other to a greater or lesser degree in the development of mankind.

The introduction of the problematic concept of the mode of resource use creates some serious problems for the understanding of history. Even though the whole of the period from the end of the Mauryan era up to the advent of the British can be said to have been dominated by the peasant mode of production there were massive changes in social organisation and economic activities over this whole period which profoundly influenced modes of resource use. This has been totally ignored by the authors in their treatment of this period as will be discussed later. The authors go on to say that they have played down the difference between the capitalist and socialist systems in modern times because from the point of view of ecological impact and technologies of resource use thay have more or less been similar. This is an extremely ahistorical way of looking at events because it overlooks the fact that the industrial revolution and capitalism were brought on by the commercial revolution attendant on the huge surpluses pouring into Europe as a consequence of colonial brigandage. The fact that the socialist economies postdate capitalism and have been far less extractive and exploitative on a local and global scale than the capitalist economies being driven as they were by an egalitarian ethic and not by the profit motive is also ignored. The two world wars fought because of the rapacious rivalries of the capitalist states and the subsequent militarisation of the whole world is not thought to be of any consequence. The multinational corporations, the World Bank, the IMF and now the Multilateral Trade Organisation which are all responsible in large measure for the environmental and human devastation of the third world and the pirating of its environmental resources have it seems all gained legitimacy with the collapse of the socialist challenge against the deleterious effects of capitalism. Just because the orthodox Marxist analysis does not take account of the ecological effects of industrial development does not mean that it has become totally irrelevant and that it cannot be modified. Thus by rejecting Marxist analysis and introducing their own half-baked

concepts the authors are not only guilty of throwing the baby out with the bathwater but also of replacing it with some more bathwater.

The changes in technologies of resource use have taken place from the desire in humans to improve their living conditions which is a basic characteristic that differentiates them from other animals. Whereas some humans have subsisted for millennia at the primary hunter gatherer level others have progressed to the peasant or industrial levels. This difference has been triggered by scarcities in the resource base caused initially by natural factors and later by humans. Thus there seems to be some justification for studying the conditions and technology influencing the prudence or profligacy of resource use. The need to conserve resource bases and social structures with a given level of technology has given rise to belief systems and rules and regulations tinged with religion to give them authority [Childe 1942]. Invariably both resource bases and belief systems evolved to conserve them come under attack simultaneously. At such times the fight is primarily over these resource bases which are vital to a community's existence and only appear to be directed by belief systems. That these belief systems are only contingent and not absolute is evident from the fact that under the pressure of having to eke out a subsistence existence in a dominant industrial mode tribals all over the country are further degrading instead of conserving their immediate environment once it has been devastated by industrial development [Agrawal et al 1985]. In the second part the authors erroneously strive to string together the belief systems of a few tribes and castes into an ideology of resource conservation. The conflicts whether intermodal or intramodal are over maintaining the sources of livelihood and not for conserving the environment for the sake of the environment. To impute higher motives is to err in the direction of idealisation in a manner similar to the way orthodox Marxists have done with respect to the working class. Today when post-modernist thinking and recent history have successfully debunked both the epistemological and practical validity of sectarian ideologies as tools of understanding and action the authors' preoccupation with creating yet another such ideology is perplexing to say the least and downright diabolical to be quite severe.

When there is so much overlap between social structures, belief systems, technologies of resource use and ecological impacts over different periods of history an ideal classification according to modes of resource use can be of little practical use. The figures and tables of the classification thus made by the authors, even though they look impressive, add little to our understanding of history as they are nothing more than elements of an innovative collation of material already available to us from previous research. There is instead the danger of such a dubious classification blinkering our view of history. Indeed the authors themselves have become confused trying to draw conclusions from this framework as is evident from their preposterous assertion that intramodal conflict is necessary for the stable functioning of a mode of production. They say that in the industrial-capitalist mode the state controls the forests to safeguard the stability of the industrial mode. They have themselves described in detail how both the colonial and independent states in India have devastated the forests in the interests of capitalism in the third part of the book. The capitalist state whether in the developed countries or in India takes strong conservationist action only when forced to do so by popular protest by groups who are either materially or ideologically opposed to the dominant mode of resource use. Increase in population and increasingly voracious resource use to satisfy the rampant consumerism and militarism of late capitalism has resulted in conflicts intensifying to the point where the continuation of human civilisation itself is in jeopardy. Under the circumstances the authors' failure to put conflict in a proper perspective and to indict capitalism further reduces the utility of their faulty theory.

Dubious Twist to Old Debate

The study of ancient Indian history is very problematical because of the paucity of reliable sources. There are the archaeological remains of the Indus valley civilisations, the Vedic and epic literature and edicts, coins and seals. Thus the history that has been pieced together so far has involved a lot of unreliable guesswork and some painstaking textual, linguistic and material analysis [Kosambi 1956]. Society was in an incredible state of flux what with climatic changes, influx of new people across the Hindu Kush and new technologies being imported into the subcontinent. Settled cultivation finally came to dominate during the reign of the Guptas in the 4th century AD. The intervening years saw a tremendous development in trade as a consequence of the development of trade routes following on Greek expansionism and the Mauryan consolidation. To ascertain the ecological causes and effects of these developments it is necessary to make a thorough investigation of the scanty sources available. The authors indulge in imaginative guesswork instead, going to the extent of quoting Karve's interpretation of the burning of the Khandava forest by Arjuna in the *Mahabharata* in substantiation. Karve who is an anthropologist has herself expressed reservations about the admissibility of the *Mahabharata* as historical material of any reliability as have other historians [Sharma 1983] but the authors seem to have no reservations about passing off imaginative conjectures as history.

The battle for supremacy of the Indian mind between the brahmins, Buddhists and Jains which raged over the better part of five centuries and which finally ended with the victory of the brahmins has much exercised the interpretative skills of historians and sociologists alike. Various explanations have been advanced as to the material basis of this ferment all lacking in substantiation by hard evidence. The authors too advance an explanation that most suits their mode of resource use framework, once again without any hard substantiation. There is a general consensus, however, that it was the tenacity of the caste system which was never seriously challenged by both the newer religions that led to the eventual triumph of Brahminism [Jha 1977]. There is general agreement that the caste system is an ossified form of the original division of labour arising after the early Aryan expansion into the Gangetic basin which must have worked efficiently in the particular conditions prevailing at the time. From the beginning tribes other than the original Aryans have been admitted into the fold at different levels of the hierarchy depending on their relative importance of reasons of maintaining the hegemony of this system over the newer areas being colonised.

The brahmins faced with the Buddhist challenge finally even took to assimilating the belief systems and deities of the vast labouring classes so as to give their religion a more popular appeal. Thus the eclecticism of Hinduism has arisen out of the brahmins' need to maintain their hegemony through the caste system rather than out of a need to accommodate ideas conducive to resource conservation when faced with a resource crunch as the authors imply. The resource crunch of the Gupta period more probably arose out of the consolidation of brahminism and feudalism, both of which considerably reduced the freedom of the labouring classes and consequently their desire for productive work. A considerable segment of the people were still residing on the fringe of settled cultivation with belief systems which ensured conservation of their resource base. As argued earlier these belief systems can hardly be taken to constitute a conscious ideology of ecological conservation. That these people had been able to retain their ecological niches is more due to the fact that they were marginal to the main activity of cultivation and trade and due to some fierce fighting and not because there was an ancient version of the modern day pacts of peaceful coexistence as the authors would have us believe. There is mention in the Puranic texts of the adivasis of central India successfully defying the might of the Guptas [Kosambi 1956].

The authors have spent the better part of the chapter on caste describing in detail some of the research work they have carried out

on a few peripheral castes in modern India to substantiate their thesis that endogamous castes were constituted consciously to conserve resource bases. Apart from the absurdity of drawing inferences about the ancient era on the basis of situations prevailing in modern times the authors themselves admit that their sample is statistically insignificant. The caste system and the idealistic philosophy of Hinduism have been major constraints on development in various spheres—cultural, economic and scientific [Chattopadhyay 1976] and are primarily responsible for the continued misery of a majority of the people in this country. Today when Hindu communalist forces are themselves engaged in a wholesale falsification of history to serve their own dangerously sectarian ends, the authors' attempt to give the caste system and Hinduism a cloak of legitimacy by falsely imputing to them a progressive resource conservationist ethic deserves to be severely condemned.

Astoundingly the whole medieval period extending over more than a millennium is dealt with in just two pages. This is all the more inexplicable as reliable historical material is available in plenty for this period and research into it has produced some of the best Indian history writing in recent years. A period which witnessed repeated invasions from central Asia, the consolidation of the feudal system, the development of a systematic landtax system, the development of a strong centralised bureaucracy, the expansion of external trade to the east and the west and the introduction of Islam into the subcontinent among other things must also have seen ecological changes and conflicts over resource use. There is evidence that in their hunts the Moghuls used to treat the adivasis and beasts on a similar footing. A whole forest would be encircled and then the diameter gradually reduced. The beasts would either be killed or captured and the men taken away to be sold as slaves in the west Asian markets [Moreland 1987]. This could well be a reason for the persistent tribal opposition to rajput and Muslim rule in central India some of which has been researched.

A major weakness of the book is the neglect of the land and water aspects of ecology. Their preoccupation with forests has led to the authors ignoring developments in the other two spheres of enquiry. The medieval period was marked by the development of some innovative and appropriate water and land management techniques. These techniques particularly tank irrigation were first developed in the 6th century BC. They were refined considerably over the years and reached perfection by the Gupta era. A system of tanks, diversion channels and flood canals was developed that was prevalent in the Chotanagpur area of Bihar, Uttar Pradesh and the Deccan [Sengupta 1982]. Then there is the famous western Yamuna canal constructed in the reign of Firuz Shah Tughlaq to force water from the Yamuna into the Chitung river and thus reduce the effects of drought in the Hissar region [Singh 1983].

There is a very interesting example of adivasis in Orissa having developed an appropriate irrigation system. The Khond tribals of the present day Bolangir and Phulbani districts who are a subtribe of the Gonds developed this system in the 16th century AD. A system of percolation tanks, diversion weirs and channels were used to take advantage of the sloppy terrain to conserve the natural run off and also to utilise the flow of the larger rivers such as the Mahanadi. This system required the participation of the entire community to keep it in good repair and so was a typical example of the tribal way of life. Unfortunately modern irrigation practices have led to this system being destroyed and consequently this once fertile area has now become drought-prone (Chhotroy). There are many such instances such as the tanks of Gujarat and Rajasthan [Mishra 1993] and the Haveli system prevalent even today in the Bundelkhand region of Madhya Pradesh. These are only a few examples that underline the need for extensive original research into the history of land and water management practices.

India has a long coastline which has given rise to a flourishing maritime culture with fishing and shipping for its material base. Their uttes dependence on the vicissitudes of nature makes these people great conservationists. In recent years some of the most militant mass movements have been initiated by fishermen whose livelihoods have been threatened by modern industrial development. The study of the history of this culture should provide some interesting insights. In short there are many more aspects to ecology than just forests and an agenda for future research must reflect this rich diversity.

Colonial Encounter and After

This is the best part of the book as the authors are on familiar ground. Apart from reviewing the results of recent research on the ecological impact of colonial and industrial expansion worldwide the authors own pioneering research into the history of British forestry has been included. Especially interesting is the early environmental debate within the colonial bureaucracy as to whether communities living in proximity to the forests should be allowed their traditional right of access which is described at some length. The debate predictably ended with the votaries of people's rights being overruled by those who favoured the sequestering of forests for commercial exploitation and the passing of the draconian Forest Act 1878. The devastating effects that the expansion of the railway network and the two world wars had on the forests of India has been well portrayed. The colonial foresters had little understanding of the ecology of tropical forests and so apart from the damage caused by commercial exploitation wrong practices of selection and promotion of particular species too caused considerable destruction.

The authors then proceed to deal with the peasant and tribal opposition to the British usurpation of their traditional rights. Their treatment, however, does not do justice to

the widespread nature and gloriousness of this opposition which far exceeded in militancy and threat to British rule any other protest by any other section of society. The tribals of the Chotanagpur area and the Bhils of western India proved a thorn in the flesh of the British throughout the 19th century but find no mention despite their histories having been chronicled at length by many researchers, among them some who are colleagues of one of the authors in the subaltern school. The numerous peasant movements, especially the Telengana movement in which there was a bewildering variety of groups and issues, need to be studied again to determine their ecological bases. The authors have gone on to show how the colonial principles of forestry were pursued, even after independence, to satisfy the interests of the ruling classes intent on following a path of modern industrial development. Interestingly this clearly Marxist analysis of the nature of the state in independent India enables them to arrive at a proper understanding in contrast to the preposterous conclusions they had reached from their earlier analysis of ancient India on the basis of their own modes of resource use concept. Finally they have ably exposed the hollowness of the forest department's claim of being scientific in its practices.

The authors have said in the prologue. "Ultimately, the ecological history of India must be constructed around detailed regional studies, sharply bounded in time and space. Yet there are periods in the development of scholarship when a new interpretation cannot endlessly await the steady accumulation of certified data. Indeed, to plot the pieces of a jigsaw puzzle one must begin determining the shape and structure of the puzzle". True, but surely there must be some threshold amount of data for credible theorisation to be possible. They have picked up some facts and ignored a lot of others relating to forests alone, laced them with a liberal dose of imagination and constructed a theoretical framework. Into this straitjacket they have then tried to fit the immensely rich and diverse ecological history of India, most of the facts of which still remain to be discovered. The writing of a specialised history has to be a vast collaborative effort spread over a long time and in the case of ecological history would have to involve much sifting of primary source of material. There is the example of the Cambridge Economic History of India which is still being written after all these years. The authors have approached their project in the cavalier fashion of a writer of light historical novels rather than with the rigour that it demands. No wonder the blurb on the back cover says—"...easy, engrossing reading...", novels always are so.

Clearly the authors have been impatient and overambitious. Their area of specialisation being the forest history of colonial and independent India they should have contented themselves with producing an authoritative work in this field. To do this they would have had to include far more of the results of recent anthropological and historical research than they have done in the present effort. In so doing they would have had the reality of capitalist exploitation of both man and nature more forcefully driven into their understanding of the reasons for profligacy in resource use. This would in turn have obviated the need to cook up a dubious theory of ecological history in which both capitalism and socialism are considered as being equally profligate in resource use. They would thus have been saved the trouble of having to find an ecological justification for the reprehensible caste system, an act that has taken them dangerously close to Hindu communalist thinking. It is quite likely that the deeper study entailed would also have revealed to them the important role that women have played in the conservation of nature an awareness of which is almost totally absent from their present work. Indeed in their discussion of the Chipko movement there is surprisingly no mention of the valiant women of Reni who started it all despite one of the authors having written a book on this movement. Above all they would have realised that the reason why "the Indian environmental debate has taken an altogether different track from its western counterpart" is that not only are "cultures in conflict" but more importantly poor marginalised people are in conflict with forces that seek to deprive them of their livelihood. Their struggle rather than suspect theorisation by armchair historians is what is more likely to give rise to "a new mode of resource use and a new belief system to hold our society together" if ever that happens.

Kosambi in his preface to his classic, *The Culture and Civilisation of Ancient India in Historical Outline* written in 1964 speaks of the undoubtedly greater importance of making history rather than writing about it. He goes on to say that people who used at one time to believe that by electing representatives to debate in parliament and impose taxes on them they were themselves creating history had become disillusioned. Such people had begun to suspect that unless something more drastic was done soon, the whole of history would come to an end with the nuclear age. What he said then has, if anything, gained in validity over the years. The emergence of an unipolar world dominated by MNCs has been triumphantly labelled as being the end of history by the American historian Francis Fukuyama who feels that no further conflicts of any consequence remain. We in the third world know otherwise, threatened as we are with droughts, floods and other calamities resulting from ecological devastation. The horror of Bhopal is still too fresh in our memory.

Kosambi began his painstaking research in Ancient Indian history almost half a century ago revolutionising all subsequent history writing in this country. Today when we are faced with the prospect of steering a course through the uncharted seas of ecological history we only have to add bits and pieces here and there to Kosambi's basic precepts. He made an innovative adaptation of the Marxist method developed in the European setting, to the bewilderingly more complex Indian situation with profit. We too in our study of ecological history have to adopt this basic method adding to it the ecological and feminist perspectives which are lacking in it. This applies to both the writing and making of history. The experience of the ongoing struggles against destructive development have driven home this point as nothing else has ever done. In the premier such struggle today, the fight against the Sardar Sarovar dam being built on the river Narmada, the majority of activists had initially started with a Gandhian perspective of mediation within the established state structure. A rethinking has been forced by the unrelenting forces of national and international capitalism. That is "the anomalies that exist in Gandhi's thought and practice" have come to the fore here too and the ghost of Marx has begun troubling these modern day Hamlets. Whether they will be able to synthesise the positive aspects of the thought and action of these two thinkers (actors), give proper direction to the ongoing struggles and avert the impending "end of history" only the future can tell.

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Cambodia: Proxy Battlefield

M G G Pillai

The Cambodian peasant has a long memory with an instinctive distrust of anyone who harmed their King Sihanouk. The recent flight of Prince Chakrapong after a failed coup attempt is irrelevant, but underscores the tenuousness of Cambodia's experiment with democracy

PRINCE NORODOM CHAKRAPONG's melodramatic flight to Kuala Lumpur after a failed coup d'etat in Cambodia early this month diverted attention from the quiet, inevitable power struggle now under way. His father, King Norodom Sihanouk, suffers from a terminal, irreversible cancer; his death would unleash a power struggle among the main groups, and their foreign backers. Prince Chakrapong is the first casualty of that. Doubts exist if the next king, almost certainly the co-prime minister, Prince Norodom Ranariddh, would be as politically astute, and nimble as his father to maintain the peace, adding to the worries and uncertainties.

The Cambodian government, democratically elected but a hotch-potch alliance between the once pro-Vietnamese Hun Sen and the pro-royalist Prince Ranariddh, remains of doubtful legitimacy so long as the strongest military and political group, the Khmer Rouge, remains out of it. The Cambodian National Assembly's moves to ban it underscores not to force it into the wilderness but to prevent it from bidding for power. But that is easier said than done. King Sihanouk is against it: The Khmer Rouge remains too powerful a force to be disbanded by, legislative fiat. But more important is China's quietly continual backing for it. Cambodia remains a proxy battlefield for Sino-Vietnamese differences.

If the Cambodians had been allowed to sort out their own problems, the Khmer Rouge would almost certainly have been coerced into the administration. Washington's threat to withhold aid if the Khmer Rouge joined the government destroyed any chance of that. But what Cambodia needed was a government of national reconciliation, not the continuing of perceived vendettas. So, the coalition government under Hun Sen and Prince Ranariddh was established with much international fanfare but with studied ill-acceptance by the country at large. The electoral process itself was to let the world know about the new epoch of democracy in yet another war-torn dictatorial country, not to ensure that peace had returned after two decades of war. What it did bring was the collective finger pointing now from those very groups now wringing their hands in despair that democracy has not taken root.

Once the government was in place, the expected promises of aid dried up. The superficial attempts to have a free press, a western form of judicial trials, commitments to 'human rights' and other moral issues dear to the west had greater prominence in the new government than such mundane but necessary steps to bring the country under a national banner. King Sihanouk's presence helped it to some degree, but Cambodia has been the battlefield, and continues to be, to resolve the bilateral problems involving other countries: The US to root out the Vietnamese in the 1960s and the early 1970s; China's diversionary flank in Vietnam's underbelly. But all this is forgotten or ignored.

The failed coup d'etat, and the embarrassed response to it in Phnom Penh, therefore weakens the foundations, with the Khmer Rouge more than an interested spectator. The ebullience with which the west hailed Cambodia's return to 'democracy', with the United Nations being vigorously patted on the back for a job well done, ignored a fundamental fact of Cambodian life: Prince Sihanouk's return home to die ensured the peace. Buddhist tradition demands that their kings die in their beds after their fifth lustrum of 12 years. That ensured the peace, not the western pressure to superimpose democracy on a country ill-prepared for it. The underlying problems caused by King Sihanouk's illness now accentuates the current fears of uncertainty and fear, but that comes from the latent weakness of the government, a strong well-disciplined group outside, and a fear of what could happen if the fabric breaks down again.

The Khmer Rouge remains the best organised force in Cambodia, with Chinese backing, and a constant threat to the government in Phnom Penh. The musical chairs is irrelevant without the Khmer Rouge's participation. King Sihanouk's opposition to banning it stems from cultural factors ill understood by the outside world. The Cambodian peasants rever their king, and any one who helped him in his trials and tribulations. When the US helped the Cambodian armed forces chief General Lon Nol, to overthrow Prince Sihanouk in 1971, the Khmer Rouge avenged it four years later by overthrowing the Lon Nol regime. This is why the Khmer Rouge has much support in the Cambodian countryside. That it is also brutal is irrelevant in a country long used to brutality from all sides, including the government.

Besides, the government in Phnom Penh remains one whose writ rarely ventures too far from the city centre. The presumption that it could do what it likes, so long as it has a democratic veneer, is fallacious. King Sihanouk understands this, with the widespread powers given him under the latest constitution used to great effect to ensure governance as an instrument of national policy, not to settle petty scores. But these problems have to be worked out within the framework of its internal cultural, social and other values. Superimposition of alien values and forms does not resolve the issue.

That those who shouted the loudest for Cambodian democratic practices are also those who would not dip into their coffers to help it along underlines the dilemma made worse by differing perceptions of what they mean. Rabindranath Tagore, once said: "God has given a different question paper to each country, copying won't do. One has to find out answers on one's own." An Indian politician recently paraphrased it thus: "Every nation has its traits, habits, parameters for value judgment, its own way of looking at things and formulating opinions, and means of adoption or rejection".

Cambodia remains a 'march' (The word means the territory controlled by a German count) for Sino-Vietnamese animosities, western justifications for their political morality and a springboard for criticism and censure when these political morals clash with local political homilies, amidst a stentorian monarchial effort to be independent in its own way. The native political character is superficially weeded out, but the new system is not strong enough to prevent the return of traditional values and forces. What happened in 1970 may be historically justified, but the Cambodian peasant has a long memory, with an instinctive distrust of anyone who harmed King Sihanouk, their 'devaraja', or god king. Prince Chakrapong's fate, therefore, is irrelevant, though his actions underscore the tenuousness of Cambodia's feeble, and seemingly irrelevant experiment in democracy.

REVIEW OF POLITICAL

Marx's First Critique of Political Economy, 1844-1994

Paresh Chattopadhyay

This year marks 150th anniversary of Marx's first critique of political economy, the Economic and Philosophical Manuscripts. *Even at this early stage of his critique Marx was profoundly aware that human emancipation cannot be a rapid, short process.*

THIS year marks the 150th anniversary of Marx's immensely emancipatory Parisian manuscripts—Marx's first critique of political economy. Unknown for a long time, the manuscripts that Marx composed in Paris (hereafter *Manuscripts*) were published by the great Marx scholar D Riazanov in 1932. They comprise Marx's extensive reading notes on and excerpts from a very large number of economists, as well as what came to be called *Economic and Philosophical Manuscripts*, properly speaking. The *Manuscripts* in no way constitute a finished work. A part of them has been lost. On the other hand, many of Marx's crucial (theoretical) categories would be forged only later. Marx's vocabulary would also not remain exactly the same. Nevertheless the *Manuscripts* already constitute the "cell-form" of Marx's *Critique*, containing the latter's basic elements *in nuce*. In what follows an attempt will be made to present the basic ideas of this genial critique in barest outline as a way of remembering its 150 years.

I

Alienation in Hegel: Marx's Critique

After having delivered his first critique of juridical and political sciences via his critique of Hegel's *Philosophy of Right* earlier, Marx comes to his first critique of political economy in his *Manuscripts*. He announces that his work is based on "a conscientious critical analysis of political economy" (1973: 467).[1]

The concept of "alienation"—in the sense of separation of the product from the producer and product's domination over the producer as an autonomous power—is the "leading thread" (*leitfaden*), to use Marx's celebrated 1959 expression, of the *Manuscripts*, and, indeed, of the whole of Marx's critique of political economy, however "invisible" it might be to the superficial readers of Marx's so-called "mature writings".[2] The foundation of Marx's discussion of alienation and alienated labour is the Hegelian concept of "alienation"/"exteriorisation", though Hegel figures explicitly only in the last or "philosophical" part of the *Manuscripts*. Hence a word on Hegel's concept of alienation, associated with labour, and Marx's critique thereof in the *Manuscripts*, may not be irrelevant.

In Hegel human being's relation with nature, mediated by labour, gives rise to the "exteriorisation" or "alienation" of the essence of the individual in the object created by labour. Thus in one of his early texts he writes: "(a) In labour I make myself directly (the) thing, (the) form which is existence; (b) thereby I exteriorise (entaussere) myself of this existence (*Dasein*) which is mine, make something which is alien (*fremd*) to me and maintain myself in that" (1967: 217).[3] However, it is only in Hegel's *Phenomenology of Spirit* (1807)—the "birth place and secret of the Hegelian philosophy", as Marx calls it in the *Manuscripts*—that the concept of exteriorisation/alienation occupies a central place. In the *Manuscripts* Marx critically analyses the most essential aspects of Hegel's *Phenomenology*.

For Hegel the human entity is identified with self-consciousness. All alienation of the human entity is thus the alienation of self-consciousness. Consequently, the actual, really appearing alienation, is only the phenomenal form of the alienation of the true human essence, of self-consciousness, the reappropriation of the alienated objective entity appears, therefore, as its incorporation in self-consciousness. Marx observes that in *Phenomenology* Hegel's standpoint is that of modern political economy. "He grasps the essence of labour". He conceives of labour as the "essence, as the confirmation of the essence of the human being". He comprehends the "objective human being, true because real, human being as the result of his (her) own labour" [Marx 1966a: 67].[4] However, as Marx observes critically, the only labour that Hegel (the idealist) knows and recognises is abstract, mental labour.[5] "The *humanity* of nature and of the nature produced by history, the humanity of products of the human being, appears (in Hegel) only as the products of the human spirit, and, to that extent, as the products of the abstract spirit, *entities created by thought* (*Gedankenwesen*)" (1966a: 66: emphasis in original). Thus there is a complete inversion of the real process in Hegel.[6]

Apart from his idealism, Hegel also confuses the objectification of labour with the alienation of labour. "*Objectivity* as such is seen as an *alienated* human relation not corresponding to *human essence*" [Marx 1966a: 68: emphasis in original].[7] Hegel does not see that the objectified labour becomes alienated labour at a specific historical stage of human development and is destined to pass away with the disappearance of that stage.[8] Associated with this confusion is Hegel's 'one-sidedness': Hegel sees labour only as the essence of the human being through the external act of making nature the instrument of his (her) will, but does not see that under given social conditions "the human essence objectifies itself in an *inhuman* way", in other words, "Hegel sees only the positive and not the negative side of labour" (1966a: 65, 67: emphasis in original).[9]

It is in relation to his critique of Hegel on alienation that Marx praises Feuerbach. Marx considers Feuerbach to be the only one who has "a serious and critical attitude" to Hegel's philosophy, the only one who has made "veritable discoveries" and has "overcome (*uberwinder*) the old philosophy" (1966a: 62). Feuerbach's achievement—"great deed"—was to show that the Hegelian philosophy was simply religion transposed in thought and itself was an expression of human alienation. Feuerbach also founded materialism by making the relation between human being and human being the basis of the theory (in opposition to Hegel).

Marx's strong critique of Hegel and his praise for Feuerbach should not, however, mislead us into considering the *Manuscripts* as a simple Feuerbachian, anti-Hegel document. What Marx basically faults in Hegel is the latter's mystification of the real life process, its inversion, not Hegel's dialectic as such. By inverting the real process of human alienation Hegel's *Phenomenology* appears as the "hidden, mystifying critique, obscure to itself (*sich selbst noch unklare*), but insofar as it retains (*festhalt*) human being's *alienation*, it contains *all* the hidden elements of the critique, already *prepared* and *elaborated* in a way that goes beyond Hegel's standpoint, ...the elements of the critique of the whole spheres of religion, the state, the bourgeois life, etc" (1966a. 66: emphasis in original). Indeed, Marx finds the 'greatness' of Hegel's *Phenomenology* in its emphasis on the "dialectic of negativity as the moving and creating principle" (1966a: 67).[10] This fundamental aspect of the Hegelian dialectic seems to

have largely escaped Feuerbach who considers Hegel's "negation of negation" "*only* as the contradiction of philosophy with itself", whereas Marx considers this negation of negation as the "expression of the movement of history", though the expression is "abstract, logical, speculative, and not of real history" (1966a: 63; emphasis in original). In other words, Marx questions what he calls "abstract form of movement" in Hegel, not Hegel's dialectic.[11]

II
Alienation in Marx

(A) Commodity Production as Alienation

Marx develops the process of alienation beginning with the simple exchange process, exchange between individual owners of commodities. Commodity relation is not a relation of human being to human being as such, it is a relation between human beings as property owners. "The mediating movement of the exchanging individual is not a social, not a *human movement*, not a *human relation*, it is the *abstract relation* of private property to private property, and this *abstract* relation is *value*". Consequently, commodity exchange is integration of human beings within private ownership and thereby, it is an "external, alienated species-act" (1932: 532, 538: emphasis in original).[12]

Marx stresses that the exchange of human activity in production itself as well as of human products among individuals is a species-activity and species-enjoyment which really are social and social enjoyment. However, essence being the true community of human beings, the latter create the human community through the affirmation of their essence. This is the "social being which is not an abstract--general power against isolated individuals, but the essence of each individual, his (her) own activity, own life, own spirit, own wealth" (1932:535). The relation between human beings not as human beings but as private property owners—for that is what commodity exchange amounts to—is an *inversion* of this natural relation. Human society considered as a 'commercial society'—as political economy would have it—is a society of individuals where individuals' own creation appears as an alien power, own wealth as poverty, the individual's separation from other individuals as the individual's real existence. "The individual's own power over the object appears as power of the object over the individual; master of his (her) production, the individual appears as the slave of this production." Thus it is clear how "political economy *fixes* the alienated form of social intercourse as the *essential* and *original* ('wesentliche und ursprungliche') form corresponding to the human mission ('bestimmung')" (1932: 536, 537: emphasis in original).[13]

In the *Manuscripts* Marx is not so much concerned, with how value is formed as with showing how value is simply an expression of alienated labour. To develop his own critique Marx starts by stating the position of the bourgeois economists. Thus Marx states two opposite positions on the 'definition of value'—without showing any marked partisanship for either—namely, Ricardo's on the 'cost of production' and Say's on 'utility' (1932: 493).

Marx cites Ricardo's *Principles* to the effect that labour is the source of all values and that its relative quantity is the measure that regulates the relative values of commodities. Marx refers to Ricardo's identity between 'exchange value' and 'natural price'—where the latter signifies the cost of production—and Ricardo's neglect of any difference between them, supposed to be only "momentary and accidental". Marx, indeed, faults the "entire Ricardian school" for inverting the (bourgeois) reality by unilaterally insisting on the 'law' of determination of value by cost of production and neglecting "another law which is no less constant" showing continuing disparity between cost of production and value leading to only "temporary balance between demand and supply". In other words, the law (formulated by the Ricardians) exists only through its continual abolition. "In political economy law is determined by its opposite, the absence of law" (1932: 530-31).[14]

Now value contains surplus value, and Marx highlights political economy's preoccupation—as seen in Ricardo—with "net revenue"—that is, surplus value (the term is not yet there)[15]—and neglect of "gross revenue". In Marx's view this amounts to belittling life itself whereby political economy reaches the "summit of infamy". At the same time Marx admires the "cynicism of Ricardo, cynicism without any human illusion", precisely because Ricardo's thesis is the "cynical expression of the economic truth" (1932: 514).[16]

Coming to money, Marx argues that the abstract relation between private properties, which is value, really exists as such in money. With the development of exchange, the product of human labour more and more takes the significance of an equivalent as the producer no longer exchanges a simple surplus but an object which is of indifference to the producer, and the latter no longer exchanges the product directly against another that is needed. The equivalent takes its existence in money which is now the immediate result of the gainful activity, and the mediator of exchange (1932: 532, 540). "The objects, isolated by the mediator, lose their value. Only insofar as they represent the mediator they have value, whereas originally it seemed that it had value only insofar as it represented them" (1932: 531, 532).[17] Through this alien mediator one perceives one's will, one's activity, one's relation to others as a power independent of oneself and others. Thereby the individual's slavery reaches its summit. The cult of this mediator turns into an end in itself. All the characteristics belonging to the species activity of the human beings are transferred to this mediator. "Man becomes poorer as man—that is, separated from this mediator—the richer this mediator becomes" (1932: 531).[18]

Marx praises the "modern political economy"—that is, classical political economy (the term is not yet there)—for understanding the nature of money in its abstraction and universality against the "crude superstitious belief" of the mercantilists that the nature of money belongs exclusively to the yellow metal. However, modern economists have their own superstitions however 'refined'. Both the superstitions have essentially the same root. Those who attack the 'monetary system' do not attack the latter's essence but only a specific form of this essence. "The metallic existence of money is only the official and palpable expression of the money-soul ('geldseele') which informs all the members of production and all the movements of the bourgeois society" (1932:533).

The value of money is inversely related to its exchange value or to the monetary value of the matter in which it exists. That is why paper money and the different forms of paper representation of money constitute the perfected existence of money and a necessary movement in money's progress. However, with money's progress in different forms, new illusions arise. The utopians like the St Simonians thought that the modern credit system had abolished the earlier alienation between human beings by destroying the material mediation between them and re-establishing direct relation between them. But this is an illusion. Rather the opposite is the case. Indeed, having no longer a material existence but a moral existence in the form of mutual confidence between human beings, alienation has reached its completion inasmuch as under the appearance of mutual trust there is the supreme mutual distrust. "The medium of exchange has of course returned from its material form and re-established itself in the human being, but only because the human being has displaced himself outside of himself and become himself a material configuration ('gestalt') ...The human individuality, the human moral, has itself become an article of trade as well as the material in which money exists" (1932:533).[19]

In a word, Marx underlines that in commodity production the product of labour is opposed to the labourer as an alienated being, as a power independent of the producer. The realisation of labour appears, in the world of political economy, as the devalorisation of the labourer, the

objectification as the loss and as servitude to the object, the appropriation as alienation, as exteriorisation. (In this sense Hegel's standpoint is indeed that of political economy, as Marx asserts.)

(B) ALIENATED LABOUR AS BASIS OF CAPITAL

We now come to capital. Many of the elements constituting the building blocks of the Marxian construction of the capital-concept we already come across in the *Manuscripts*. Accepting the "premises of political economy" itself and starting with "an economic fact of the present" Marx deduces that labour (under capitalism) is reduced to a commodity and to the most miserable commodity. "The labourer becomes poorer, the more wealth he (she) produces, the more his (her) production increases in power and volume. The labourer becomes a cheaper commodity, the more commodities he (she) produces. The *appreciation* ('verwertung') of the material world is in direct relation to the *depreciation* ('entwertung') of the human world" (1966b: 76; emphasis in original).[20] The relation of the labourer to the alienated labour engenders the relation of the labourer to the capitalist.

According to the "axiom of political economy", which is only the theoretical representation of the bourgeois reality, labour is a commodity and wage is the price of this commodity. "The existence of the labourer is reduced to the condition of existence of any other commodity. The labourer has become a commodity: [Marx 1966b: 38].[21] At this stage Marx has not yet distinguished between labour and labour power (which he would start to do at the end of the 40s). However, he already analysis the basic contradictions of wage labour. Thus he underlines that while, on the one hand, according to political economy's 'definition' ('dem begriffe nach') the whole product originally belongs to the labourer, according to the same political economy, on the other hand, the wage that the labourer receives as its price is the smallest part of the product, just sufficient for living as a labourer, not as a human being, in other words, sufficient to perpetuate, not the humanity, but the "slave class of labourers". Thus, though "the point of departure of political economy is labour as the veritable soul of production, yet it gives private property everything and labour nothing" (1966b: 42, 85).[22]

Under capitalism alienation appears not only in the result but also in the act of production, within the productive activity itself. In the alienation of labour's object is only summed up the alienation in the activity of labour itself. "The labourer finds himself (herself) in the same relation to his/her product as to an alienated object... In him (her) labour the labourer does not affirm but negates himself (herself). The labourer has the feeling of being himself (herself) only outside of labour, and outside of himself (herself) in labour" (1962b: 76-77, 79). Wage, which is the "price of the commodity labour", is only a consequence of the alienation of labour.

There is a strict reciprocal relation between wage labour and capital. "Labourer produces capital and capital produces him (her)" (1966b: 87).[23] Marx faults the "political economist" for viewing the original unity between capital and labour as the unity between the capitalist and the labourer. The confrontation of these two 'factors' ('momente'), represented in two persons, the economists treat as contingent to be explained (away) by external circumstances (1966b: 115). Contrary to political economy, Marx emphasises the inherent contradiction between labour and capital. "Labour, the subjective essence of private property, as the exclusion from property, and capital, the objective labour, as the exclusion from labour, is private property as the developed relation of this contradiction" (1966b: 115).

At the time of the *Manuscripts* Marx had not yet forged the concept of 'double existence' of capital, that is, as production relation and as ownership relation (1962b: 456, 460), nor advanced the proposition that ownership relation arises from production relation (1966b: 177; 1964: 352). However, the basis elements of both are already stated in the *Manuscripts* fairly clearly. Thus, after citing Adam Smith's characterisation of the capitalist as having "a certain command over all the labour, or over all the produce of this labour, which is in the market at the time", Marx identifies 'capital' as "the power which rules over labour and its products" (1966b: 50), where he stresses that this power is an "economic relation" between the "exploiters and the exploited", and not a "personal relation" (as in pre-capitalism) (1966b: 72). That is capital is an exploitative *relation of production*.[24]

On the other hand, Marx characterises 'capital' as "private ownership over the product of another's labour" (1966b: 49), and, in general, "private property" comes to represent capital in the *Manuscripts*. (Marx had not yet made the crucial distinction between class private property and individual private property within capitalist private property.) At the same time he already stresses that private property *arises* from labour's relation of alienation. "(Capitalist) private ownership is the product, the result, the necessary consequence of *alienated labour*. ...Private ownership is deduced by analysis from the concept of *alienated labour*" (1966b: 84: emphasis in original).

The economic alienation—as manifested in alienated labour—is at the root of the other alienations which appear in religion, family, state, morality. Marx emphasises a very important aspect of the general alienation in capitalism, namely, the situation of the woman. In this society the "infinte degradation of man in regard to himself" is shown in the relation with respect to the woman, "prey and handmaid of communal lust". This is so because the secret of this relation is manifested directly, openly and unambiguously in "man's relation to woman", and in the way the immediate, natural, species-relation is grasped. "Man's relation to woman is the *most natural* relation of human being to human being. Therefore, in this (relation) is seen how far the *natural* behaviour of man has become *human*, how far the *human* essence has become natural essence for him, how far his human nature has become *natural* for him, ...how far in his most individual existence he is at the same time a social being ('gemeinwesen')" (1966b: 98-99: emphasis in original).

III
Beyond Alienation

The critique of alienation brings Marx to his discussion of the abolition of alienation—through the abolition of "private property" (that is, capital), the objective representation of alienated labour—and its replacement by "communism", a completely delineated, emancipated society. Before advancing his own idea of a communist society Marx disposes of two other types of communism advocated by some radical thinkers as emancipatory social projects. The first type envisages the elimination of private property as property in a few hands, and a universalisation of such property. It wants a universal levelling of personalities and talents, and a return—'against nature'—to the simplicity of poverty. This is the abstract negation of all culture and all civilisation. However, as Marx observes, the abolition of private property, thus envisaged, is in no way the real appropriation. Indeed, far from abolishing private ownership, the community as it appears in this model is simply "a community of (wage) labour with the equality of wage paid by the collective capitalist ('allgemeine kapitalist')" (1966b: 88).

The second type of communism is simply 'political'. It wants to abolish the state but it remains 'incomplete', it still remains within the limits of private property and dominated by it. It has grasped the 'concept' of private property but not its 'essence' (1966b: 99).

Communism ushering in the "true community" is envisaged by Marx as the "positive abolition" of private property, of human self-alienation and, thereby, as the appropriation of human essence by and for the human being. This is the most complete, conscious "return of the human being to oneself" as a social, that is, human individual, conserving all the wealth of earlier human development. Invoking Hegel's famous category Marx asserts that communism is the "affirmation as the negation of negation",

and as negation of negation—mediated by the negation of private ownership—it is the "appropriation of human essence" (1966b: 109; 115).[25] But it is not yet a "true positing (*position*)" inasmuch as its point of departure is private property, not yet itself. It is not communism as communism. "Socialism as socialism no longer requires such a mediation, ...just as the real life is positive reality, no longer mediated by the abolition of private property". Communism as the negation of negation is a real moment of human emancipation, a necessary stage of development of the "immediate future", but it is " not the end of human development" (1966b: 115-16).[26]

Even at this early stage of his critique Marx is perfectly aware that human emancipation cannot be a rapid, short process. To abolish the 'idea' of private property, communism as 'thought' is sufficient. However, the abolition of "real private property" requires "real communist action". "History will bring it about, and the movement will pass through a rude and long process" (1966b: 116: emphasis in original).[27]

We have been speaking of human emancipation through de-alienation in the *Manuscripts*. Of course, through the abolition of alienated labour, it is, in the first place, the labourers that are emancipated. However, Marx stresses that in the labourers' emancipation "is contained the general human emancipation", because the "whole human servitude is involved in the labourer's relation to production, and all relations of servitude are only the modifications and consequences of this relation" (1966b: 85).[28] In a profoundly dialectical way Marx observes that the labourers are not the only victims of alienation, and that the capitalists are also its victims. Alienation's "inhuman power" is exercised not only on the labourer but "also on the capitalist", and capital, as the configuration of alienation, reigns not only on the labourer and the products of labour but also on the "capitalist himself (herself)" (1966b: 50, 117).[29]

Thus communism, while emancipating the immediate producers in the first place, in fact, is a project for total human emancipation. In this profoundly liberating sense communism is really *humanism* (*pace* Althusser). It is the "true solution of the struggle between existence and essence, objectification and self-affirmation ('selbstbestatigung'), freedom and necessity, individual and species. It is the solved enigma of history" (1966b: 99). However, this emancipatory project is in no way a utopia supposed to appear following some pre-conceived model. Marx emphasises that through the contradictions engendered by alienated labour itself the present society already contains "all the materials for building the society in becoming" (1966b: 105).[30] The solution of the contradictions is an eminently *practical* task, it is in no way a task of knowledge alone. It is a "real task of life which *philosophy* cannot solve, precisely because it conceives of this task *only* theoretically" (1966a: 105: our emphasis). In other words, the task has to be solved only by "revolutionary practice", as Marx would emphasise in his well known *Theses on Feuerbach* one year later.

Notes

[Parts of the present article were earlier presented in a different paper at the meeting of the International Working Group in Value Theory on the occasion of the Eastern Economic Association Conference in Boston (March 18-20, 1994).]

1 Marx stresses that inasmuch as political economy does not exist without private property, "humanity exists outside of political economy" (1932: 449, 514). As we know, basically this idea about political economy always remained with Marx irrespective of the important distinction between the 'classical' and the 'vulgar' economists that he would make beginning with the late 50s. Political economy was always considered by Marx as a bourgeois science—as a representation of the capitalist reality. 'Marxist economics' or 'Marxist political economy' is a contradiction in terms.

2 'Alienation'/'inversion' as the basis of Marx's critique of capitalism in his early works has been very well discussed in H Reichelt (1973: 29-72).
A point of view totally opposed to the one argued in the present work is seen in the French philosopher L Althusser who after operating a total 'rupture' (*coupure*) between the 'young' Marx—the author of the *Manuscripts*—and the 'mature' Marx, concluded that the 'young' Marx "does not belong to Marxism" (1965: 81). The basic criterion of this operation seemed to be the supposed Hegelian spell on the "young" Marx. In a later work the brave structuralist shifted the cutting point three decades down Marx's trajectory, and observed that Marx would be real Marx (without any Hegelian admixture, that is) beginning only with 1875 (1969: 21)—which, of course, would mean the exclusion of Marx's manuscripts of 1857-1863—justly called *Capital's* 'laboratory'—and most of the three volumes of *Capital* as belonging to the real Marx. On the other hand, though we have basic differences with the Italian philosopher della Vople on Marx reading, we think he was correct to point out, in connection with the question of 'young' Marx, that it was only a 'young' David Hume who had composed the fundamental work *A Treatise of Human Nature* (della Volpe 1962: 108).

3 Marx was unaware of this text, which was published only in this century. The best account of Hegel's early writings, to our knowledge, is by G Lukacs (1954).

4 Hegel had, indeed, studied the classical political economy, particularly the works of James Stewart and Adam Smith, and was considerably influenced by them. This aspect of Hegel has been well brought out by P Chamley (1963, 1965).

5 Cf "Thinghood which gets its form in labour is no other substance than consciousness" [Hegel 1964: 151].

6 "When wealth, state power, etc, are conceived (by Hegel) as alienated human entities, these are seen only as their thought forms, as thought-entities, thus simply as the alienation of the *pure*, abstract thought... The *philosopher*—himself the abstract configuration of the alienated human being—sets himself as the (measuring) standard of the alienated world...the whole history of alienation and *repossession* ('*zurucknahme*') of this alienation is thus nothing but the history of the genesis of the abstract, that is, absolute thought, of the logical speculative thought" [Marx 1966a: 65; emphasis in the original]: However, elsewhere, Hegel does speak of *material* (non-spiritual) labour. For example, in a work which precisely had been the object of Marx's severe critique one year earlier, Hegel holds that in civil society, with the increase in the "accumulation of riches on one side, there grows, on the other side, dismemberment ('vereinzelung') and limitation of particular labour and, therewith, the dependence and destitution of the class linked with this labour" (1972: 207).

7 Therefore, in Hegel, "the *reappropriation* of the 'alienated, objective human essence, generated under the determination of alienation, signifies the abolition not only of *alienation* but also of *objectivity*, that is, the human being is considered as a *non-objective, spiritual entity*" [Marx 1966a: 68; emphasis in the original].

8 See, in this connection, Lukacs (1954: 611 ff) and Hyppolite (1965: 97 ff).

9 In an earlier work—unknown to Marx—Hegel does see the inhuman side of labour. Referring to the bourgeois ('civil') society he writes: "the existence of the individual is subjected to complete confusion and hazard of the whole. The masses are totally condemned to be dull, unhealthy and uncertain ('abstumpfenden', 'ungesunden und unsichern') labour of factories, manufacturing, mining, etc, that narrows the (individual) skill. The branches of industry which used to support a whole big class of people dry up ('versiegen') all at once because (of change) in method (of production) or a drop in prices due to the inventions in other lands, and this whole helpless mass is abandoned to poverty" (1967: 232).

10 In a fundamental sense one could say that Marx's critique of political economy is based on the "dialectic of negativity" that he had discerned in Hegel. This is the "rational form" of dialectics—that is, freed from Hegel's "mystification"—of which Marx speaks in his famous 'Afterword' to the second edition of *Capital*—dialectic which "in its positive understanding of that which exists includes simultaneously its negative understanding, its necessary downfall as a part of the flowing movement of every developed form". With almost three decades' distance Marx writes: "It is the bad side (in its struggle with the good side) which produces the movement that makes history" (1965: 89), and: "Putrefaction is the laboratory of life" (ibid 995, this appears only in the French version of *Capital*, non-reproduced in Engels's editions). Significantly, Marx advises the (vulgar) economists to "reflect on" Spinoza's famous dictum: "Determination is negation" (1962a: 623).

11 Almost three decades later Marx would not essentially depart from the position given here. In the 'Afterword' to *Capital* Marx, it is well known, observes that his "dialectical method not only differs from but it is also the direct opposite of Hegel's dialectical method". However, it appears that this "direct

opposition" uniquely concerns the "basis" (*der grundlage nach*) of this method, which is materialist in Marx and idealist in Hegel (This crucial expression is absent in the Moore-Aveling English version.) In fact, while rejecting the "mystifying side of the Hegelian dialectic", Marx stresses that this mystification has "in no way hindered Hegel from being the first to present the general form of the movement in a comprehensive and conscious way". It is in this text that Marx "declares" himself "openly" a "pupil of that great thinker" (1962: 27). At about the same time, in a different text, Marx takes even a sharper position. In one of the manuscripts destined for the second volume of *Capital* (but not included by Engels in the published version) Marx calls himself a "disciple" of Hegel, "my master" (1968 528). As to Feuerbach, within only one year Marx would make a fundamental critique of Feuerbach's materialism for its "intuitive" character, and for ignoring the side of "human activity, practice" and he would positively evaluate (Hegelian) "idealism" precisely for "developing"—albeit abstractly—the "active side" (1966a 139). We may add that two decades later in a letter to his friend Von Schweitzer Marx would hold that "compared to Hegel, Feuerbach is very poor."

12 "As human beings you have no relation with my object because *I myself* have no human relation with it . our own product has taken a hostile attitude against us (*hat sich auf die Hinterfusse gegen uns gestellt*). It appears as our property whereas, in reality, we are its property. We ourselves are excluded from the *true* property because our *property* excludes other humans beings" [Marx 1966b: emphasis in original]. Through the exchange, private property ceases to be the product of labour, the exclusive personality, of its owner. At the same time it has been put in relation of equivalence with another property "As an equivalence its being (*Dasein*) no longer is its own particularity Thereby it has become value and directly *exchange value* Its being as *value* is a determination *alienated from itself* (*eine entausserte bestimmung seiner selbst*), (a determination) that is different from its immediate being and external to its specific nature. It is only a *relative* being of itself" (Marx 1932 539). Here, we think, Marx brings out the double character of labour as well as the specific temporal form taken by the product of labour as value which he would develop later. Fifteen years later Marx would qualify commodity exchange and the corresponding labour in commodity production as "all-sided alienation" (1958: 37, 39, 54). It is well known that this would appear in *Capital* as "commodity fetishism". This, incidentally, shows how very weak is the argument of people who would like to build "market socialism" (without capitalism of course, *a la* Proudhon) As if a society of free and associated labour—for that is what socialism, the exact antipode of capitalism is—could be built on the basis of "all-sided alienation".

13 Marx adds that "so long as the human being has not recognised himself (herself) as human being and has not organised the world humanly, the *community* will appear under the form of *alienation*, (and) its *subject*, the human being, will appear as a self-alienated being" (1932: 536, emphasis in original) The same basic idea would appear in *Capital* thus: "The form of social life (process) will cast aside its veil of mist only when will manifest the work of freely associated human beings acting consciously as masters of their own social movement [Marx 1965 614]. (The last part of the sentence, "acting...movement" appearing in the French version replaced "under their conscious planned control" of the German edition See Marx 1962a 94.)

14 "In order to lend more consistency and precision to its laws political economy must suppose the reality as accidental and abstraction as real" [Marx 1932 504] Marx develops this theme in his 1857/58 manuscripts Value of commodities—"real exchange value"—determined by labour time, is the average value. Now the "nominal value or price or monetary value" of commodities—the "market value"—constantly oscillates around the average value Thus "market value equalises itself with real value through constant oscillations, being persistently unequal with itself", that is, "as Hegel would say, not through abstract identity but through continual negation of negation, that is, as itself the negation of the real value" [Marx 1953.56]. Marx here specifically refers to his 1847 Proudhon critique for having said the same thing.

15 Later, tracing the history of the concept, starting with the Physiocrats, Marx would note its identity with surplus value (1959 544, 562).

16 Marx would continue to hold the same ideas. Later he would note that "gross income is a matter of absolute indifference to capital which is uniquely interested in net income", and hold that Ricardo's principle of "production for production's sake" and, thereby, Ricardo's "total indifference as to whether the development of the productive forces would kill (*totschlagt*) the landed property or the labourer was not only scientifically honest but also scientifically necessary from his point of view" (1959. 106-107, 566; "gross income" and "net income" are in English in the original).

17 Cf "Originally money is the representative of all values; in practice there is an inversion, and all real products and labours become the representatives of money" [Marx 1953. 67-68].

18 "Money is the general inversion of *individuality* which it turns into the opposite, attributing characteristics to them opposed to their own .. It is the inverted world, the *confusion* and *conversion* ('verwechslung und vertauschung') of all the natural and human qualities" (1966b 129; emphasis in original).

19 Cf "The economists themselves say that human beings put trust in the thing (money) that they will not put in the persons But why do they put trust in the thing? Clearly only as objectified relation between persons Money serves the (money)holder only as 'social security'. Such a security is there only because of its social (symbolic) quality. It can possess a social quality only because the individuals have alienated their own social relation as an object" [Marx 1953: 78].

20 In a different manuscript, composed about two decades later but published only in 1933, Marx writes: "To the same extent as the social productivity of labour develops, grows the amassed wealth confronting the labourer as the *wealth dominating* him, as *capital*. The world of wealth confronting him expands as the world alien to him and dominating him; his subjective poverty, destitution and dependence increase in the same proportion in opposition. His *emptiness* (*entleerung*) and, correspondingly, that *fullness* (*fulle*) march together" (1969: 85-86; emphasis in original).

21 Marx drew his idea of labour as a commodity from the French economist Antoine-Eugene Buret, large extracts from whose book he cited in the manuscripts in French In one

of the extracts we read: "As a commodity labour must more and more lower its price. The labouring population, the sellers of labour, is necessarily reduced to the smallest part of the product. Is the theory of labour as a commodity any other thing than a theory of disguised servitude?... Why was labour considered as nothing but an exchange value?" [in Marx 1966b. 48].

22 Marx would later write about the bourgeois economists in a similar vein: "Labour is the unique source of exchange value and the only creator of use value. So you say. On the other hand you say that *capital* is everything, the labourer is nothing or simply capital's cost of production... While they (the economists) in the same breath declare, on the one hand, labour to be absolute, and, on the other, *capital* to be equally absolute, labourer's poverty and non-labourer's wealth as the unique source of wealth, they move permanently in absolute contradictions (1962b: 258; emphasis in original).

23 In two later manuscripts the same idea appears thus: (a) "Each one (the labourer and the capitalist) reproduces himself (herself) while reproducing the other, his (her) negation. The capitalist produces labour as alien; labour produces the product as alien. The capitalist produces the labourer and the labourer produces the capitalist" (1953: 362). (b) "Labour produces its condition of production as capital and capital produces labour... as wage labour" (1969: 85).

24 Marx adds: "The proverb of the Middle Ages, 'there is no land without the lord' is replaced by another proverb, 'money has no master'. In this is expressed the total domination of the dead matter over human beings" (1966b: 72; the proverbs are cited in French). More than two decades later Marx would write: "The domination of the capitalist over the labourer is the domination of the object (*sache*) over the human being, of dead labour over living labour, of the product over the producer" (1969: 18).

25 Basically the same idea would later be expressed in *Capital*, where the society following capitalism is envisaged as being ushered in through the "negation of negation", indicated by the "negation" of capitalist property and based on the "acquisitions of the capitalist era" [Marx 1962a: 791]. Incidentally, L Althusser found Marx's use of "negation of negation," referred to here, as an "imprudent formula", and approved of Stalin's "suppression" of this formula "from the laws of dialectic" [Althusser 1969: 22]. However, it so happens that even as late as 1881—precisely in the period of a de-Hegelised "real" Marx on Althusser's reckoning—Marx returns to this "imprudent formula" [see Marx 1974: 51].

26 That socialism or communism (they are the same in Marx) is not the end of human development—contrary to a certain vulgar idea about Marx's communism—is also clear in Marx's later writings. In his famous 1959 "Preface" Marx speaks of the end of "pre-history" of humanity with the disappearance of capital. That is, human history only begins with communism. In the *Gothakritik* (1875) Marx speaks of a first phase that is followed by a second phase of communism (that is, as far as he could very broadly envisage, without being a utopian). Nowhere he says that "a second phase" is the last phase of the Association, that is, it is the end of human development, the "end of history".

27 A perusal of at least the *Civil War in France* and the *Gothakritik* by Marx would show Marx's re-affirmation of the same idea of the necessity of a period of "prolonged birth pangs"—corresponding to a whole "revolutionary transformation period"—requiring "a change of circumstances and human beings" to arrive at the "society of free and associated producers". Contrary to the Marxist Vulgate, the seizure of political power by the working class was never considered by Marx as equivalent to a socialist revolution. As the *Communist Manifesto* asserts, the installation of the working class rule is only the "first step" in the revolution.

28 One year later Marx would write: "The proletariat can and must liberate itself. However, it cannot liberate itself without abolishing its own conditions of existence. It cannot abolish its own conditions of existence without abolishing all the inhuman conditions of existence of the present society which its own existence resumes" [Marx 1972: 38]. The same conviction is aired in Marx's last programmatic pronouncement—destined for the French workers—three years before his death: "The emancipation of producing class is that of all human beings without distinction of sex or race" (1965: 1538).

29 One year later Marx would depict the possessing class and the proletariat both as the "products of private property" representing the "same human alienation", but whereas the possessing class takes this alienation as its own power under the "illusion of a human existence", the proletariat feels destroyed in this alienation which it sees as the "reality of an inhuman existence". Referring to Hegel's *Philosophy of Right* Marx would add: "To employ Hegel's expression, the proletariat is a revolt against abjection within abjection." Therefore, "the proletariat while abolishing itself is bound to abolish its opposition: the private property", that is, the possessing class as well (1972: 37). About two decades later, referring to the "process of alienation of labour" which brings both the labourer and the capitalist under its subjection, Marx would observe: "From the beginning, the labourer is here superior to the capitalist, the latter is rooted in this process of alienation and finds in it his (her) absolute satisfaction, whereas the labourer, as its victim, is, from the start, in a relation of rebellion against him (her)" (1969: 18). What else is this but the "dialectic of negativity", society's "bad side" impelling the onward march of human development?

30 As Marx would write later: "If we do not already find in society, as it is, the material conditions of production and corresponding relations of circulation (propitious) for a classless society, all attempts at exploding the (present) society would be Don Quixotism" (1953: 77)

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Class and Surplus Value

Towards a Re-Examination of Concepts

Vinod Vyasulu

This article examines the basic concepts of class and surplus value and attempts to evaluate them in the current context.

You may charge me with murder—or want of sense—
(We are all of us weak at times)
But the slightest approach to a false pretence
Was never among my crimes.
—Lewis Carroll.

IF the contribution of Karl Marx to economics can be viewed as a methodological one, it should be possible to re-examine the relevance of the method of historical materialism in the light of the historical experience of capitalist growth in the 20th century. Such a re-examination is possible only if Marx's contribution is seen as a scientific one and not as the Bible of a new religion to be accepted uncritically and unquestioningly

Marx's critique of political economy was developed in the second half of the last century: much has happened since. The 20th century has witnessed two world wars and several minor/regional wars; one major economic depression in the 1930s; the consolidation of colonialism in the early years and also its formal break up in the second half of this century; the establishment and break up of the League of Nations; the invention, and the use against civilians, twice, by the US, of a nuclear bomb; the appearance of the first 'Socialist' state in the USSR as well as its collapse; and a whole host of other equally important events too numerous to mention here.

After a boom in faith in central planning, in the earlier part of the 20th century, the current fashion is a re-discovery of the virtues of competition and free markets. It is against this complex background that I would like to begin a re-examination of Marx's theory of surplus value once again. This article, is written, if I may put it this way, in a Marx-friendly spirit. This does not mean that it is necessary to believe in and defend all that Marx wrote. Equally, it is not necessary to oppose it either, simply because Marx wrote it. This bias is best stated at the outset.

The article is organised as follows. Section II provides a brief overview of the basic concepts of Marx: Class and surplus value. Section III, in desperate brevity, elaborates on the historical concept of class in economic and geographic dimensions. Section IV develops some categories and a taxonomy for analysis and Section V develops some formulations and raises some questions. These are followed up in the concluding section, which may be said to begin the process of re-examination of these issues.

II

The theory of surplus value can be briefly stated.[1] Marx begins by identifying two classes in capitalist society or the capitalist mode of production. One class owns the means of production and the other depends on selling its labour power for its livelihood. The capitalist class uses the means of production it owns, hires labour from the working class, and engages in the production of commodities for sale. This is the circuit of money: M-C-M, as contrasted to the earlier circuit of goods: C-M-C, which started with goods, not money.

In the process of capitalist production, labour produces value which is sold as a commodity in the market. It is here that the unique insight of Marx comes in. He points out that the value produced by labour can be broken into two components: One which is necessary for labour to maintain itself, and the other which is a surplus that becomes available because of the long hours worked.

Diagrammatically,

C' C B B'

Let AB be the length of the working day. The value of output is AB. Of this AC of output is paid out as wages—it is needed to hire labour. CB is the excess over this and it is the surplus value. This surplus value, in commodities, is sold by the capitalist and 'realised' in money. This matter of 'realising' the surplus—'marketing' in management jargon?—brings in its own complications.

Marx was the first economist to realise the importance of the length of the working day; and is thus a forerunner of the managerial school of business economics. He shows that the capitalist, by virtue of control deriving from ownership, expropriates this second part of the value added, which he calls surplus value. In Marxist analysis this is the scientific definition of exploitation, i e, the expropriation of surplus value by the capitalist of value produced by labour.

In normal usage of Marxian categories,

c = Constant capital or value of equipment, etc.

v = Variable capital or wages for maintaining labour.

s = Surplus value—commodities produced over and above what is required to maintain labour.

Total value = t = c + v + s

The rate of surplus values = r = s/v, and applies specifically to capitalism. It is the capitalist form of the more general concept of rate of exploitation. The value of r depends on the length of the working day, the level of wages, and the productivity of labour.

Another concept is the organic composition of capital or the relation of constant to variable capital in the total capital used in production, or $q = \frac{c}{c+v}$. This is a measure of the extent to which labour is provided with equipment, raw material, etc. The rate of profit = $p = \frac{s}{c+v}$, by definition it is the ratio of surplus value to total outlay.

It can be shown that p = s (1-q). Marx uses these concepts to explain simple reproduction, where growth rate is 0, and expanded reproduction, which is the norm in capitalist society, when investment is positive and capital expands via the process of accumulation.

This analysis is well known, along with the famous controversies such as whether the organic composition of capital remains constant; whether there is a tendency of the rate of profit to fall; whether values can be transformed into prices; the nature of capitalist accumulation, etc. Accumulation is the 'law of motion' of the capitalist mode of production; this is what makes it dynamic, nay, historical.

Based on an intense discussion of the nature of machinery and the working day, Marx shows that the surplus value extracted from labour can be increased in two ways. One, which he calls the extraction of absolute surplus value, is based on increasing the length of the working day. (CB'>CB in the diagram above). The second, which is the extraction of relative surplus value, is based on increasing technical knowledge which results in increasing the productivity of labour so that in a given working day the amount needed to maintain labour is produced in a smaller period of time and hence the

surplus value increases (C'B>CB) without the length of the working day having to be increased.

Based upon this analysis of the capitalist mode of production, a critique of the capitalist system was developed by Marx and his followers. It is important to remember that Marx analysed capitalism and not socialism or communism.[2] Socialism/communism was seen as a desirable end state which would come after the overthrow or downfall of capitalism. It was later writers like Lenin who contributed to the theory of building socialism; and that, in the light of recent events, has to be re-examined. But that is another story.

In what follows, I propose to elaborate further on the concepts of class, and surplus value and its extraction, from the perspective of the underdeveloped countries (and, in particular, India) in the 1990s. This will be the beginning of a re-examination of concepts; not its end.

III

There has been a strand in the literature which has argued that capitalism as a system may grow independently in each economy, which was interpreted at the level of the nation state. Thus there have been studies of the development of capitalism in Russia (by Lenin), in India and in other countries. Then followed a reaction from the world system school which argued that capitalism is a global system in which all countries or national economies had a specific role to play. In what follows, capitalism is indeed seen as a world system, even if it is not in the precise way defined by this school. Historically, as accumulation took place, capitalism, which may have begun in Europe, gradually encompassed the globe, often destroying earlier systems, or incorporating them in a subordinate manner. Also, the centre of the system has shifted from England, where it originated, to North America—and Japan/Europe, perhaps, more recently.

The studies in the middle of this century of Gunnar Myrdal, Raul Prebisch and Hans Singer are important in this context. Singer pointed out in a justly famous article in the *American Economic Review* in 1949 that the gains from trade are unevenly distributed across the developed and developing countries. Prebisch spoke of the centre and the periphery and identified Latin America as a part of the periphery. The price of Latin American exports—primary goods—fell, while that of its imports—manufactures—rose, in real terms. Thus Latin America was constantly losing from trade. Myrdal spoke of cumulative causation and backwash effects to explain uneven development. In sum, it seems to me that what these authors, and others who think like them, did was to add a geographical dimension to the analysis of the capitalist system. The class that Marx studied in the abstract was in reality distributed geographically around the globe.

While Marx divided the capitalist system in economic terms, into an exploiting and exploited class, Singer and others divided the capitalist system into a developed and underdeveloped part of the world.[3] The dependency school, largely from Latin America (scholars like Andre Gunder Frank, Dos Santos, Mauro Marini, Samir Amin and others) added the element of exploitation to this dimension by arguing that in a capitalist world the development of the advanced countries was one side of the coin, and was inherently and organically linked to the underdevelopment of the poor countries. Logically, this was analogous to the capitalist class expropriating surplus value; here the surplus value was siphoned off from one region to another, by the mechanism of colonialism/imperialism and later on via aid and trade. In this view, underdevelopment is a process of exploitation where the growing wealth of the rich countries depends upon the growing poverty of the poor ones. Thus, countries underdevelop. Before capitalism, the world was undeveloped; now it is both developed and underdeveloped as a result of the spread of capitalism. The development of some areas is linked to the under-development of others just as the wealth of the capitalist is linked to the exploitation of the worker. It follows that 'under-development' cannot be tackled in isolation; 'overdevelopment' has to be dealt with also.

In the light of experience, after the elaboration of these ideas, it is very clear that in the poor countries too it is possible and also necessary to analyse society in class terms[4] and rooted in internal dynamics. The causes for underdevelopment may be supported by external factors, but there is a local base as well. There are, in a country like India, antagonistic classes. There is an exploiting class whose nature needs to be precisely specified in each country. Loosely speaking, it may be said in India to consist of businessmen, large farmers, politicians, professors, bureaucrats, etc, who co-operate to rule and compete for benefits within that rule.

In the same way, the exploited class may be seen as consisting of different groups such as factory workers, marginal farmers and landless labourers, workers in the unorganised sector and so on.

It is indeed interesting that a scholar like Dandekar has argued that the exploitative class in India is the organised working class, and that it exploits workers in the unorganised sector in the Marxian meaning of exploitation.[5] In Dandekar's scheme there is no other, capitalist, surplus-value extracting group over and above the organised workers. His argument, in the 'unequal exchange' mould, links the power of organised unions to exploitation. Is it possible to use Marxian analysis in a way that builds upon these insights, including Dandekar's, ie, to integrate both economic and geographic dimensions into the process of extracting surplus value? What follows is a tentative effort in this direction. It goes without saying that much more work, conceptual and empirical, still needs to be done.

IV

If we introduce both economic and geographical dimensions into the Marxian theory of exploitation, we may get the following categories to work with:

(1) The advanced countries, such as the US, which have a strong capitalist class and also a strong working class. Over the years both have organised, but the capitalist class has developed strong institutions to look after its interest and has by and large managed to control the state which tends to promote the interests of capital, and whose vision is global.

(2) We have the third world countries like India, which are underdeveloped, vary greatly among themselves but which also have within themselves, both an exploiting class and a working class. The capitalist class is not necessarily homogeneous and consists of a coalition of landlords, politicians, businessmen, etc, only some of whom are strictly capitalist. It is, therefore, not as strong as the capitalist class in an advanced country like the US where the class consists largely of capitalists organised on the basis of class interest. India also has an exploited class, a part of which works in what is called the organised or modern sector, and which is organised in the sense of being of unionised. The second and larger part of the exploited class is dispersed across the country in both traditional economic activities as well as modern small-scale industrial units, generally using simple technology, which is not organised in unions and is referred to as an unorganised or informal sector. (V M Dandekar has forcefully argued that the first category exploits the second.)

This gives us the following taxonomy:

There is, in the global economy, an exploiting, capitalist class, with its own institutions, such as, on the economic front, the transnational corporations, and on the political front parties like the two major ones in the US. Through its influence on individual state institutions such as the US government or Congress, and international institutions such as the International Monetary Fund and the World Bank among many others,[6] it exerts a subtle control on the world economy. This class also generally controls the media and mass communication. It is this class which exploits labour in its own country through the use of modern production methods based on the results of science and technology successfully commercialised, as in assembly line manufacture or later, flexible specialisation manufacturing systems. Here exploitation is through the extraction of

relative surplus value; and the rate of exploitation, all said and done, is high. This does not mean wages are low.

This same capitalist class, through transnational corporations and their affiliates, has a global reach. Sometimes through the mediation of local exploiting classes in the third world countries, and sometimes directly, it also exploits labour in the third world. In this case, for the labour in the organised sector, exploitation is through the extraction of relative surplus value but often at a lower technological level than in the first world. And in the unorganised sector, where productivity is low because of the use of traditional technologies, exploitation is through the extraction of absolute surplus value through long working hours. Thus, both methods of surplus extraction coexist. In a way, pre-capitalist forms have been integrated into the capitalist system.[7]

Given the limitation on the availability of raw materials, such as oil, or the emerging constraints in ecology and environment, or rising levels of wages within its borders, the capitalist class finds it convenient to shift certain activities to third world countries.[8] This has been openly advocated recently by the then chief economist of the World Bank, Laurence Summers, according to a report in *The Economist* (February 1992). Such a shift of industrial activities may benefit the capitalist class in the third world countries. The nature of this third world capitalist class may be expected to vary from country to country. The literature uses the term 'comprador' capitalist, which may be true in some small countries such as Chile or Peru, where this class functions completely at the behest of the capitalists in the advanced world and identifies its interests with them, with no nationalist aspirations. Witness the role of ITT and other TNCs in the overthrow of Allende in 1973 in Chile. And there are several other such instances—United Fruit in Guatemala, for instance.[9]

In some countries the local capitalist class may have relative autonomy, the degree of which may vary. Today, the capitalist classes in Britain, France, etc, while not as strong as the capitalist class in the US, are still strong enough to assert their national character and interests and function somewhat independently in a limited sphere. The formation of the EEC is an effort to strengthen themselves. The Japanese and German capitalist classes have been steadily growing stronger in the 1970s and 1980s. On major issues, of course, they do not differ from the US capitalist class, e g, the recent get together against Iraq. But, in the Uruguay Round negotiations in the GATT, they had differences among themselves, while uniting against the developing countries. It is a case of both collusion/co-operation and competition/confrontation, based on the needs of the situation.

The nature of the capitalist class in India would appear to fall between these two extremes. At the time of independence, given the lead of people like Visvesvaraya, and after independence, of people like J R D Tata (both Bharat Ratnas), it would appear that the Indian capitalist class planned to use the state to strengthen its position as a national capitalist class. The main instrument for such an assertion of autonomy was to be the public sector.[10] It also used legal methods to strengthen itself against international capital—such as the MRTP Act and FERA. This is clearly set out in the Bombay Plan of 1944 and the socialist rhetoric of the 1950s and 1960s served it very well. Over the years, given changes in India and across the globe, it now appears that, having been considerably strengthened, this class is now willing to break free from the others who rule along with it and to function as a junior partner of the capitalist class of the advanced countries in some sort of global division of responsibility. That is the basis of the structural adjustment programme initiated in July 1991.

This class faces a small but well organised working class that has its own links with unions in the states and other developed countries. It will be noticed that through its organisation this working class has extracted many concessions in terms of wages and welfare. The existence of the USSR, where the working class won clear benefits and provided an ideological rallying point, played an important role in this. But it has not developed its consciousness and became what is called a class-for-itself. It has certainly become a class-in-itself, i e, it has developed a sense of identity but has not developed a high level of consciousness accompanied by an institutionalised method of fighting for its long-term class interest.

In a country like India the organised working class has also some of the features of the working class in the advanced countries, i e, a certain level of skill and a certain level of organisation, particularly in their unions. It sees itself as a part of the 'middle class' and has strong links with blue collar workers in the public sector and the banks. Its consciousness has been limited to what are called economic demands. There are also elements of degeneration in this class illustrated by the narrow views and completely selfish demands of, say, the government employees associations or the bank employees unions, which totally ignore the plight of other exploited sections of the population. This group is tremendously alienated. Perhaps this is the phenomenon that Marxists have termed 'false consciousness'. This matter needs deeper analysis. At a lower level in this hierarchy is the unorganised sector, a good part of which would also form what Marx called the reserve army of the unemployed.

V

This formulation raises a number of questions.

Is the unequal relationship between the capitalist class in the advanced countries and the capitalist class in countries like India an exploitative one in the sense that there is an extraction of surplus value from the weaker to the stronger? Or is this relationship to be understood in political terms as a coalition or an alliance for mutual benefit that is not an exploitative one? Just as Dandekar argues that organised workers exploit the unorganised, is it possible that advanced capitalists exploit the underdeveloped ones? Would this not be a mirror image of his argument?

In the same spirit, what is the nature of the relationship between the working class in the advanced countries, which is exploited through the extraction of relative surplus value, and the working class in a country like India, a part of which is exploited through the extraction of relative surplus value, and a part of which is exploited through the extraction of absolute surplus value? A part of this class also shows rent seeking behaviour.[11] The Dandekar formulation is that organised labour (which is itself exploited through the extraction of relative surplus value) constitutes the exploiting class and the unorganised sector the exploited class—the capitalist is nowhere in this model. To be logically valid, in Marxian terms, it must extract surplus value— how does it do this? Does it do so at all?

What would be the nature of the relationship between the working class in the advanced countries, which is relatively prosperous by third world standards in terms of its day to day life style, thanks to its higher productivity and union strength, and parts of the ruling class of countries like India? This becomes relevant in that the ruling class in a country like India has a component within it that is capitalist in the sense that they own the means of production. But other groups, who are also part of the ruling class, such as the politicians and the bureaucrats, belong to what is called the 'middle class'—they are educated, but do not own any of the means of production, i e, capital. They are part of the ruling class because they have a power base, for example, the politician who can win an election or a bureaucrat who administers controls. They are rent seekers rather than surplus-value extractors. However, they are maximisers of individual profit. Are they exploited by the richer working class in the advanced countries or do they form partners who should unite in a common struggle against exploitation by a specific, clearly defined exploiting class located in both parts of the globe?

According to Marxist categories as I understand them, what distinguishes the capitalist

or the exploiting class is its ownership of the means of production. The Marxian analysis has generally been agreed on this point. But given the experience of the (former) Soviet Union, does this formulation require any modification?

Could it be said that ownership of the means of production is a necessary but not sufficient condition in defining an exploiting class? If so, the other criteria that could go into the definition of a capitalist or exploiting class may be:

(1) In addition to the ownership of the means of the production, ownership of the means of knowledge, i e, control of R and D, which is often institutionalised in firms. The importance of technological knowledge has been analysed in the literature.[12] The discussions in GATT in the Uruguay Round, and the pressures on India to accept the international regime on intellectual property rights by repealing its own, well considered law on patent rights, make it appear that in the modern world, ownership of the means of production, i e, manufacturing capability in factories, is by no means sufficient to control the process of exploitation over a span of time.[13] The ability to design and develop new methods of production—what is called know-why, and to fund the generation of such knowledge within the class, appears to be an equally important characteristic of an exploiting class. In capitalism, the forces of production constantly improve; and controlling the factors that govern this capacity is clearly important. Perhaps it was implicit in Marx—but it needs to be made explicit now.

If this is so, one reason for failure of the Soviet Union would appear to be its inadequate control of know-why outside the defence/space sectors. It had always remained technologically behind the US. This would also provide a part explanation for the present turn about in India, where foreign collaboration is an article of faith. In fact, among industrialists and businessmen, the remark that a factory can be started without foreign collaboration is met with frank disbelief. The ruling class in India has begun to accept a subsidiary role to the capitalist class in the US because of the fact that though it controls the means of production in India, it does not own and control the means of knowledge. It has the know-how of production, but no know-why.[14] It, therefore, cannot compete in a world of monopoly capital, and its survival depends upon knowing its place in the global scheme of things. And that is a subordinate place. The new economic policy launched in July 1991 is meant to secure that subordinate position.

(2) Another point could be the fact that traditional Marxist analysis dealing with extraction of surplus value in the process of production has (by default?) ignored the financial side of capitalism. For example, the notion that services have no value. Control over the financial resources through the banking system also seems to be a means by which profits could be made. Hilferding and Lenin knew this, as is evidenced by their analysis of finance capital. But this strand of analysis has not been developed beyond the Baran-Sweezy analysis of monopoly capital in the US. Sweezy himself recognises this, in his note on *Monopoly Capital* after 25 years (*Monthly Review*, December 1990). It is particularly important in India where the services sector—and particularly the financial sub-sector—have grown tremendously in recent years. The current crisis is a financial crisis, and reform of the financial sector is a major part of the agenda of restructuring the economy. The two are closely interlinked, and this has to be carefully analysed.

The experience of international banks in the 1970s and 1980s makes it very clear that when finances on a very large scale are moved, large money profits could be made which have no counterpart in changes in the real sector of the economy. One has only to think of Eurodollars, petrodollars and third world debt—which was commercial/speculative activity by private banks. Examples of this can be seen in the fluctuations in the stock markets and exchange markets where large monetary profits in the short run are often made. This is the phenomenon of 'junk bonds', and together with the failure of the savings and loan associations in the US recently, it points to another important aspect of capitalist reality that may not have been adequately understood by Marxists. The loan melas of the 1980s, the loan waivers of 1990 and the disinvestment scam of public sector equity after July 1991 in India may be indicators of the importance of such factors and they need to be analysed and understood in depth.

At the end of the second world war, the capitalist class of the advanced countries, apparently with great foresight, set up financial institutions like the World Bank and the IMF to regulate international finances. The role of these institutions is to monitor developments in international finance in a way that will ensure profits for the banks and capitalists in the advanced world. These institutions, through their ability in mobilising vast sums of financial resources, can force economies to change their policies in favour of multinational capital through programmes of structural adjustments. In India certainly this can be seen in stark form because while there is no major crisis in the commodity-producing sectors there is a major financial crisis of the government which is forcing it to change its policies in a way that suits international capital.[15]

If this type of analysis has validity, then it would appear that an analysis of class society, if it has to be done on the basis of two homogeneous classes only, becomes inadequate in the highly developed capitalism of today. One would require at one end an exploiting class which (a) owns the means of production; (b) owns the means of knowledge; and (c) owns and controls the flow of finance or the means of finance, if one may coin a phrase.

A class which does not have at least these three features would only be quasi-capitalist. The Indian capitalist class is thus hampered by its political coalition with other groups. It does not control the means of knowledge (such technological know-how as exists is in the public sector, where many influences prevail). It only partly controls the means of finance—and that too, through the government via nationalised banks. This becomes clear from the fact that it was helpless in 1990 when the farmers lobby forced the government to write off their loans to the extent of Rs 10,000. Earlier, the government had diverted vast sums via the statutory liquidity ratio to itself and away from industry. All that the capitalist class could do was to protest in vain. But now, via structural adjustment, it is beginning to reassert itself with, to quote the Beatles, "a little help from my friends" in the IMF.

At the other extreme would be the informal sector of the developing countries which is at a low technology level, where people work for long hours, where exploitation is through the extraction of absolute surplus value. As this labour tries to better itself, it upgrades its skills and through the use of machinery by the local capitalist class, increases its productivity and the nature of exploitation slowly changes to the method of extraction of relative surplus value. In this process it interacts also with the organised working class. But the process is very slow, and given the levels of unemployment, it serves as a Marxian reserve army.

In the advanced countries this process of upgradation took place in historical time but in countries like India today labour at each level of exploitation coexists simultaneously. This calls for new strategies by those who would lead the struggle of this type of exploited class. That is an area where research is needed.

VI

In the same way, what are the necessary elements in the vision of a new and better society that is to be an alternative to capitalism? For one thing, as the Chinese cultural revolution teaches, a revolution is a process in time, not a single event, however dramatic and radical. Thus, one has to take a long view of this process. One does not have to wait for a revolution. One does what is needed now—struggle is continuous. The new society will emerge as a result of this continuous process of struggle and with many slide backs. Thus, the current dominance of capitation is no

reason for giving up struggle; but it is a reason for useful thought.

Recent events in east Europe and the former Soviet Union have added a new dimension that requires understanding. In what sense is the collapse of these countries a failure of Marxian theory and practice as many American papers and scholars now claim? Were these countries 'socialist' at all? If not, what can be learned from them? For example, for all the talk going round of turning capitalist, Russia today does not have a class of capitalists (of course, they may appear quickly!). But it does have a working class which is fairly well organised. To some extent, this working class, psychologically, may be like the blacks in the US after emancipation from slavery—slaves without a master. Can capitalism grow in such soil? At what cost? And to whom? The implications of all this are far from clear. The reality is the chaos in Russia. The need for fresh analysis is self-evident.

Further, experience teaches that central planning of the Gosplan variety has serious limitations even if it played an important role at a specific time in history. A post-revolutionary society will need to depend on market forces to adjust demand and supply, and to spread information between these two groups. Some competition, in this sphere, is essential, it would appear, for efficiency in sales and distribution. But the market must not be allowed to allocate all resources: there is need for planning in line with societal priorities.[16] And in this, scholars will have to build upon the work of Lange, Taylor, Kornai-Litpak and others. A distinction must be made between the market as force encouraging competition and reflecting consumer preferences, and the market as a *deus ex machina* in society.[17] The market may be a useful tool, but it is a bad morality. Sukhmoy Chakravorty used to comment that the market is a good servant, but a bad master.

Another relevant point seems to be that a post capitalist society must ensure participation in a democratic framework. If India has survived several crises, it is in large measure due to its democratic set up.[18] Centralisation and one party rule seem to run counter to people's expectations if the experience of east Europe is something to go by. Thus, open, democratic, decentralised decision-making is clearly a necessary condition for the survival of such a society. This again, is an area where the former Soviet Union failed. Here, India's experience with decentralised planning and panchayati raj may be useful. Marxists must learn from such historical experience.

Panchayati raj—and its urban counterpart—deal with self-governance at the local level; and this has many implications for India's federal polity. I would submit that a successful system is a necessary condition for any alternative society. Karnataka's flip-flops in this connection have many useful lessons to offer.

Another important dimension would be, I submit, a strong and healthy co-operative movement. While there have been major failures in this area, there have also been dramatic successes. The failure has always been linked to politicisation of an undesirable sort and to interference by government—the notorious Registrar of Co-operatives. Success is linked to a set of favourable factors including organisation, professionalism, etc. The NDDB, and IRMA, have done remarkable work in this field, and if the structure they suggest can be experimented with, it is likely to unleash rural energies in a very positive way.

Are there other necessary conditions? And what are the sufficient conditions? Quite honestly, I do not know.

These formulations would suggest major changes in the kind of strategies that would require to be followed by Marxists and socialists if the exploiting class is to be overthrown. It would necessitate a fresh vision of an alternative society, and clarity about how to reach it. It is a matter that requires serious debate, beginning with the proper formulation of the issues. If the point is not to interpret the world but to change it, then much remains to be done.

Notes

[This lecture delivered on July 12, 1994 was the first of what hopefully, will be Annual RBI Endowment Lectures at ISEC. This lecture is on a broad theme; these ideas have been evolving in the last few years in long innumerable discussions with my colleagues in the unit, B P Vani and Veerashekerappa; my Ph D students, Sukhpal Singh, Pooja Kaushik, A Indira and A V Arun Kumar; with A K Bagchi, N Krishnaji, T Krishna Kumar, A K N Reddy, D K Subramanian and many others and from the many questions posed by T S Kannan. Earlier versions were presented in seminars at the Centre for Development Studies, Trivandrum and at ISEC; and I have benefited from the comments of the participants at these seminars. In the last years of his life, V K R V Rao, at whose initiative this chair was established, provided valuable advice and invaluable academic support. In our work over the years, we were fortunate to have encouragement and support of T R Satish Chandran. We in the unit are grateful to them. The credit is widely distributed; the responsibility is mine alone.]

1 See, for example, Paul M Sweezy: *The Theory of Capitalist Development*, Monthly Review Press, New York, 1970. The brief discussion that follows is based on this. There are many good books on this, from the popular (Barrows Duneham, Maurice Cornforth) to the technical (E Mandel, M Morishima, M Desai), apart from, of course, the original by Marx.

2 The best description of the virtues of capitalism is perhaps in *The Communist Manifesto* of Marx and Engels.

3 Vinod Vyasulu, *The Paradox of Static Change*, Sterling, New Delhi 1977.

4 See the forceful argument of Ernsto Leclau, critiquing Frank, cited in Vyasulu, *loc cit.*

5 V M Dandekar, *Economic and Political Weekly*, January 5-12, 1980, and Ranjit Sau's reply, March 13, 1980 and the subsequent debate. See also Paul Sweezy's response to this position in *Monthly Review*, July-August 1979.

6 Organisations like the International Telecommunications Union or the General Agreement on Tariffs and Trade are important too.

7 See, Mark Holmstrom, *Industry and Inequality*, Macmillan, New Delhi, 1983, Vinod Vyasulu, *The Development of Backward Areas*, Yatan, New Delhi, 1988. The literature on this is large.

8 See Kannan Srinivasan, et al, 'The Orissa Aluminium Complex: Points for Debate' *Economic and Political Weekly*, December 5, 1981.

9 See *Corporations and the Cold War*, David Horowitz (ed), M R Press, New York, 1969, James Painter, *Guatemala: False Hope, False Freedom*, Catholic Institute for International Relations, London, 1987. Also Michel Chussdousky, 'Under the Tutelage of the IMF—The Case of Peru', *Economic and Political Weekly*, February 15, 1992.

10 See my essay '*Public Enterprise in a Restructuring Economy*'. To be published by the Lal Bahadur Shastri National Academy of Administration, Mussoorie.

11 See Ann Kruger's views in *American Economic Review*, June 1974.

12 For just one recent example, see Nathan Rosenberg and Lee Birdzell, *How the West Grew Rich*, Popular Prakashan, Bombay, 1987, and a review in *Economic and Political Weekly*, January 14, 1989 by Sukhpal Singh and Vinod Vyasulu. Also the writings of scholars like Denison, Galbraith, Baran and Sweezy, Stewart and others. Also important is Harry Breverman, *Labor and Monopoly Capital*, M R Press, New York, 1974.

13 The huge literature generated by the National Working Group on Patents (Chairman, Nityanand) makes this very clear. See also the balanced views of Deepak Nayyar in *Economic and Political Weekly*, February 8, 1992; my paper on the 'New Economic Policy and Technological Change' in *Economic and Political Weekly*, August 1993.

14 See, M R Bhagwan, 'The Capital Goods Industry in India' in *Economic and Political Weekly*, (1984).

15 See, T Krishna Kumar, 'Fund-Bank Policies of Stabilisation and Structural Adjustment: A Global and Historical Perspective', *Economic and Political Weekly*, April 24, 1993.

16 I C Patel, in his keynote address to the World Bank's Annual Conference on Development Economics (May 3, 1993) on the 'Limits of the Current Consensus on Development' is quite clear: "there is no obvious justification for limiting, such less eliminating, the so-called fiscal deficit unless one believes ideologically that all public investment is bad". This should be examined with the finance minister's statement at the Convocation of the National Law School in Bangalore on July 3, 1994: "We seek to reduce the fiscal deficit in our balance of payments". The ideological bias is not stated, but it is clear.

17 Recent events do not negate earlier theoretical results, reported, for example, in Francis Bator's analysis of market failure (QJE 1956), to mention only one. In his Nobel Lecture in 1972, Arrow writes that an efficient allocation of resources does not mean a just distribution. If the results of the market are unacceptable, what is needed is not a negation of the market but a new initial set of endowments. This level of sophistication is missing from the current market-friendly arguments.

18 See, Swaminathan Aiyer, 'Democracy As an Input' in M V Nadkarni et al (eds), *India: The Emerging Challenges*, Sage, New Delhi, 1990.

New Institutional Economics, Marx and Marxism

R S Rao

While retaining the axioms of self-interest in the neoclassical economic theory, the new institutional economics brings in the role of collective action and to that extent binds the individual to the institutional framework. By questioning the propositions of a much talked about perfect competition and by suggesting that institutions do matter, it presents a framework for a new theory on the functions of capital markets in the developed world. The tool-kit thus developed in the west to help understand that system better could be useful in analysing economic institutions in India.

IN an article on the present structural reforms in India, K Basu makes an interesting observation: "I make no attempt to present a great theory of Indian economy and its predicament. This is because of the belief that such theories are impossible and the ones we encounter are illusions created by the skilful use of language."[1] However, the absence of such a theory, grand or otherwise, does not prevent Basu from reaching a conclusion in the article about the need for organisational and institutional changes in the country. Further, Basu also notes the difficulties of change, difficulties arising out of political constraints and bureaucratic impediments. In the absence of an attempt to theorise, proposing a testable, computable model of Indian economy is a difficult proposition.

One particular casuality in the teaching and understanding of economics is a consistent definition of development. I still remember, sitting in the class-room, when K V Ramana, the then young lecturer, was trying to articulate the meaning of development. Growth is not development, but is still not independent of it, leaving it, to an extent, an undefined concept. The confounded attempt to understand development and to distinguish it from growth continues to be a theme in most of the textbooks on development economics. Once the initial difficulty of defining development is overcome, the concentration of the subject revolves around locating the problems of the newly emerging nation-states like India within the broad parameters of mainstream economic theory of Keynesian systems using the neo-classical calculus The emerging economies are treated as another case of structural rigidities.

Scarcity of Capital

Though the mainstream economics defines the problems of economic theory as those of scarcity and allocation of scarce resources, in fact it deals only with scarcity of capital. The initial theorisation by Nurkse and others in the now familiar formulation—low income, low saving, low capital formation, low income—hinges on the reproducible means of production capital.

Development, or lack of it, is located within the parameters of scarcity of capital. As Stiglitz, one of the 'new institutional economists' observes, "A central question in developmental economics is—how can we account for differences in the levels of income and the rates of growth between developed and less developed economies? In the 50s and 60s there was a standard answer to this question. The poor are just like the rich except they are poorer/they have less human and non-human capital."[2] Given the backdrop of capital scarcity, development economics concentrated on creating conditions that favour increases in capital formation via savings. What also developed, in the process, was the need for state intervention in raising the rate of savings, capital accumulation, by public investment and/or by a suitable combination of monetary and fiscal policy. As a complement to such policies, the need for creating capital goods industry as a panacea to end the capital scarcity, at least in the physical sense, was felt. The savings had grown up from 10 per cent to 25 per cent but the capital-scarce economy continued to remain a capital-scarce economy, needing further doses of capital.

However, there is another stream within development economics which has capital scarcity as centrality but describes it not as an independent phenomenon but one dictated by the system. These models are the dual economy models where in addition to capital scarcity, labour abundancy also becomes a crucial determinant. In these models, one gets a rudimentary definition of development as a transition of a dual economy into a predominantly modern economy. The difficulty with these models is, once again, a lack of clarity in defining the traditional economy, its structure, agents and their behaviour.

It is left to the new institutional economics to try to define and model the agrarian institutions, a job not performed by the dual economy models. It should be noted here that this job of modelling agricultural institutions is done by introducing land scarcity in addition to capital scarcity of Nurkse and labour abundancy of Lewis. Now it appears, still without defining development but remaining within the broad parameters of mainstream economics, that the differences in per capita income and growth between countries is being located in the differences in the institutions.

Problems of Mainstream Economics

Mainstream economics, when posited against a given reality, particularly like that in India, faces three major problems. The first is the idea of instantaneous adjustment of exchanges. Mainstream economics deals with exchanges between individuals. The 'bazar' conception of the market where you go with a commodity/money and get money/commodity instantaneously serves as the backdrop. Most of the exchanges that take place, even including in the consumption sphere, but more particularly in the production sphere, involve time. It is like on what happens in the labour power exchanges where the labour power is exchanged for a period of one month in return for a salary at the end of one month, in a monthly salary system. In a casual daily labour system, the exchange of labour power from the labourer to the capitalist/landlord occurs during the day in return for the wage paid to the labourer at the end of the day. The time element involved in the exchange makes it a process of exchange and involves a preconception of the items of exchange and basis of exchange. Such exchanges need to be contracted in advance and the contracts need to be enforced. The enforcement mechanisms require institutions. For some of the Marxists, who treat exchanges as the centrality of economic theory, it is welcome to see the new institutional economics of the mainstream economics restore the primacy of exchanges in a sense more general than the familiar Edgeworthian exchanges. In the latter, however, state is taken as the institution of institutions with a monopoly of violence to enforce the contracts in case the contracts are violated by the parties.

The second problem with the mainstream economics is the definition of self-interest and the formulation of its translation into utility function. The familiar form is that the individual derives satisfaction from the bundle of commodities he consumes. The isolated individual's levels of consumption are only determinate in the particular context, to the extent that the valuation of the resources he exchanges with the rest of the society determine the levels of income at his disposal;

also, his vector of consumption 'q' gets determined in the social process, indicating the relative scarcities. While the isolated individual is constrained by the context of the society, the society too is constrained by the individuals. In the absence of a recognition of this social-individual interaction between the individual's perception and utility maximisation—a perception which is wished away with the idealised set up of a perfect competition and its attendant Paretian welfare theorem—even the minimum notion that people do, in reality, participate in collective action becomes a major arena of debate. Olson tried to grapple with this problem of collective action with individual self-interest as described above in both his books, *The Logic of Collective Action* (1971) and *Rise and Decline of Nation States* (1982).

Situated as he is, a majority of the actions of an isolated individual have an 'externality'. The major externality and the resultant collective action concern the state itself, and it goes partly to the credit of new institutional economics that it brings the state to the centre stage and attempts to endogenise it. As Bardhan observes, "But it is easy to see that we do not yet have a good theory of the formation, maintenance, and institutionalisation of ideology which can lend some regular predictive ability to a model of the role of ideology in institutional change. In propagation of ideology and the socialisation process, as in defining and enforcing property rights, the state plays an authoritative role."[3]

Closely related with the specification of utility function is the introduction of a behavioural assumption that all work is disutility and that individuals refrain from working but are desirous of increasing consumption. This is a useful assumption in rationalising, if not explaining, a sticky wage situation, a subsistence wage situation, and also unemployment. It creates the following types of problems. The first, as we shall argue later, are the problems of monitoring-supervising the disutilised labour. Since supervision also involves labour, which itself is disutility, it provides a hierarchy of supervisory labour, leaving in the economy a set of unproductive labour supervising the productive labour. The second problem in such a formulation is that since work income is accruing through displeasure and non-work income is pleasure, and assuming that income cannot come about without work (no labour theory of Marx please!), there is always a discord and dishonesty in the system about the relative shares of work income and non-work income, a discord which can be harmonised by either an ideology or the state power, without really resolving the discord, giving it a permanency. The axiomatic framework of disutility does not even permit a suggestion of an alternative framework or work condition where work is a pleasure and as such diminishes the role of property, creating the disutility for work.

Connected with the disutility of work but more problematic is the definitional framework of the technologically given production function. A production function is a necessary tool, has a status of exogenity, and is a derivative of the physical and natural sciences but has a restrictive significance in terms of choices available for the economic agent. It has two types of problems in characterising an economic agent. A capitalist has an understanding of the choices of technology in the sense of choosing a particular combination of capital and labour and choosing technologies for a particular product range. In a context of low level of technologies, it is possible to assume that the capitalist has an understanding of technologies, but in a period of high level of technology and changes therein, such an assumption is impossible to make and is, in reality, untenable as it leads to problems discussed in the new institutional economics literature, namely, problems of asymmetry of information and moral hazards or broadly the principle-agent problems. The second problem is a separation problem concerning technology, a separation of the ownership from its use. The 'l' involved in the production function is the power of labour to set in motion the machinery, and the use of raw material, physical exertion and energy losses. The latter is observable and homogenised and hence can be monitored by the capitalist who buys the labour power. The former is unobservable, non-homogenised and can only be judged retrospectively by the end product in production. Since it is unobservable, its measurement raises finer questions of monitoring and supervision. The capitalist buys the labour power from the labourer, which labour power cannot be separated from the labourer. It is here that the production function, from being a mere technological relation, turns into a social relation of controlling the labour power to produce and produce at its best.

Caste, Sharecropping and Scarcity of Land

One of the institutions that drew the attention of this school is that of 'caste' and the related social questions. G A Akerlof's papers concentrate on it. Though, 'caste' used by Akerlof is of a general order, specifying grouping of individuals on an extra economic basis resulting in segmentation or non-homogenisation of people, it includes the Indian caste system, and his brief description in his paper. 'The Economics of Caste and the Rat Race' also includes the marriage customs in India. The paper does not work at the formation of castes but deals with caste equilibrium and suggests that "The smallest equilibrium breaking coalition is the smallest group that can set themselves up as a separate sub-sector and be as well off as in equilibrium while trading with caste members on the terms of trade granted to outcastes. In situations where this coalition must be large, where trade with the caste economy is necessary, or where the cost of forming a coalition is high, the threat to equilibrium of such a coalition is small."[4] In another paper, using the social custom as an exogenously given datum—a failure to obey these customs giving rise to losses to the economic agents—he constructs his model of social customs by conveniently introducing into the familiar utility function arguments which internalise the externalities that come about in the self-interest based utility function. His utility function now represents, in addition to the vector representing the individual's consumption of material goods and services, his reputation in the community, his obedience or disobedience of community's behaviour, etc. Like the caste equilibrium, in social custom also the origin of the social custom is not defined but the stability of the social system is described all within the parameters of the mainstream theorising, except that the self-interested individual does respond to the institutional rigidities either of caste or of a social custom.

A lot of intellectual effort has gone into understanding sharecropping as an institution. Though most of the authors relate themselves to a footnote in Marshall's book, the authors do reflect on certain political policies adopted in the newly emerging 'nation states' like India, China, etc. These states in their initial enthusiasm, reflecting the internal contradictions and popular agitations, did include in their agenda a series of land reforms measures which included abolition of intermediaries, land ceiling and reform of land tenure, etc. In a country like India, these became reflections of people's movements like Tebhaga, Telengana, and a host of others initiated and conducted by the All India Kisan Sabha. While in the first 20 years, land reform legislation was tossed about between the different wings of the modern state apparatus, namely, judiciary, executive and legislature, it got a fresh impetus when the CPI(M) implemented these reforms in two states—Kerala and West Bengal—at least partially. The land reform measures acquired greater prominence when the CPI(ML) took up programmes of implementation of land reforms. Though the footnote in Marshall has attracted intellectual attention and debate, it reflects conditions where masses of people live at the reservation utility level, whose chances of getting absorbed by the capital industry are limited, keeping their opportunity costs low, and whose dependence on a weather-dependent, capital-starved, uncertain agriculture is high. In fact, it is these conditions which became handy in

suggesting sharecropping as a preferred arrangement, a set of conditions that did not exist at the time of Marshall, when capital was an expanding category at least in Europe and subordinated the landlord to its hegemony. The new institutional economics introduces the scarcity of land, in addition to capital scarcity; it assumes land to be sometimes relatively more scarce than capital. It adds further that the landlord is an economic agent receiving rent as a reward for the scarce resource in its participation of production activity. Further on, it assumes that labour is abundant. Under these arrangements, sharecropping is an efficient form of negotiated contract between tenant and landlord. As Eswaran and Kotwal observe, "Having determined the landlord's expected income under all three contracted arrangements, the determination of the arrangement that will prevail is, in principle, trivial: that contract would be chosen which maximises the landlord's expected income. Since the supply of tenants is perfectly elastic, any rents that are generated accrue to the owner of the resource, land: irrespective of contract, the tenant earns only his opportunity income."[5] The labour abundancy is reflected not only in the assumption of perfectly elastic supply of tenants, but also as Kaushik Basu observes, "There exists a labour market from where the tenant can always hire and sell labour at the fixed wage 'W'."[6] Having resumed sharecropping as one of the efficient tenurial arrangements, sharecropping as a preferred form is derived using interesting calculus. Following the usual neoclassical specification that work is disutility and worker basically is a shirker who wants to avoid work but wants income, supervision (monitoring) and costs of supervision become important transaction costs. The threat of eviction from the contract, in the context of the abundant labour, makes share-cropping, a preferred contract. As Bhaskar Dutta et al observe, "We inferred that in many rural situations where output is observable but effort is not, the employer (or landlord) will offer contracts that combine both current incentives and the threat to evict. In fact the latter is likely to co-exist with the former. For instance, land-lease markets should display a mix of 'sharecropping type' arrangements and short leases. In addition, it predicted that there should be an excess demand for land-leases at the going contractual rates, but this excess demand will be chronic and not a 'disequilibrium' state."[7]

Labour Market

The labour market in the Indian conditions gives a perverse reading when looked at from a perfectly competitive. model—the differences in wages between different labourers for the same and/or similar jobs; existence of two labour markets, the permanent labour and casual labour, with differences in wages; the existence of 'bonded labour' which looks similar to slave labour where the labour is sold but not the labour power. The state in general tried to intervene in the labour market, sometimes by minimum wage legislation, sometimes by employment guarantee schemes, and sometimes by legislation banning the bonded labour. The interventions most of the time are reflections of the internal contradictions inside the economy, reflecting sometimes the human values (welfare), sometimes the efficiency losses (unemployment of human resources), sometimes potential gains (release of productive forces). While such interventions are part failure and part success, depending on the response of the economic system locally, the attempt by the institutional economics was to see the rationality of the system of labour market as it exists. It is useful to look into two such attempts: the one by Srinivasan who suggests that "The policy of banning bonded labour will be unenforcible or, if forcibly implemented, will reduce the welfare of the sharecropper",[8] and the other by Eswaran and Kotwal on two-tier labour markets.[9] Srinivasan's bonded labour is a landless person who opts to become a sharecropper to the landlord, who gives consumption credit, and provides labour at less than opportunity cost. As in other cases, the bonded labourer does not have an opportunity of migration to urban areas with a higher and certain income. He does not have opportunities to get into production stream with a production loan for non-agricultural production. His agricultural incomes are also subject to random disturbances. His current account surplus/deficit is a random variable with expected value becoming zero. Given a positive rate of interest for a loan taken during the deficit year, the bonded labourer will be heading into a debt trap unless he either reduces consumption or increases his income. Since the latter option is closed, the bonded labourer has to sell his resource, the unutilised labour to the buyer, the only buyer available in the person who gives the credit, i e, the landlord, and this he does below the opportunity cost. In such a situation, Srinivasan gives an option, a choice to the bonded labourer to become unbonded, the choice being institutional credit. As the rules of the institutional credit go, even given all concessions like concessional institutional credit, no collaterality, etc, but with a simple suggestion that credit cannot be renewed at the second period unless first period credit is repaid, and no institutional credit can be repaid in terms of labour services, the bonded labourer prefers landlord rather than institutional credit and hence the conclusion—"Policies promoting technical change, if they succeed in making the post-change distribution of yields dominate stochastically over the pre-change distribution, may succeed in raising the incidence of bonded labour or at best not lowering it. Interest rate subsidisation may have a similar effect. Since, in the above model, the choice of a bonded labour contract is voluntary, it will be chosen by the sharecropper only if it yields him a higher life-time welfare compared with borrowing from the lending institution."[10]

Eswaran and Kotwal attempt to explain a significant puzzle in the labour market where the, "Permanent workers in Indian agriculture typically enjoy [*sic*] a significantly higher income than casual workers. In addition, permanent workers get consumption loan, homesteads and other patronage benefits while casual labour faces a great deal of uncertainty in the labour market."[11] The puzzle is as to why the landlord pays higher than opportunity income to permanent workers where casual labour is cheaply available. Eswaran and Kotwal resolve the puzzle by disaggregating labour into two types. The first type of jobs are those which require considerable care and judgment such as water resource management, application of fertiliser, maintenance of draught animals, etc. These jobs are such that the monitoring of work is difficult, and the 'moral hazards' of job shirking are heavy. The second type of jobs are what Eswaran and Kotwal describe as routine and menial [*sic*], such as weeding, harvesting and threshing, since these jobs are observable and hence are easy to monitor and enforce. Using the profit maximisation of the landlord and utility maximisation, the authors conclude, "Since a labourer strictly prefers being a permanent worker to being a casual worker, there will generally be an excess supply of workers seeking permanent contracts. This, however, will not result in a downward pressure on the permanent worker's wage, since any wage which is lower than the smallest Wp, say Wp (Wc, β), that satisfies (16) for given Wc and β, is not credible: it leaves an incentive for the permanent worker to shirk. A casual worker who seeks to obtain a permanent contract by offering to work for a wage marginally less than Wp will find that the landlord will not entertain the offer."[12]

Paradigm Shift

The paradigm shift brought about by the new institutional economics in the neoclassical economic theory, while retaining the axioms of self interest, brings in the role of collective action and to that extent binds the individual to the institutional framework. Put in a Marxian framework, the individual's being in an institution determines his consciousness. Given an inertia of the institutions, his choices become the consciousness. As Mathew observes, "[there are] sources of differences in income per-

head (1) between different dates in a given country and (2) between different countries at a given date. Some sources, like capital per head, are usually regarded as contributing in much the same way to both kinds of difference. But whereas people often say that inter-country differences, say between the US and the UK, reflect institutional causes to an important extent, it is not so usual to postulate progressive institutional improvement as a source of growth over time."[13] And as Stiglitz notes, "[If] the difference between LDCs and the more developed countries lies largely in matters of economic organisation, then the first item on the research agenda should be a better understanding of the micro economics of LDCs. What is needed is a theory of rural organisation, as well as a theory of industrial organisation focusing on the special characteristics of LDCs."[14]

This new paradigm owes its growth to two distinctively different streams of analysis, namely, the transaction costs theorists and information theorists. The fundamental idea of transaction costs is that they consist of costs of arranging a contract ex ante and monitoring and executing ex post as opposed to production costs which are the costs of exercising the contract. Institutions do arise to reduce the transaction costs or to tackle the problems of transaction costs. A costless transaction, an assumption built into the perfectly competitive market system, is relaxed to a great extent. Similarly, as the information theorist Stiglitz pointed out, "...there may be situations, particular markets in which information costs are low and in which traditional theory holds, the law of supply and demand, the law of single price remains valid. Our contention is only that there are many situations where information costs are significant and where the nature of market equilibrium is, as a result, significantly altered. To understand consumer and firm behaviour in these situations and to understand the consequences of various kinds of government intervention, requires an explicit analysis of how information affects the market equilibrium."[15] By questioning the basic propositions of a much talked about perfect competition and by suggesting that the institutions do matter, the new theoretical insights, however, do present a framework for a new theory on the functions of capital markets, defining functions of competition and economic organisation, etc, in the developed capitalist world. The crucial tools of this system are the uncertainty in production and marketing, and the inexactness of the exchanges and of the contracts, particularly labour contracts. In so doing the institutional theorists have assigned a lesser role to the state and greater role for the agents to bargain across the table, a peculiar form of withering away of the state.

New Institutional Economics and Marxism

The tool kit thus developed in the west to help understand that system better could be useful to the economists to explain/explain away the Indian economic institutions and also to understand the government interference. In the introduction to a book entitled *The Economic Theory of Agrarian Institutions*, Bardhan claims that "Marxists often cite some of these production relations as institutional obstacles to development in a poor agrarian economy, overlooking the micro-economic rationale of the formation of these institutions....Marxists have also a tendency to equate some of the pre-existing production relations mechanically with the 'feudal' or 'semi-feudal' mode of production."[16] As a person who tried to understand the Indian economy in a model of semi-feudal—semi-colonial economy, I thought it is best to look into this framework to get a greater understanding of the Indian economy.

The new institutional economics credits Marx and Marxists with an endogenous theory of institutions. The often quoted paragraph from the preface to the 'Critique of Political Economy' identifies the central driving force behind the institutions as the forces of production, whose movement forward enters into a contradiction with the property relations enlisting a change in the economic structure and institution. However, in an attempt to get over the violent overthrow of the system at central junctions of history, Marx is presented in a silly scenario. Contrasting his opinion with Marx, Hayami writes, "Basically we share Marx's view. However, we do not consider that institutional change is necessarily an abrupt and complete transformation of the entire institutional framework as described by Marx. The institutional framework and the property relations may change through cumulative adjustments."[17] Even a cursory reading of *Capital* or any of his other writings will not lend Marx to such an interpretation. Extensively analysed are the pre-capitalist institutions like usury, ground rent and how they undergo gradual changes for the use and benefit of capital. The institutions undergo changes in the image of capital and for the purpose of capital. It is also of some interest to note that Marx does perceive the problems involved in the process of exchange, particularly that of exchange of labour. He does notice the problem of supervision and monitoring. In an interesting passage, Marx writes, "The labour of supervision and management is naturally required wherever the direct process of production assumes the form of a combined social process, and not of the isolated labour of independent producers. However, it has a double nature. On the one hand, all labour in which many individuals co-operate, necessarily requires a commanding will to co-ordinate and unify the process and functions which apply not to partial operations but to the total activity of the workshop, much as that of an orchestra conductor. This is a productive job, which must be performed in every combined mode of production. On the other hand, quite apart from any commercial department, this supervision work necessarily arises in all modes of production based on the anti-thesis between the labourer, as the direct producer, and the owner of the means of production. The greater this antagonism, the greater the role played by supervision. Hence it reaches its peak in the slave system. But it is indispensable also in the capitalist mode of production, since the production process in it is simultaneously a process by which the capitalist consumes labour power."[18]

What is 'moral hazards' for the new institutional economics is the necessary class antagonism for Marx. Following Marx and using the 'capitalist consuming labour power' argument only, Bowles[19] constructs a theory of unemployment and the choices of inferior technologies and discrimination in the labour market without that suffocating description of work being a displeasure and the ugly worker being a moral hazard and the contemptuous description of homogeneous/observable work as menial. The difficulty of putting Marx within the neoclassical framework is that while the former tries to understand the reality with a view to change it, like all science does, the latter stops short of thinking of change and gets into the rationality of arrangements and behaviour, giving an impression of rationalising the system. Bardhan is aware of such a pitfall. He says, "While I have been an active participant in this literature, I am not sure if I fully share in its main focus or in the interpretation of its main message. Not merely is the thin line between understanding an institution and justifying it often blurred..."[20]

As Marx and Marxists were trying to understand a particular reality not in its equilibrium state but in its motion, their attempt always was and continues to be locating the classes in whose interest it is for the economy to be set in motion. Thus in their view, the problems of third world and definitions of development in such a context are always a motion from a pre-capitalist economy to the capitalist economy. Development is a transition, from a traditional economy to a modern economy, or from a pre-capitalist economy to a capitalist economy. Looking at the anti-imperialist freedom movement, the original Marxist scholars and the Communist Party placed a lot of importance and to an extent faith in the nationalist content of the Indian capitalist class, or at least a segment of it, politically led by Jawaharlal Nehru, to complete the transition from a pre-capitalist India to a

capitalist India. The withdrawal of the Telengana movement can be aptly attributed to their vociferous support to Soviet supported industrialisation and public sector, and to the belief that this will spur the national capitalist class to fight out feudalism and enlarge the home market, which can be used exclusively by the progressive national capitalist class. That context prompted the land reform legislation as an anti-feudal struggle releasing the productive forces in the society. Such a conception of reality, where the motion of the society is viewed as the motion of a national capitalist class, was challenged with a new formulation of the class character of the state by the Communist Party of India (Marxist-Leninist). Briefly stated, they characterised the Indian society as semi-feudal and semi-colonial and the state power as being held by feudal lords in alliance with the compradore and bureaucratic capital. The compradore and bureaucratic capital acts as an agent of the imperialist capital and does not develop its own technology and capital, and depend on various imperialist powers and as a consequence does not release the productive forces hidden inside the society under feudal grip. The landlords enjoy the economic and extra-economic surplus, through market forms and through social oppression using the age-old caste dimension and the large pool of agricultural labour, whose wages can be kept at reservation utility level. In an earlier paper,[21] I tried to present some implications of the Naxalite movement.

The implications of the Naxalite model of the Indian economy are that the changes in the economy are exogenous to the economy, determined largely by the extent of imperialist aid, both in quantum and composition. The repaying capacity of the aid is restricted by the non-development of Indian technology. The development of Indian technology is closely related to the lack of anti-feudal content in the ruling class. The model locates the problem of development as an anti-feudal movement of the society, and the agricultural labour and poor peasants as the classes that will set the society in motion, initially through a series of land reform measures.

During the last three years, the much talked about crisis in the Indian economy and society has drawn two types of responses. One response is the World Bank, IMF type of response which suggests a liberalisation and globalisation of the Indian economy as a solution. The intellectual foundations for that rest with the new institutional economics, which sees the state largely as an evil and a necessary evil. The second response to the crisis is the strengthening of anti-feudal movement. As far as the agricultural sector is concerned, they both rest their conclusions on the same reality—mass of agricultural labourer and poor peasantry, living at a reservation utility level and low opportunity to move out of agriculture. The free market model possibly expects to grow at such a speed that the mass of agricultural labourers will become part of the growth process. Since it takes time, the model permits a safety net, safety from what one does not know. On the other hand, the Naxalite movement, I presume, views a way out of the crisis only through an anti-feudal restructuring of the society, with or without violence, by the state and/or by the people.

Notes

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Political Economics of World Capitalism

Ranjit Sau

Two recent events have caused a paradigm shift in political economics: (a) the unprecedented achievements of east Asia, and (b) the fall of the Soviet Union. The contemporary world displays two contradictory signs in three spheres—economic, political, and religious. Forces of liberalism and those of ultra-conservatism seem to be at work at the same time.

With elements from the contributions of Kosambi, Mahalanobis, and Myrdal on India, the author constructs a theory, and projects it on the global scene to illuminate the present complex reality. With the third industrial revolution beginning in the aftermath of the second world war, the international economic order has entered a new stage. The dynamics of this New Imperialism is captured here with 'the new growth theory' formulated in the 1980s.

Where did the 'dependency theory' go wrong? Is the theory of 'unequal exchange' false? What is driving India towards globalisation? These are some of the questions that are addressed.

TWO recent events have caused a paradigm shift in political economics: (a) the unprecedented economic achievements of east Asia including China and Japan, and (b) the fall of the Soviet Union. Furthermore, as one looks around the world today, two conflicting signs are visible in all the three spheres—economic, political, and religious. Waves of economic liberalisation in eastern Europe, Asia, Africa, and Latin America are being accompanied by measures of protectionism in the trading blocs of north America, western Europe, and south-east Asia, for instance. While democratic movements are sweeping Latin America, Africa, and eastern Europe, autocracy seems to be getting fortified in parts of west Asia, and the Commonwealth of independent states. In international forums every country is proclaiming faith in the universal dignity of the human being, the freedom and equality of the individual, and the rights of minorities. But at the same time we see that in some regions the phantom of religious fundamentalism is raising its ugly head. This paper addresses the bewildering complexity of modern times.

Kosambi has interpreted India's history in a certain way. Mahalanobis has articulated a distinct view about India's development. And Myrdal has used an institutional approach to explain the evolution of south Asia. The insights of these three eminent writers, in our judgment, are complementary; they can be blended into a comprehensive theory that touches all the three dimensions—economic, political, and religious. Section I is devoted to an exercise of such theory reconstruction.

Kosambi, Mahalanobis, and Myrdal (KMM) were concerned with India directly. However, their views, we believe, have a much wider connotation. After all, India is a miniature replica of the whole world. With all its diversity India can mimic the rich texture of the entire world, albeit at a smaller scale. Variegated landscape, uneven economic development, top-rate talents, unfathomable poverty, community of every religion—India has it all. From primitive caveman to modern finance-wizard, and all the rest in between coexist in this country. And the above-mentioned two apparently opposite trends prevailing in the world obtain very much within India as well. So we shall dare make an experiment by projecting the KMM theory (of our rendering) onto the global scene, and thereby illuminate the latter's tensions.

As the century draws to a close the world is reorganising itself on the ashes of the cold war. Since the 'second world' that consisted of communist countries has vanished from the screen, one might ask: can there be a third world at all? Apart from the obvious arithmetical anomaly, the demise of the third world had been declared some time ago on other ground. Rapid progress of Brazil, Mexico, South Korea, Taiwan, Hong Kong, Singapore, Malaysia, Thailand, and others has refuted the dependency theory that once predicted an inescapable trap of poverty and stagnation for third world countries [Fukuyama 1992, Harris 1986]. It is high time we reassess the structure of the emerging international economic order.

The production function, so often used in economics, is an abstract category that takes us from the space of inputs like coal, steel, labour, to that of outputs like car, rice, and butter. This transformation is done through the prevailing technology. The production function changes with the ages. It can make an excellent organising principle to understand the world system.

Since the days of mercantilism in Europe of the 15th, 16th, and 17th centuries till the present times there have been regimes of imperialism of several kinds. A historical formation, we know, could be best understood by studying its mode of production. By the same token it can be rigorously analysed with reference to its production function, in particular. We submit that the *differentia specifica* of any type of world system is its underlying production function. We shall characterise some of the existing theories of imperialism by this standard.

In the 1980s economic theory witnessed two major innovations, namely, a new growth theory with endogenous technological change, and a new trade theory with increasing returns. Should these theoretical models be accepted as depicting the current situation, then our traditional perception of the international economic order ought to be refocused. Section II elaborates this point.

We mark the beginning of a new stage of the world economy in the second half of this century when the third industrial revolution got under way. It contains contradictory forces that might widen the gulf between the rich and poor countries, and at the same time it may witness the rise of some economic superpowers. The 'new growth theory' can shed light on this epoch. The tensions of the new imperialism are reflected in economic, political, and religious domains. Section III deals with this theme.

I
A Kosambi-Mahalanobis-Myrdal Theory

Kosambi defines history as the presentation in chronological order of successive changes in the means and relations of production. This concept of history will inform our analysis here. We shall express the means and relations of production in the compact form of a production function.

"The more important question is not who was king, nor whether the given region had a king", Kosambi (1975:13) maintains, "but whether its people used a plough, light or heavy, at the time." Seen in this light, a peculiar zigzag process in India's history becomes transparent. A new stage of production manifests itself in formal change of some sort. If the defending mode of production is relatively backward, the change is often religious. The new form, if it does increase production, is acclaimed and becomes set. If the superstructure cannot be adjusted during growth, then there is conflict. Sometimes the old form is broken by a revolution in the guise of a reformation. Sometimes the class that gains by preserving the older form wins; in that event there is stagnation, degeneracy or atrophy. The early

maturity and peculiar helplessness of India's society against later foreign invasions bears testimony to this general schema.

India's development has been in its own way more 'civilised' than in other countries. The older cults and forms were not demolished by force but assimilated. Superstition reduced the need for violence. Much more brutality would have been necessary had India's history developed along the same lines as that of Europe or Americas [Kosambi 1970].

Myrdal begins by denying the abstract concept of man as an economic automation. His book is based on the firm conviction that economic problems cannot be studied in isolation but only in their demographic, social, and political setting. He adopted, in other words, an institutional approach. Myrdal came to the conclusion that an underdeveloped country cannot rely on a gradualist strategy. It needs a Big Push to break the stalemate that has possessed the entire social, political, and economic set-up.

"The South Asian village is thus like a complex molecule among whose parts extreme tensions have been built up", observes Myrdal [1968: 1063-64]. "Although the tensions crisscross in a manner that maintains equilibrium, it is conceivable that they might reorganise in a way that would explode the molecule." But he is not very sure of an endogenous catalyst. "This [explosion of the molecule] probably would not happen spontaneously", he said, "but as the result of a forceful onslaught from outside". In other words, a big push from outside is needed.

However, Myrdal does not spell out the content of the big push; nor does he specify how and wherefrom it will come. At this point Mahalanobis provides the missing link. "I agree with... Myrdal", he says, "that a 'big push' is necessary to move the society forward as a whole. But what is the mechanism of a big push? It has to begin, like a flame, or a chain reaction, and spread. It has to be like the spearhead of a movement." The answer to his question becomes self-evident from the following statement of Mahalanobis [1969: 1123]: "The scientific revolution, the social revolution, and the industrial revolution are three aspects of the process of modernisation in every society; these three aspects may be distinguished but cannot be separated". In short, it is the revolution in science and technology that would assume the role of a big push.

We shall now weave together these views of the three distinguished scholars into the following propositions: The economy is a complex of several modes of production and their derivatives. As new forms of production appear on the scene, the old order may not give way. The resistance of the latter may manifest in the religious sphere. In course of time the new gets assimilated with the ancient. As a result a crisscross of interests of various groups is formed. Sharp polarisation or well-demarcated political alignment becomes almost inconceivable. The resultant stalemate can be broken most probably only by an external force—a big push. That big push may come in the form of advances in science and technology.

While Kosambi, Mahalanobis, and Myrdal had India on their mind, we can extend to the whole world their joint theory of crisscross, stable low-level equilibrium, and big push. Indeed, the countries of the world are at uneven stages of economic development. Capitalism has not overpowered all other modes of production. There is a complex mosaic of interests of different groups, regions, and countries which may be taken as equivalents of clans, tribes, castes, and classes in this wider context. Evidently, revolution in science and technology has provided a big push to the world economy from time to time.

The first industrial revolution started in Britain during the 18th century. Innovations in the spinning and weaving of cotton greatly boosted productivity. It was followed by developments in iron smelting and the steam engine. Industrialisation centred on steel, railways and steamship.

The second industrial revolution (1870-1913) saw technological advances becoming more dependent on scientific research that was systematically organised in firms and universities for commercial application. It was spurred by innovations in steel, electricity, refrigeration, organic chemicals, internal combustion engine, transatlantic telegraph, and radio. Germany, Japan, Russia, and the United States joined the industrial league during this period.

After an interregnum (1913-1950) when the global market had collapsed, the third industrial revolution has been under way since the 1950s. The post-war industrial growth in manufacturing has been fueled by an explosion of new technologies that have brought new products like synthetic materials, petrochemicals, nuclear energy, jet aircraft, computers, and electronics. Great strides have been made in telecommunications, microelectronics, and robotics. Thus, we see, through all the industrial revolutions it is science and technology that has worked as the big push in the Mahalanobis-Myrdal sense.

To be sure, here we are articulating a methodology that combines the contributions of several authors into one structure. The rationale for this synthesis is not difficult to appreciate. A theory, we know, aims at revealing the essence of a subject. Now, there are two concepts of essence—one is Aristotle's, and the other is Hegel's. Lenin, for instance, follows Hegel. By the essence of a thing Aristotle means "the set of fundamental attributes which are the *necessary and sufficient conditions* for any concrete thing of that type" [Cohen and Nagel 1968: 235; emphasis added]. But Hegel interprets it as "one of the essentials, one of the principal, if not the principal, characteristics, or features" of the subject. Furthermore, the essence is one thing, and the manifestation thereof is another. The same essence, be it Aristotelian or Hegelian, can express itself in various ways [Sau 1973].

Now, often it so happens that one author emphasises only some, not all, of the essential features of a particular subject. So the theses of several authors may be complementary. The thing to be noted here is the multiplicity of essential features of a subject, and the partialness of any one theory or narration. Under such circumstances it is legitimate to combine the views of several scholars to forge a more comprehensive theory. Elsewhere [Sau 1994] we first experimented with this approach by bringing together Kosambi, Mitra (1967, 1977), and Myrdal to theorise the contemporary Indian situation. Here we are going to apply the same methodology. The Kosambi-Mahalanobis-Myrdal theory, formulated above, will be applied to illuminate the global scene.

II
Of Diamonds and Ploughs

The mercantilists rationalised imperialism as a means of enlarging the stock of national wealth. They had a very peculiar notion of wealth, from which followed a belligerent state policy towards other nations.

Wealth in the mercantilist doctrine consisted of precious metals and stones like gold, silver, and diamond. Obviously, the total stock of precious metals and stones is more or less fixed for the world as a whole over a given stretch of time. So the wealth of one country could increase only at the expense of some other country. It was a strictly zero-sum game. Hence the close connection between mercantilism and the aggressive policies of the national states in those days [Pasinetti 1977:2].

To introduce the method of exposition that we shall adopt here, the above argument can be put as follows. We know

(1) $W = R$

where W is national wealth, and R is the stock of precious metals and stones in a given country. We shall look upon (1) as a particular production function. The country tries to increase W. That means it has to procure more R. So it pushes its exports, and/or wages war to loot precious metals and stones from neighbours.

Our methodology is as follows. We assert that every theory of world economy has an underlying production function. Accordingly, we shall examine some of the existing theories of imperialism and ascertain the corresponding production functions. Then,

as we approach the contemporary era, we shall reverse the order of investigation. To begin with, we already have some ideas about the characteristics of the currently prevailing production function. From there we shall proceed to infer about the structure of world capitalism as of the present moment. At the end of the road we hope to find what we call the New Imperialism.

Let us consider six theories on the international economic order, namely (a) mercantilist, (b) classical, (c) Leninist, (d) Keynesian, (e) neo-Marxist, and (f) neoclassical. The first one has been briefly narrated above.

Now we take up the second. The production function implied in the classical model of world capitalism can be written as under:

(2) $Y = f(L, N)$

where Y is national output, L labour, and N land. For simplicity land is assumed to be homogeneous; so is labour. Function f is continuous and twice differentiable. The first derivatives are positive, and the second derivatives negative. So the law of diminishing returns holds.

The supply of land in the country is fixed, but plenty of labour is available at a subsistence wage rate. This is a model of circulating capital. Wages advanced by the capitalist farmer to workers is reckoned as capital. As soon as the entire land is brought under cultivation, the law of diminishing returns asserts itself; and the 'stationary state' as visualised by the classical economists looms large. There will be attempts to escape the impending stagnation; and one of the ways for that would be to seek overseas colonies with abundant land. The colonies also will benefit from this expedition of imperial capital [Brown 1974: 38-39, Hicks 1969: 150-51].

Third, the Leninist model of imperialism emphasises, *inter alia*, the export of capital, and the seizure of foreign sources of raw materials. The former is prompted by the falling tendency of the profit rate at home, not due to diminishing returns, but due to the Marxian limit on the home market where workers receive only bare subsistence wages. And the latter is necessitated as raw materials are inputs for production; and the domestic supply is limited. The implicit production function in Lenin's model can be written as

(3) $Y = g(K, L, M)$

where K is fixed capital and M is raw materials.

Fourth, the emphasis of the Keynesian world economics is on the deficiency of demand. Production in the advanced industrial country obeys the following law:

(4) $Y = h(u K)$

where u is the degree of capacity utilisation. Obviously, u remains in the closed interval between 0 and 1. Since the aggregate demand at home is not high enough to make full use of the accumulated capital stock, the country would explore the possibility of export. When several countries do so, they may take up arms to carve empires.

Now we come to the neo-Marxist theory. Marx visualised a constructive outcome of colonial expansion. There are indications that Lenin shared that idea. Neo-Marxists questioned the notion of progressive capitalism first in September 1928, at the Sixth Congress of the Communist International when Kuusinen introduced "theses on the revolutionary movement in colonial and semi-colonial countries".

A major part of Marx's argument and much of Lenin's tone, if not his analysis, were incorporated into the doctrine that capitalism, rather than developing all areas it touches, can positively underdevelop them. This proposition was taken up by Paul Baran and Gunder Frank to explain the underdevelopment of some countries as a corollary, as the obverse, or even the cause, in fact, of the development of others. Thus was born the neo-Marxist theory of imperialism.

There is a hierarchy of exploitation, it says, or a chain of worldwide metropolis-satellite relationship moving from the headquarters of capital down to the landless labourers at the bottom. Surplus is extracted upwards and inwards. So one part of the world develops, and the other part necessarily underdevelops. Unequal exchange in international trade is one of the means of appropriating surplus [Brown 1974: 71].

The production function envisaged by the neo-Marxists can be expressed as follows:

(5) $Y = i(K)$

The centre of world capitalism develops as it procures the surplus-product and invests, while the periphery suffers as it has little capital to begin with, and gets much less to accumulate.

Fourth, the neoclassical picture of world capitalism is apparently polar opposite of the neo-Marxian one. There are, in fact, two branches of neoclassical growth story. One claims that the equilibrium growth rate of a national economy has a particular constant value which is determined by its own rates of saving, population growth, and exogenous technical change. The economy smoothly converges to the equilibrium over time [Mankiw et al 1992; Solow 1956].

The other branch of neoclassical economics is distinguished by its theorem of a rising equilibrium growth rate sustained by externalities and increasing returns [Lucas 1988, 1993; Romer 1986, 1990a,b]. Both are, however, unanimous about one thing, namely, the vital importance of human capital acquired through education, health, and experience on the job. They may be called, respectively, convergence and divergence branches of the neoclassical family.

The former posits a traditional neoclassical production function with exogenous technological progress indexed by parameter A in the following equation:

(6) $Y = F(A, K, L)$

For empirical test it is specified as

(7) $Y = K^{\alpha}(AL)^{\beta}, \qquad \alpha + \beta = 1$

It is assumed that A and L grow exogenously at rates g and n respectively. Steady-state equilibrium of the economy yields

(8) $\ln(Y/L) = b + gt + (\alpha / \beta)[\ln(s) - \ln(n+g+\delta)]$

where s is the propensity to save, t time, δ the rate of depreciation of capital, and b is a constant. This equation has been the medium for testing empirical validity of the theory.

With the data of 98 countries during 1960-1985, Mankiw et al (1992) have found that the regression of (8) is statistically significant, and the coefficients have the right signs. But the estimated rate of return on capital, implied in (8), appears to be too high. So, at the next step, another explanatory variable, namely, human capital is included. This variable is proxied by the percentage of the working-age population that is in secondary school. With this extension of the textbook Solow model, everything seems to be in order, and the theory is confirmed.

To examine the validity of this theory for India we have regressed (8) with time-series data of the 42-year period from 1950-51 to 1991-92. The government of India, *Economic Survey, 1992-93*, is our source. Estimates with the entire sample were marred by serial correlation; even the use of first-difference of variables did not help. So we tried several sub-periods. For sub-period 1977-78/1989-90 of India we find

(9) $\ln(Y/L) = 6.64 + 0.02t + 0.15[\ln(s) - \ln(n+0.05)]$
$\qquad\qquad (7.81) \quad (1.30)$

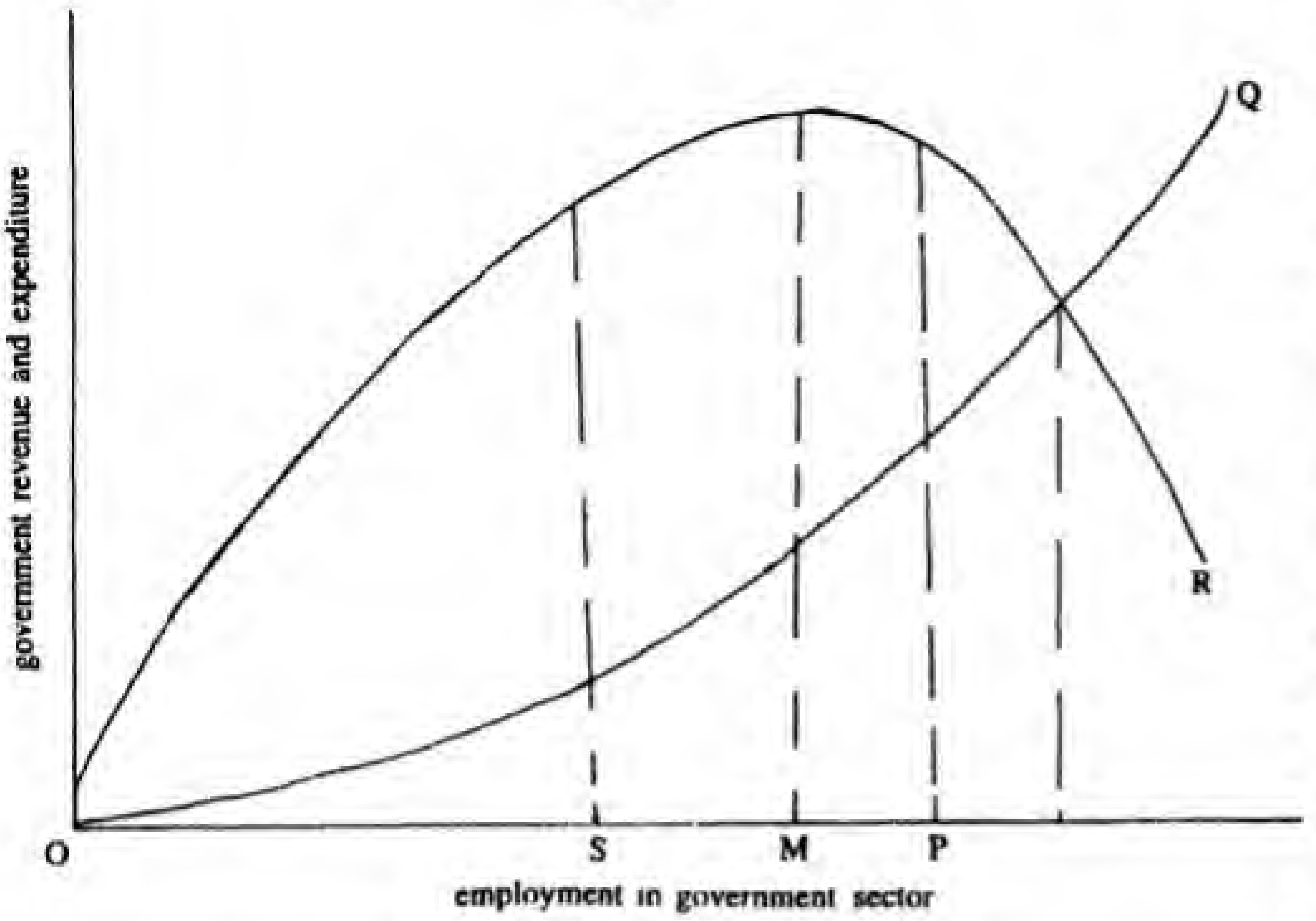
s e e = 0.03, $\bar{R}^2 = 0.89$, F = 51.72, DW = 1.11

where the figures in parentheses are t-values. Following Mankiw et al (1992), we have arbitrarily put $(g + \delta) = 0.05$ in estimating (9).

Parameter α in (7) measures the share of capital in total product. From (7), (8), and (9) it follows that $\alpha = 0.13$, which is rather small by international standards. If the capital-output ratio in India is taken to be 4, then the marginal product of capital would be $0.13/4 = 0.03$. Thus the real rate of return on capital at the margin is 3 per cent. If the rate of inflation is 7 per cent, then the nominal marginal return on capital in India works out at 10 per cent, which may not be very much off the mark.

What is most intriguing about (9) is that the exogenous rate of technical progress, that is, the coefficient of time t, is as high as 2 per cent a year. This rate is comparable with the corresponding figure for the US! Maybe, during that brief moment 1977-78/1989-90, India did record a fast rate of growth in total factor productivity. Nevertheless, it is hard to accept that (9)

FIGURE



captures the course of the Indian economy in long-run equilibrium. For, just at the end of the sample period India plunged into a severe economic crisis that was not merely cyclical, but so pervasive that it called for structural reforms.

Recall that in Myrdal's schema development can start only with an external force breaking through the low-level equilibrium trap. The convergence branch of neoclassical economics provides a stimulus in the shape of exogenous technological change. But then the question raised by Mahalanobis still remains: where does that technological progress come from? The other branch of neoclassical has an answer: technological dynamism can be made endogenous.

The third industrial revolution has ushered in an unprecedented system of production. Now a manufacturing firm assembles thousands of components into a final product, and many of those components are sourced around the world. Computer-aided design (CAD) and computer-aided manufacturing (CAM) allow tremendous flexibility in combining characteristics into products. This fact can be incorporated into the production function as follows:

(10) $Y = H^{\alpha} L^{\beta} \int_{0}^{\infty} x(i)^{1-\alpha-\beta}\, di$

where Y is final product, H skilled labour, L unskilled labour, and x(i) is component or capital good of type i. There is practically an infinite possibility of capital goods. An advantage of (10) is that some of the inputs x's may be zero.

Now, at a given date t, not all the capital goods have been invented. Only some of the potential capital goods are available, having been invented through research and development (R and D). Let the capital goods be indexed in such a way that good i has been invented if $i \leq A$, where A is a certain finite variable to be further described in a moment. Hence the upper limit of integration in (10) can be altered from infinity to a finite number A(t) at each date t.

Production function (10) itself remains as it is; what changes over time is the set of capital inputs that are invented and available. Consider a closed economy. Components x(i) are produced, according to the endogenous-growth theory, in an intermediate-goods sector. Further, and this is most interesting, there is a research sector that invents and supplies the designs to manufacturing firms to produce capital goods and a consumer good. The final good is homogeneous that can be used either for consumption or for production of capital goods of any kind. For simplicity, only one variety of consumer good is assumed. But the results are robust, that survive in the case of heterogeneous consumer goods also. As a normalisation device, assume that one unit of foregone consumer good can generate one unit of any capital good.

If K denotes the aggregate amount of capital goods in existence at any given time in the economy, we can write

(11) $K = \int_{0}^{A} x(i)di$

Since there is a very large variety of capital goods, we can assume that each is supplied by only one firm, and at an equal amount. Thus

(12) $x(1) = x(2) = \ldots = x$

It follows from (11) and (12) that

(13) $K = Ax$

In view of (10) and (13)

(14) $Y = (AH)^{\alpha} (AL)^{\beta} K^{1-\alpha-\beta}$

While (14) is a macro-economic production function, we suppose that a typical firm has an analogous production function. But there is a difference. At the micro-economic level, for any particular firm, A is a given parameter; but for the macro-economy A is a variable.

There is a research sector with the following production function:

(15) $dA/dt = aRA$

where A is the number of capital goods that have been invented so far, R is the volume of skilled labour employed in the research sector, and a is a constant. Unlike the Solow model, this economy will not stop at any steady-state, for the research sector would continue pouring out designs of new products.

For a firm equipped with a production that is a miniature replica of (14), there is only constant returns to scale, A being a given parameter. But A is not fixed for the macro-economy. The research sector is always inventing new goods, and thus changing the value of A over time as shown in (15). If (14) is homogeneous of degree one in H, L, and K, it displays increasing returns to scale in A, H, L, and K. This property of the macro-economic production function permits an ever increasing growth rate of the economy. Romer (1986) cites supportive evidence from century-old history of France, Germany, Denmark, Sweden, the UK, the US, Italy, Australia, Norway, and Canada. It is noticed that these are all advanced economies; none belongs to the third world.

What kind of international economic order does this model lead to? Analytically, we know the outcomes of two similar countries with production functions (14) and (15) engaged in trade. For some values of the parameters, it would be beneficial for them to have free trade. For some other values of the parameters, trade restriction can speed up world growth rate [Rivera-Batiz and Romer 1991]. We shall be interested in knowing also the consequences of two dissimilar countries interacting with each other. For future reference, let us rewrite (14) simply as

(16) $Y = F(A, H, L, K)$

where F is linear homogeneous in H, L, and K, but exhibits increasing returns to scale in A, H, L, and K.

III
The New Imperialism

In the preceding section our focus was on the advanced countries. The neoclassical models refer to full-fledged capitalism. For instance, the most ingenious contribution of Romer (1986) was to show that a well-defined competitive equilibrium exists even in an economy that has increasing returns to scale. Of course, it is subject to the provision that the scale economies are external to the firm. True, this equilibrium is not Pareto optimal. But what is remarkable about it is that the equilibrium

is the outcome of a well-behaved positive model and is capable of explaining historical growth in the absence of government intervention.

The agenda of Mahalanobis and Myrdal was different. They were concerned with the problem of how to start the engine of growth in the first place. Elsewhere [Sau 1988, 1994] we have analytically shown the existence of a criss-cross of class interests. Landlords, poor peasants, workers, ordinary capitalists, monopoly capitalists, foreign capitalists, and finance capitalists are all enmeshed in a cobweb of interrelationship. It is not feasible to separate them in neat groups to collude. To complete the picture, we ask: How is the government situated in this milieu?

Third world countries are notoriously diverse in area, population, income, political system, and cultural heritage. For analysis, it is often helpful to classify them. Findlay (1990) tried a two-by-two frame with democracy and dictatorship in one axis, and 'market oriented' versus 'centrally planned' on the other. Dissatisfied, he proposed a five-fold classification. For our purpose here we can say at a certain level of abstraction that a government plays a dual role—one predatory, and the other productive. In the former it extracts tributes from the subjects, mostly by taxation. In the latter it offers public goods such as defence, administration, justice, infrastructure, education, and health services. These can be construed as 'intermediate' inputs to the final products that are the concern of the private sector. Public expenditure acts as an 'externality' to private economic activities, enhancing private output from private inputs. This model has a faint resemblance with Romer [1986, 1990a, b]:

(17) $Y = G(L_1)\,F(L_2)$

where Y is national product, and L_1 and L_2 are employment in the government and the private sector. We know

(18) $G(0) = 1,\ G'(.) > 0,\ G''(.) < 0$
$F(0) = 0,\ F'(.) > 0,\ F''(.) < 0$

Total labour supply is given at L, and full employment is assumed:

(19) $L = L_1 + L_2$

Capitalists always maximise their profits. In a competitive market, therefore, the marginal product of labour in the private sector is equated to the given wage rate w:

(20) $w = G(.)\,F'(.)$

Recall that the government does not produce any final product. In this model, it employs labour to serve the private sector. There is a uniform tax rate θ on wage and profit incomes. The budget surplus S given by

(21) $S = \theta.Y - (1 - \theta)\,w.L_1$

In the right-hand side of (21), the first term is tax revenue, represented by curve OR in the figure. The second term is government expenditure or the after-tax wage bill of the government, represented by curve OQ in the figure. We shall consider four cases.

First, suppose there is a king. He maximises budget surplus for his own enjoyment. Maximisation of (21) with reference to L_1, subject to (17) - (20) with a given tax rate implies

(22) $G'(.)F(.) - G(.)F'(.) = (1-\theta)[G(.)F'(.) + L_1\{G'(.)F'(.) - G(.)F''(.)\}]/\theta$

At point S in the figure, this condition is satisfied, where the tangents to curves OQ and OR are parallel.

Referring to (18) we find that the right-hand side of (22) is positive. Hence in (22) the following holds:

(23) $G'(.)F(.) > G(.)F'(.)$

Second, consider an alternative, namely, maximisation of national income Y subject to (19). It requires

(24) $G'(.)F(.) = G(.)F'(.)$

This condition is satisfied when the tangent to curve OR in the figure is horizontal, as at point M. It can be shown that point M must be to the right of point S.

Third, suppose that the capitalists are united as a class, determined to maximise their total profit P, while the government remains passive. We know

(25) $P = Y - w.L_2$

Maximisation of P subject to (17) and (19) gives

(26) $w = G(.)F'(.) - G'(.)\,F(.)$. Hence

(27) $G(.)\,F'(.) > G'(.)\,F(.)$

Evidently, (27) occurs at a point like P in the figure, which is necessarily to the right of both points S and M. To be sure, (27) violates (23) as well as (24).

Fourth, as emphasised in the literature on bureaucracy [Niskanen 1971; Parkinson 1958], the government may be led to maximise public expenditure subject only to the revenue constraint. Such a position is depicted by point T in the Figure which is at the farthest right.

However, in a democracy the budget is usually thrashed out by ways other than the four cited above. There may be many posts in government that have nothing to do with providing public goods, but are vehicles to keep the lobbies in good humour. So the royal plunder that we have mentioned above may not always be manifested in budget surplus. There are hidden methods of siphoning off the cream. That is to say, the case of budget-surplus maximisation is not as outlandish as it may appear at first sight.

The morale of this fable is two-fold: First, the government does provide some essential inputs for private production. Second, as shown in the figure, there may be intense conflicts among the vested interests of bureaucracy, monopoly capitalists, and a parasite class that lives off government revenue. The first point can be formally registered in the production function by modifying (16) into

(28) $Y = E\,(G, A, H, L, K)$

Function E may be taken as linear homogeneous in G, H, L, and K, hence displaying increasing returns to scale in all the arguments taken together, G, A, H, L, and K.

In our view, (28) is most appropriate for third world countries, while (16) is so for the advanced economies. Function E of (28) is not linear homogeneous in H, L, and K, for G is an important input for production in the private sector of a third world country. If $G = 0$ in (28), the economy degenerates into the anarchy of the Hobbesian 'state of nature'.

Now we can think of G of (28) in much broader sense—it represents all public goods that are vital for production, but not forthcoming from the private sector. Recall that in the models of Rivera-Batiz [1991] and Romer [1986, 1990a, b] variable A is produced by private firms of R and D. Each manufacturing firm has monopoly power over its product; so it charges a monopoly price, and therefrom pays royalty for the product design supplied by the research sector. Our G is different from A, while both appear in (28).

Table: Degree of Unequal Exchange, 1990

Country	Degree	Country	Degree
First World		*Third World*	
Japan	+ 0.406	India	– 0.739
Germany	+ 0.149	China	– 0.835
England	+ 0.136	S Korea	– 0.232
France	+ 0.389	Mexico	– 0.539
Italy	+ 0.299	Brazil	– 0.424
The Netherlands	+ 0.284	Turkey	– 0.657
Canada	+ 0.095	Egypt	– 0.794

Note: The degree of unequal exchange is defined as $(e^*/e - 1)$, where e^* is the purchasing-power-parity (PPP) based exchange rate, and e is the market exchange rate of the currency of a country, *vis-a-vis* US dollar. The exchange rate is defined as the price of a unit of foreign money in term of domestic currency.
The negative sign indicates that the unequal exchange is adverse to the country, while the positive sign indicates that the unequal exchange is favourable to the country, all with reference to the US.

Source: Sau (1993).

Again, G as of (28) may be compared with B of Basu (1992: 6). Basu's B stands for a metaphysical entity called "belief". By contrast, G of (28) consists of such mundane things as roads, hospitals, schools, food-for-work projects, mini-kits of inputs for poor farmers, and irrigation canals. G in (28) is part of that external force, that big push, which moves the economy forward as envisaged by Mahalanobis and Myrdal. The basic problem here is that the production of G may be vitiated by the Prisoner's Dilemma [Boyce 1987]. It is conceivable, though, that once the economy, having been pushed by G, gathers enough steam of its own, the necessity of G diminishes, and eventually disappears. In short, the economy starts moving with (28); and after some time it is driven by (16).

What happens if the world is divided into two segments? One consists of advanced economies that have graduated to a stage where G is no longer vital for them. They work with (16). The other is a group of underdeveloped economies; for them (28) is relevant.

Reviewing the east Asian miracle, Lucas (1993: 270) concludes: "The main engine of growth is the accumulation of human capital—knowledge—and the main source of differences in living standards among nations is differences in human capital." He continues: "Physical capital accumulation plays an essential but *decidedly subsidiary role*" (*emphasis added*). This is a non-conventional paradigm. Human capital accumulation takes place in schools, in research organisations, and in the course of producing goods and engaging in trade. Little is known about the relative importance of these different modes of accumulation, but for understanding periods of very rapid growth in a single economy, like South Korea, learning on the job seems to be by far the most central. Doing the same job over and over again can impart a sort of skill and externality as in the 'learning by doing' model of Arrow (1962b), where also growth is endogenous [d'Autume and Michel 1993]. But for initiating and accelerating episodic growth, something else is required. "For such learning to occur on a sustained basis, it is necessary that workers and managers continue to take on tasks that are new to them, to continue to move up... the 'quality ladder'. For this to be done on a large scale, the economy must be a large scale exporter" [Lucas 1993]. Hence there is an internal propulsion for an advanced economy to invent, to produce, and to export new products.

There must be several reasons for the decline and fall of the Soviet Union. One of them can possibly be traced here as follows Soviet factories went on churning out the same products *ad infinitum*; there was virtually no R and D sector to invent new products for the market. In the absence of technological progress the growth that had occurred at an early stage was extensive, not intensive, and soon even that became unsustainable.

In stark contrast to the part of advanced countries, there is another part of the world economy that is underdeveloped. A country in the latter group relies on one or two crops. If there is at all any manufacturing industry, it goes on producing the same stuff. If the developed economies have a compelling thrust to export, the underdeveloped countries have an irresistible urge to import. Consumption dynamics of the affluent classes is said to be one of the factors to account for the unequalising, crisis-prone, and unstable growth that characterises so much of Latin America, for instance. The 'international demonstration effect' is not a recent creation, but has been a behavioural trait of Latin American affluent classes since the Conquest. During brief periods of export growth and ample foreign exchange the household demand of prospering classes shifted strongly from local artisan to imported consumer goods. And gradually the consumer preferences of the rich, more than the requisite purchasing power, have been filtering down to the middle class and further below [Felix 1983]. There is evidence that, dazed by city lights, rural migrants to the urban ghettos of Brazil trade their nutrition for fancy gadgets of cheap entertainment. Such international demonstration effect is being felt all over the third world.

Why is it that technological innovation is so rare in the third world? Why is it that despite obvious malnutrition, hunger and famine, there is so little change of technology in agriculture, for instance? Three views can be stated. One possible explanation can be along the lines of Arrow (1962b). Incentive to invent is less under monopolistic conditions than under perfect competition. Without the prospects of a relatively large gain, a monopolist will not undertake an invention because of his fear of losing the existing excess profit. By comparison, there is no such inhibition in the case of a competitive market. To induce a monopolist to innovate, the rewards must be larger than what would attract a competitive firm to do so. In an underdeveloped economy a landlord enjoys local monopoly power; so the Arrow theorem is applicable there.

Second, Bhaduri (1973) contends that a landlord has two channels of income, namely, rent from land, and usury on consumption loan to poor sharecroppers. A productivity-raising innovation would improve the first component of the landlord's income, but can reduce the second. On balance, he may be a net loser. Hence stagnation in agriculture.

Third, Boyce (1988) emphasises the essential contributions of public goods like water control. But provision of such goods suffers from the Prisoner's Dilemma. To take an example, suppose there are two farmers. Digging a canal will benefit both. Its benefits are nonexcludable; once in place, it helps both farmers. The project would cost Rs 400. For each farmer the gross benefit is Rs 300. So the project is justified on the whole. But no individual farmer will undertake it on his own, for his benefit Rs 300 falls short of the cost Rs 400. Furthermore, and this is most important, he has the temptation not to pay. Because he will get the advantage of the project anyway once it is completed.

Should they equally share the cost, each will have a net gain of Rs 100. But if the canal is dug by one farmer, and the other does not pay, the former loses Rs 100, while the latter makes a net gain of Rs 300. Under the circumstances, each farmer deciding in isolation, the project will not see the light of the day, for none will pay. It is not necessary that the cost is borne equally. Even if one pays Rs 299 and the other Rs 101, both stand to gain. In such a situation an institutional arrangement can solve the dilemma. Both may be brought together in a co-operative. Or the government may dig the canal and charge the farmers for services. Agriculture is replete with such instances; so are many other areas in the economy. The remarkable performance of agriculture in West Bengal during the 1980s is said to be attributable to such initiatives by the government. The new growth theory ignores this type of institutional hurdles that abound in any economy, particularly the underdeveloped ones. In (28), G represents this vital input of production.

Where did the 'dependency' theory go wrong? Is there no surplus appropriation from underdeveloped countries by the developed ones? Is the theory of 'unequal exchange' false? Elsewhere [Sau 1978: 55-58, 1993] we have rigorously proved the theory of unequal exchange, and demonstrated clearly that the currencies of underdeveloped countries, having been undervalued in the market, bear unmistakable brunts of unequal exchange (see the table). So, not that unequal exchange does not take place, but the fact of the matter is that a country like South Korea could turn the situation of unequal exchange to its advantage by increasing the volume of export, rather than avoiding it by withdrawing from international trade. What South Korea might have lost in unit price was more than retrieved in the quantity of transactions. After all, dumping is known

to be practised for immense advantage by many countries on a large scale and for prolonged periods. What east Asia shows is that the pace of development can even be stepped up, despite surplus extraction by foreign monopolists, if the generation of surplus is copious enough, making it a favourable positive-sum game. In case the dependency theory has been refuted by the spectacular growth in east Asia, it is so because this theory was preoccupied with only one variable, namely, K of (28), and overlooked the potential effectiveness of G and H.

Magdoff (1966:40) introduced the term 'new imperialism' to describe the world economic system since the Russian revolution of 1917. Now that the Soviet Union is no longer there, we have an occasion to rethink the matter. What sort of international economic order does the 'new growth theory' signify? Increasing returns, any textbook will say, leads to monopoly. The endogenous growth theory does contain an element of increasing returns. But it is of a different genre, that exists at the macro-economic level of a country but not for a firm. So it begets monopoly of a country in the assembly of nations. Obviously, only a handful of countries are enjoying the fruits of long-run high growth. The rest are way behind, though not entirely stagnating. The latter meet the common description of the third world well enough, irrespective of what has devoured the so-called 'second world'. If the Lucas-Romer models are any guide, the third world countries will be flooded with incessant streams of varieties of products from the developed countries. What the Lancashire cotton textiles did to the weavers of Bengal in the 19th century will continue to be repeated, only at a much greater scale all over the third world. And the affluent classes in Asia and Africa will not fall behind their counterparts of Latin America in fashioning their life-style in grandeur. There will be two somewhat opposite effects of this on the third world—a level effect, and a growth effect. The net outcome will be decided by the balance of the two.

The consequences can be seen first in the Solow model. The availability of ever new products may have an international demonstration effect, whereby the propensity to consume will rise, that is, the rate of saving (s) will fall. If so, by (8) the per capita income of the country in long-run equilibrium will decline. On the other hand, should the supply of modern inputs spur technological progress in industry, that is to say, g in (8) rises, the long-run growth rate of per capita income will improve.

The question can also be posed in the Lucas-Romer framework. Advanced countries have a strong research sector producing A of (16). The underdeveloped countries are driven by (28). Their A-sector is very weak; and they need a good deal of G. In the long run the fate of these poor countries would depend upon the performance of their A-sector which requires skilled manpower R. Meanwhile, as the multitude of new products flows from developed countries into the third world, modes of production in the latter will be threatened.

More than a century ago Marx and Engels (1872:112) referred to a similar process in history: "The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country". Technology is at the root of it. "The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all...nations into [the world market]. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls...In one word, it creates a world after its own image." What is missing from this description is the resistance put up by the modes of production that find themselves under attack. India is a prime example.

The latest episode of opening up the Indian economy began hesitatingly in the early 1980s with a loan of five billion dollars from the International Monetary Fund (IMF). The 'conditionalities' imposed by the IMF began to wear down the protective walls. The assault became more intense since mid-1991 when India adopted a structural adjustment programme under the supervision of the IMF and the World Bank. Of course, it would be a one-sided view unless we reckon with another aspect of the story.

Under various pretexts, a substantial amount of capital of India had already left the country, and is strategically parked abroad. Estimates of its magnitude vary between 100 and 160 billion dollars. This flight capital regards India as its preferred habitat. Under the circumstances it would shuttle back and forth between India and overseas. Furthermore, if a good chunk of India's capital is operating from abroad, a bright slice of India's society has located itself in foreign lands. The non-resident Indians (NRIs) are a successful, proud and sizeable group spread all over the six continents. Most of the top bureaucrats, business tycoons, and politicians of India have very close social relations with the NRIs. In a word, long ago India had been on the way to globalisation on its own; the conditionalities of the IMF and the World Bank came only to aggravate the trend that was already at work.

Here we refer to Kosambi's theory: if a relatively backward mode of production is confronted by a highly superior one, the classes associated with the former, in frustration, may carry the battle to the religious domain. India's history reveals that "vast religious upheavals...are generally indicative of powerful changes in the productive basis" [Kosambi 1975: 13]. The last days of the Shah of Iran, who ventured to mould his country in the image of western capitalism, may also bear some testimony to this general proposition. On the whole, interaction between two uneven sets of countries within the Lucas-Romer framework of endogenous growth would create a historically novel pattern of dominance and subordination. The sector of research and development (R and D) will hold the key to its dynamism. And the consumption pattern of the affluent classes in the third world will help perpetuate the links of bondage. In our reckoning this New Imperialism had begun with the third industrial revolution in the aftermath of the second world war.

To sum up, the two branches of neoclassical growth story portray somewhat different images of the contemporary world. The convergence theory of Solow, Mankiw and others conceives of a universe of autonomous national economies each moving to a steady-state determined by its own rates of saving, population growth, and human capital accumulation, regardless of others. The Lucas-Romer 'new growth theory', by contrast predicts a far more complex international economic order. It emphasises the vital role of scientific research and technology. Furthermore, it says, no country will settle down to a steady-state, as the research sector will continue to invent new products. It follows, we find, that the advanced countries will be compelled to search for export markets, and thereby will be led to rivalry among themselves. The theory admits alternative possibilities of free trade or protectionism, presumably in the shape of trading blocs. Since it contains increasing returns, the early birds will have an initial advantage; but the latecomers can possibly catch up and even overtake the leaders. Thus, if no country is preordained to remain always at the peak of the world economy, by the same token no country is condemned to the bottom of it for ever. Looking at (16) and (28) one feels reassured that the economic destiny of a country, in the ultimate analysis, rests at the hand of its people, regardless of the international economic order. If the Lucas-Romer theory can instil a measure of self-confidence into the present-day developing countries, that is not a small gain.

The prospects in the immediate future, however, are daunting for an underdeveloped economy. In the perspective of our reconstructed Kosambi-Mahalanobis-Myrdal theory, we see that the ongoing challenge to the present modes of production by a far superior external force will provoke defensive responses carried to the political and religious spheres. The transition, therefore, will not be smooth by any standard. But like India's history, this time it will be more 'civilised' than ever before!

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DCM SHRIRAM CONSOLIDATED LTD

Shri Mantosh Sondhi

Speech by Shri Mantosh Sondhi, Chairman at the Annual General Meeting of the Company held on July 18, 1994 at New Delhi

Ladies & Gentlemen,

On behalf of the Board of Directors and on my own behalf, I extend to you all a very warm and cordial welcome to the 5th Annual General Meeting of your Company. The notice convening the meeting, the Directors' Report and the Audited Accounts for the year ended March 31, 1994 have been with you for some time now and, with your permission, I shall take them as read.

The Economy

May I now say a few words about the economy. According to a recent report of the National Council for Applied Economic Research, this year (1994-95) should see "significant improvement" in economic growth, though the rate of inflation may rise. Obviously the rise in inflation, which is partly due to the large fiscal deficit, is a matter of great concern to everyone although the pronouncements made by the Finance Minister in the recent past that it should be possible to contain the inflationary pressures in the next 3 or 4 months is very reassuring. It is quite clear that in view of the large foreign exchange reserves, which have now reached at a very comfortable level of $ 16 billion even after the recent payment of $ 1.13 billion of principal to the IMF, comfortable foodgrain stocks which have never been at a higher level in the last four decades, strong upswing in exports and the expectation that the level of industrial production would lead to higher tax revenue collections, the Finance Minister has taken a "calculated risk" in keeping the fiscal deficit at a level of 6% of GDP in the budget for the current financial year. The present indications are that the budget deficit for the first quarter of this financial year is well below the estimated figure of Rs. 9,000 crores for this period.

With the monsoon already off to a good start for the seventh successive year and with a very positive uptrend in the corporate results announced so far this year, the present portents are that the "calculated risk" taken by the Finance Minister is likely to pay off. Changes in the depreciation rules and lowering of interest burden have no doubt helped to improve the profitability of the corporate sector, but one should not lose sight of the fact that more cost effective operations have also made a significant contribution to this. It is expected that there will be further improvement in the corporate results during 1994-95.

From the figures recently made available, it is found that the total revenue collections from customs and central excise duties in the first quarter of the current financial year have shown a satisfactory increase of about 13.51% over the collections made in the corresponding period of last year. If this trend is maintained, then it is likely that the budgetary targets set for revenue collections for 1994-95 will be achieved. Higher excise duty collection is also a reflection of greater industrial activity.

In my statement at the AGM last year, I had expressed the hope that the Government will take some legislative measures to stimulate economic growth and development. I had particularly made a reference to the Urban Land (Ceiling & Regulation) Act, 1976, which has really failed to achieve the objectives with which it was originally promulgated, viz. to bring down the urban land prices and to prevent speculation. I hope the Government will now have the political will to do away with this outdated Act in consonance with the statement made by the Finance Minister in his budget speech last year that a special review group will be constituted in each ministry to make a review of existing laws and procedures to identify changes needed in the light of the new policies.

Here I must also make a mention about the lack of infrastructure. Obviously, if the infrastructure continues to pose a threat and so long as this remains a serious bottleneck, it may not be possible to achieve our targeted growth in GDP. Rapid development of infrastructure along with the optimisation of its design and operation, therefore, requires immediate and very careful attention of both the Government and the Industry. This in fact is the key to the success of our efforts for economic development.

It is a matter of great satisfaction that with the Government's recent policy initiatives, the Indian energy scene is attracting world wide attention. In the power sector, out of a large number of proposals, which are under consideration, it is understood that a few of these are now nearing their "financial closing", this will usher a new era in power financing. This is necessary to meet India's seemingly insatiable appetite for energy.

Review of Operations

During the year ended March 31, 1994, sales of your Company at Rs. 502.09 crores were higher by 15.5% compared to sales of Rs. 434.71 crores in the previous year. The gross profit rose by 20.25% to Rs. 26.66 crores from Rs. 22.17 crores in 1992-93. The net profit at Rs. 15.15 crores was almost double as compared to Rs. 7.74 crores in 1992-93. All the units performed well and contributed towards this excellent performance. To share with you the fruits of better results, your Board of Directors have recommended a higher dividend of 30 percent on enlarged equity share capital due to

SHRIRAM UREA • SHRIRAM CEMENT

conversion of 15% secured redeemable partly convertible debentures of Rs. 140 each, which would be entitled to dividend on a prorata basis.

A. Fertilisers

The operations of the Fertiliser Division during the year were excellent. Production reached best ever figure of over 4 lakh tons. Efforts are being made to further improve productivity, and action has been initiated to incorporate the latest technological innovations. Though Government has announced increase in the price of urea to the farmers by 20%, unfortunately the urea retention price has not so far been revised; it is supposed to be effective from the 1st April, 1991. Due to delay in the issue of such a notification, the outstanding payments have mounted to such an extent that the interest burden has become excessive and the cash flow has been seriously affected. It has a crippling effect on the growth and development of this industry. I am aware that the Government is seized of this matter and hopefully a solution will be found before long.

B. Plastics & Chemicals

In order to meet competition more effectively through value added PVC compounds, the Company has entered into a technical collaboration with M/s Zeon Kasei Co. Ltd of Japan which is progressing satisfactorily.

The operations of caustic soda and chlorine plants are getting readjusted to international norms with better energy efficiency.

C. Power

The performance of the captive power plant has been extremely satisfactory. The capacity utilisation is 107.7% as against an average of 63% for the country as a whole. The project to increase captive capacity to 75 MW is progressing as per plan, and is likely to be completed during the current financial year.

D. Cement

Your cement plant continues to do well. There seems to be a sudden spurt in cement demand both within the country and in the export market. The cement prices have also firmed up. This augurs well for the future of this industry, which has passed through recessionary phase in the last two or three years.

E. Textiles

As a result of the implementation of the turn around plan in the two Textile Mills, the operations of Textile Division during the year have shown substantial improvement.

Environment

Shriram Environment & Research Centre set up last year to carry out research and development work in the field of environment is making satisfactory progress.

Subsidiary Companies

DCM Shriram Credit And Investments Ltd. (DSCIL) and DCM Shriram Aqua Foods Ltd. (DSAFL) have become subsidiaries of your Company. While DSCIL is engaged in investment, finance and leasing operations, DSAFL is putting up an integrated aquaculture project, which includes a hatchery, grow-out farms and a state-of-the-art process house for black tiger prawns, which have a very big export potential. Both the Companies are progressing as per schedule.

New Business Development

Your Company is evaluating possibilities of diversification in various areas, particularly power and chemicals. With this object in mind, the Company has decided to set up a 150 tons per day capacity caustic-chlorine plant at Jhagadia in District Bharuch in Gujarat. A second-hand plant has been purchased at a very economical price from the United States of America. This plant was originally supplied by M/s Asahi Chemical Industry Co. of Japan, whose services have been engaged by the Company to refurbish and re-erect this plant in India. The total investment on this project is estimated at Rs. 160 crores. The work is progressing satisfactorily and the plant at its new site is expected to be operational by end of 1995.

Preferential Allotment to Companies/Persons of Management Group

The Company allotted NCDs with detachable warrants to Companies/Persons of Management Group, their Associates and Nominees. The detachable warrants will be converted into shares in such time and at such premium as may be agreed to by FIs.

Rights Offer

It is proposed to open the Rights Issue of FCDs and NCDs with detachable warrants towards end of August/early September 1994. Keeping in view the shareholders' observations at the EGMs held on 24.2.1994 and 27.4.1994, your Company has made arrangements for buy-back of the NCDs after allotment. I am sure you will give your whole – hearted support to this Issue and share in the prosperity of the Company.

As the intention was to keep a common date for the purpose of ascertaining eligibility for dividend and Rights Issue and as SEBI's approval was received only on 29.6.1994, the Company's Register of Members and the Share Transfer books for the above two purposes would now be closed from Thursday, the 11th August, 1994 to Saturday, the 20th August, 1994 (both days inclusive).

Industrial Relations

The Company continued to maintain harmonious and cordial relations with its workers in all its divisions, which enabled it to achieve higher performance levels on all fronts.

Human Resource Development

The progress of the Company during last four years is in a large measure due to the quality of our human resources. New challenges and additional responsibilities have been accepted by one and all with a great deal of enthusiasm and with a full sense of commitment. Your Company fully realises the need of human resource development and is actively working on providing training inputs to all its employees.

Prospects For the Current Year

In the first three months of the current financial year i.e. April to June, 1994, sales of your Company at Rs. 138.5 crores are higher by 17.1% compared to sales of Rs. 118.2 crores in the previous year. Hopefully, the year should end on a much better note both in terms of sales and profitability.

Acknowledgements

Ladies & Gentlemen, in conclusion, I must compliment the management team of your Company led by Shri Ajay S. Shriram, Vice Chairman and Managing Director and Shri S. Shriram, Joint Managing Director, under whose able leadership the Company is progressing year after year. The Directors wish to thank the Government authorities, financial institutions, bankers, business associates and shareholders for their co-operation and support extended to the Company. The Directors also place on record their deep appreciation for the contribution made by employees at all levels to improve the working of the Company.

Thank you.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting

Sustainability of Dependent Capitalism

Some Lessons from Canada

P Mohanan Pillai

The ongoing recession and the crisis dimensions that the Canadian economy has reached do not seem to constitute a transitory phase. The present crisis would appear to be the outcome of the cumulative impact of a gamut of structural maladies the economy has inherited on account of the particular development strategy it followed. A vicious circle of dependence has developed overtime which seems to be gathering pace among trade and investment dependence, the weak balance of payments, slow growth rate and declining manufacturing productivity in the Canadian economy.

This paper is an attempt to understand the nature and significance of the structural features and factors that have contributed to the ongoing crisis in Canada.

IN the literature on foreign investment Canada once used to be considered a 'miracle' country that prospered by the free flow of foreign capital and foreign technology. However, today the country is referred to with a sense of despair; the image of Canada today is that of an economy pauperised by the same forces which once generated the so-called miracle of prosperity.

The fact that Canada's economy has entered a phase of decline since mid-1970s and culminated in a situation of crisis dimensions, may be verified from published statistics. The national debt has shot up from 17 per cent in 1975 to 65 per cent of the GDP by 1991-92 (Table 1); and the federal deficit has hit the record level of $ 46 billion in 1994, which is around 8 per cent of Canada's gross domestic product (GDP). The increasing Federal deficit is accounted partly by the increasing debt servicing and transfer payments to the unemployed. The unemployment rate which was only around 7 per cent in the early 1980s has gone up to 11.5 per cent by 1992. The balance of payments deficit which stood at 0.42 per cent of GDP in 1979-80 rose to 5.11 per cent of GDP by 1992. We observe here a situation in which increasing fiscal deficit leads to widening current account payment balance, the economy thus being caught in a complex vicious circle. Increasing indebtedness has brought increasing pressure and expenditure on the social service network, which the state had built painstakingly over a long period. The result has been disastrous; the number of children living in poverty jumped to 30 per cent between 1989 and 1991, giving Canada the second highest child poverty rate in the developed world.[1] Further, the poverty rate among the families headed by single parents has risen from 55 per cent, which itself had been unconscionably high, to a staggering 62 per cent, in the past four years and the magnitude is still on the increase.[2]

The ongoing recession and the crisis dimensions the economy has reached do not seem to constitute a transitory phase as we shall endeavour to show presently. It is not our argument that the recession in Canada is without parallel; but the severity of this crisis is rather unique. Canada entered the most severe of the post-world war recessions in 1981-82 following the second oil crisis. The decline in the GNP recorded a negative gowth rate in 1982. However, it should be noted that unlike the present crisis, the recovery in the past was quick. Following the present crisis which began in the 90s, the economy continues to reel around a negative or low growth syndrome. The present crisis would appear to be the outcome of the cumulative impact of a gamut of structural maladies the economy has inherited on account of the particular development strategy it followed.

This paper is an attempt to understand the nature and significance of structural features and factors that have contributed to the ongoing economic crisis in Canada. The lessons emerging from an analysis of the Canadian strategy might have implications also for developing countries preparing to follow similar strategies as part of their structural adjustment and liberalisation process.

Genesis of Crisis

The economy of Canada is based largely on natural resources. Even today resource extraction constitutes 40 per cent of Canada's GDP. During the three post-second world war decades, Canada had registered a historically high annual rate of growth averaging 4.6 per cent. Canada prospered as a major resource supplier mainly to the US market exporting wheat, forest products, metals and minerals. If we include the natural resource-based manufactured goods even today over 50 per cent of Canada's exports is accounted for by natural resources. Further, exports show little structural diversification (Table 2). Further, export dependence on the US has increased the proportion exported to the US has increased to 70 per cent by 1992.

In the case of imports the proportion of both the machinery and capital equipment and consumer goods increased over time. In the case of manufactured goods, imports are technologically much more sophisticated and much less raw material intensive than exports.[3] Here lies, in a 'developed' country, a typical classical situation usually prevailing in developing economies of heavy dependence characterising imports of machinery and consumer goods and export of raw materials, or energy-intensive products. But, unlike many other developing countries which have succeeded in diversifying their export destinations and import contents, Canada demonstrates a situation of integration with a single economic power, the US, under a dominant-dependent pattern.

Canada had long remained a major source of supply of agricultural produce, depletable natural resources such as metals and minerals and also forest produce mainly timber. The era of Canadian prosperity began from the 1870s when its economy was hitched more firmly to the US economy consequent on the northward expansion of a few US corporations engaged in mining and manufacturing. The early manufacturing industries in Canada belonged to the extractive group.

Soon after the formation of Canadian Federation, the strategy of increasing industrial growth was thought to be achieved by foreign investment and technology transfer. With the formation of Canadian Federation, there was an all around attempt on the part of government to attract foreign investment. One of the major measures contemplated was the Patent Act.

The Canadian Patent Act of 1872, declared null and void any patent that was not used within two years of being registered in Canada. The effect of this legislation was to attract large number of American firms out to make profit and forestall imitation by Canadian competitors. The protective tariff introduced in 1879 followed by a system of subsidies, interest-free guaranteed loans, free

industrial sites, tax breaks and gifts, were other major measures used by both the federal and provincial governments to attract foreign investment to Canada. The Canadian market provided an easy outlet for the big American companies seeking avenues for international expansion due to the close similarity in consumption preferences and cultural patterns of the populations of the two regions. By 1930, 34 per cent of Canada's electricity and 74 per cent of its natural gas were produced by the American controlled corporations.[4] In the case of mining and smelting it was 38 per cent and manufacturing it was around 32 per cent. The available statistics indicated that foreign ownership was steadily on the increase till 1970 To illustrate, in 1970, 58 per cent of the assets of Canada's mining was carried out by American subsidiaries. The proportion has fallen since then to 40 per cent in 1980. The corresponding proportions for natural gas was 74 per cent and 64 per cent and for manufacturing, 58 per cent and 54 per cent respectively.[5]

The Canadian labour force was mainly trained in the resource extraction and primary processing activities Despite the heavy reliance on external capital for excavation and processing foreign control of Canadian business (except railways) was not great because much of it came in the form of debt securities rather than equity The situation changed after the outbreak of the first world war. The US replaced UK as the major supplier of external capital. Capital was imported liberally from abroad, mainly from the US. By 1970s, the world was already moving into a single global trading economy. The rise of Japan and the low wage Asian tigers provided serious competition to Canadian exports The resource market being highly cyclical, Canada witnessed a continuous decline in the prices of commodity exported.[6] However, the sudden rise in the prices of oil in the 1970s gave the country for a short period the semblance of a boom. But the price of oil collapsed in the mid-80s.

By then it became clear that the future of Canadian economy would be in an entirely different direction for, the resilience of the economy based on exports showed signs of exhaustion. The welfare network already in ful swing, in particular almost free health and education, could not be sustained without resorting to huge deficit. This does not mean that the deficit in the budget is fuelled by increasing social commitment rather it is the outcome of a process of draining of the resources from the economy conditioned by the nature of the growth strategy. This point will be elaborated later. Suffice it to observe that the strategy of increasing dependence on American economy imprisoned the Canadian economy in a mould that rendered it incapable of accelerating a process of self-reliant growth based on its strength and capabilities to catch up with the rest of the latecomers with whom it started industrialisation process, namely, Japan, Sweden and Italy.

The downturn has been largely due to nationalisation policies that Canada began to initiate with a view to avoiding the negative consequences of foreign control manifested in the form of huge deficit in the merchandise trade from 1951 to 1960.[7] By 1971, the foreign investment review agency was established followed in 1980 by the National Energy programme which monitored the extent of foreign ownership and control. A wave of nationalisation that ensued under the aegis of by both central and the provincial governments resulted to some extent in indigenisation of control of foreign enterprises.

However, Canada does not seem to have succeeded in bringing about significant change in its production structure and trade pattern. Even today, its production structure remains very narrow and heavily foreign capital-dominated. There are reasons to suspect that the downtrend would persist and the Canadian economy would not turn the corner even after its entry into the NAFTA; in fact, it is likely that the NAFTA membership would only accelerate Canada's movement along the road to decline. In this paper, we propose to examine this proposition in some detail.

The nationalisation policies which Canada initiated since 1970 were short-lived. Encouraged by the surplus in the merchandise balance, a complete reversal of policies was effected after 1981: investment by the foreign corporations began to be encouraged again. In 1985, an investment agency Canada was set up to encourage foreign investment and technology transfer. As a consequence, foreign ownership and control in the Canadian manufacturing industry, steadily increased (Table 3).

The net investment income outflow which stood at $ 16 billion in 1986 (14 per cent of exports) increased to $ 25 billion by 1992 (18 per cent of total exports).

Another interesting facet of foreign investment in Canada is its extreme countrywise concentration. Direct investment from US rose to $ 87 billion and accounted for 64 per cent of foreign direct investment

TABLE 1 GROSS DEBT OF THE FEDERAL GOVERNMENT

(As per cent of GDP)

Year	Total Expenditure	Social Programmes	Other Functions	Debt Charges	Gross Debt at the End of the Year	Balance of Payment Position (Current)
1979-80	20 6	9 0	8 3	3 1	42 0	0.42
1980-81	21 9	9 3	9 1	3 5	41 2	1 56
1981-82	22 3	9 0	9 1	4 2	42 0	–0 47
1982-83	25 0	10.5	10 0	4 5	41 2	–0 47
1983 84	25 4	11 1	9 8	4 4	46 8	–0 36
1984-85	25 9	10 9	9 9	5 0	52 3	–0 63
1985-86	24 5	10 3	8 9	5 3	56 1	–2.25
1986-87	23 9	10.2	8 4	5 3	59 7	-2.94
1987-88	24 6	10 1	9 1	5 5	63 2	–4.23
1988-89	22 6	9 2	7 9	5 5	66 1	-4 66
1990-91	22 9	9 1	7 7	7 3	63 0	–5 11
1991-92	22 9	9 0	7 4	7 5	65 0	—

Source Statistics, Canada

TABLE 2. COMMODITY COMPOSITION OF CANADIAN EXPORTS OVERTIME

(in per cent)

Year	1971		1981		1992	
	Export	Import	Export	Import	Export	Import
1 Agriculture and fisheries	13.33	8 10	12.65	7 56	9 06	6 79
2 Energy products	7 64	6 08	14.25	12.47	10 78	4 47
3 Forest products	16 54	1 08	15.49	0 95	13 31	0.96
4 Natural resource based manufactured goods like wood, paper, etc	26 25	20 08	24 80	19 62	20 50	18 78
5 Machinery and equipment	11 46	27.02	14 88	29 09	20 50	32 13
6 Autoparts	23 28	26.40	16.24	20 25	23 63	23.64
7 Consumer goods	1 56	10 64	1 64	9 86	2 68	13 23
8 Destination of export—US	68 00		63 86		70 00	
9 Import from US		70 00		68 00		69 00

Source Statistics, Canada

in Canada. Investment from European countries in Canada accounted to $ 32 billion at the end of 1992. This represented 23 per cent of the total foreign direct investment in Canada, half accounted by UK, Germany and the rest by France, Switzerland, the Netherlands and Sweden. Japan, Hong Kong and Pacific Rim countries accounted for 7 per cent of the total investment.

As is clear from the above description both trade and investment structure of Canadian economy demonstrates acute dependence on the US and this dependence has remained stable over a period of time.

Canadian Multinationals

Table 3 gives an idea of the extent of foreign control in the manufacturing sector. However, in the sectors such as mining and petroleum the majority control still lies with Canadian domestic enterprises and some of the Canadian corporations have responded to globalising trends in areas such as mining and refining, aluminium, distilling, telecommunication and shoes. In spite of the heavy weight of American multinationals domestically owned Canadian firms were active in certain sectors mainly for the reason that the technology in use in them was relatively simple. Encouraged by the development of Canada's financial system, several Canadian corporations entered into mergers and other methods of consolidation to form themselves into large business conglomerates and expanded their activities on a multinational basis. Still, the Canadian multinationals are commonly found mostly in industries with relatively simple technological content. Such a choice was naturally the resultant of the dependent status of Canada under the capitalist regime in which it was functioning. As Niosi has observed, Canadian capitalism has developed a complementary relationship with American (dominant) capitalism and this is very much evident in the different zones of influence.[8] Technological barriers were formidable in advanced sectors for Canadian firms to enter. In self-defence, so to say, the Canadian bourgeoisie has however, erected legal barriers to prevent consolidation and take-overs by foreign companies in certain sectors. This step in conjunction with the natural comparative advantage that Canada has, helped Canadian Corporations to entrench themselves in industries like aluminium, nickel, copper, zinc, lead, paper and distilled liquors. These companies, having remained stable oligopolies for long periods, accumulated resource and technological capabilities which enabled them to go beyond the frontiers of Canada.

Canadian firms' outward direct investment started to accelerate in the mid-1970s.[9] It averaged about $ 3.5 billion during 1981-85. Access to raw materials has made these MNCs develop strong backward vertical integration a classic example of the market advantages of the MNCs. Major MNCs like Alcam Aluminium and Norada, are cases in point. These MNCs have internalised the country-specific advantages in resources. The other areas in which Canadian MNCs thrive are insurance (e g. Charted Bank insurance companies), transportation and provision of public utilities.

It is thus clear that the Canadian industry overseas is enmeshed in low technology sectors, a trait of Canadian dependent capitalism. Multinationalisation has not yet succeeded in invigorating its domestic economy and enhancing its technology.

Obviously, the spin off effect of foreign investment by the Canadian multinationals on the Canadian economy appears weak compared to those of other developed countries mainly because of the non-manufacturing character of the Canadian overseas investment. Of the $ 94 billion Canadian direct investment abroad by 1991 one-quarter ($ 23 billion) was channelled into foreign financial sector, notably banking, compared to 22 per cent at the end of 1987, metallic minerals and metal products was the next largest sector accounting for 13 per cent of the total direct investment abroad. The remaining Canadian investment was widely distributed among sectors like real estate development, construction, communications, food beverages, tobacco, textiles, chemicals, construction and related transportation. It has been difficult for the Canadian multinationals to enter into advanced industrial sectors. In the case of already existing international investment in the minerals and metal-based sectors, the host countries have found it easy to master the industry's know-how and therefore, the initial advantages that enabled these corporations to become MNCs are progressively disappearing. Since they have very little to offer the host countries a better deal in terms of competitive technology and diversified investment, Canadian investment has often been forced into joint ventures with government enterprises or even private sector firms in host countries. This experience of obsolescing bargain is particularly evident in the mining and metal-based industries.[10] In a few instances, Canadian enterprises, in particular, in developing countries, have been subjected to wholesale take-over. An analysis of the geographical distribution of book value of long-term Canadian investment till 1986 underscores this point (Table 4). Surprisingly, Canadian investment is seen to have increased, among countries in the developed world, only in North America. In all other regions it declined rapidly. Further, the stock of Canadian foreign investment in developing countries in particular in metal and mineral industries, too has gone down. The stock of investment which constituted around 24 per cent in 1970 nose-dived to 12.2 per cent in 1986.

Technological Backwardness

To some extent the relative slackness in overseas investment in general and in decline in developing countries reflects the relative technological backwardness of Canada among developed countries. In other words, despite the operation of MNCs in Canada for a number of years, Canadian capital is not dynamic enough itself to make overseas investment efficient and competitive

The liberal approach to foreign capital and technology (implicit in dependent capitalism) which Canada was following does not seem to have helped her in assimilation of foreign technology; nor has it enabled her to develop her own technology. In the dependency regime, Canada had perforce to

Table 3: Foreign Control in Mining, Petroleum and Manufacturing Industries

(per cent)

	1982	1983	1984	1985	1986	1989
Petroleum	36	36	36	35	34	35
Mining	34	36	33	32	29	30
Manufacturing	49	48	48	49	49	53
of which						
(1) Beverages	24	29	29	24	40	40
(2) Rubber	98	99	99	99	99	96
(3) Textiles	29	30	28	28	27	24
(4) Pulp and paper	31	28	31	30	33	38
(5) Agrl machinery	23	14	15	19	34	72
(6) Automobiles and parts	98	98	99	98	98	97
(7) Transportation equipment	59	57	57	72	77	81
(8) Aluminium	—	—	—	—	—	46
(9) Electrical apparatus	72	72	66	70	65	70
(10) Chemicals	80	83	82	83	83	86
(11) Other manufacturing	51	50	48	50	46	50

Source: Statistics, Canada

follow a line of technology followership. In sum, the comparative advantage which Canada enjoyed in the development of natural resource-based industries has reduced her to the status of an importer or borrower of innovations developed elsewhere.

It is interesting in this context to observe that in the 1960s national productivity and per capita income grew faster in Canada than in the US. However, most of the productivity gains occurred in sectors other than manufacturing while there was some improvement in productivity following the Canada-US automotive agreement.[11] In the 1980s, Canadian manufacturing productivity had fallen to 75 per cent of the US levels. Productivity in the manufacturing declined again over four successive years by 0.2 per cent in 1988, 1 per cent in 1989, 4.5 per cent in 1990 and 3.3 per cent in 1991.[12] The above phenomenon is largely a reflection of the inability of the Canadian economy to efficiently adopt, assimilate and generate productivity improvements of the technology transferred. That the easy availability of foreign technology and the ability to pay back in terms of export must have led to heavy import of technology prevailing in the manufacturing sector. Even the medium size sector national economies such as Sweden, Switzerland or the Netherlands invest more than Canada in R and D. Canada invest 1.4 per cent of GDP on its R and D against a range 2.5 per cent to 3 per cent in large and medium size countries. Patents also provide an indicator of the origins of technology used. More than 90 per cent of those awarded every year in Canada are given to foreigners mainly American residents.[11]

The consequences of this policy may not reflect entirely on the cost of technology imported, though it is important. To illustrate, though the technology policy that Canada has pursued can be described as a follower strategy meaning thereby that subordinate and subcontracting dominated the technological scenario of the economy and therefore domestic technology frontier moved only very slowly. It has to be admitted however, that due to national compulsions (not necessarily nationalistic) there has been some state intervention in promoting energy intensive industries linked to natural resource base and the development of transportation and telecommunication technologies which was important for the preservation of national unity. The development of both these industries has been heavily funded by the federal government. Again, government enterprises under both provincial and federal governments, have used all possible means including the rate rebates, tax discounts and protection to protect energy intensive and telecommunication industries with cheap electricity Canada has attracted many in the world of non-ferrous metals, pulp and paper. Communication and energy have attracted around 30 per cent of the total R and D expenditure undertaken by the Canadian federal government.

Needless to say, a large number of industries have been attracted to Canada which *inter alia* included some of the largest world producers of non-ferrous metals, pulp and paper and petrochemicals. Such a situation has enabled Canada to become the major exporter of energy intensive and low value added products. These industries make intensive use of non-renewable resources and are highly polluting to the environment. This is one aspect of the problem. The second aspect is the highly cyclical nature of the resource markets as a result of which Canada has witnessed a continuous decline in non-oil commodity prices.[14] This has been due to the growing substitution for the basic metal products. The Canadian firms which were specialising in the metal products lost out their market. Added to this is the phenomenon of Canadian companies running out of the resources that can be economically exploited. Today high grade mineral deposits and quality timber have almost disappeared in Canada. Ironically enough, the low technology profile of these firms makes them incapable to pursue a vigorous technological upgradation and diversification process that will give them a better edge in the world market. Therefore, a situation has risen in which Canada finds it difficult to pay for its imports with its non-renewable inelastic resources. At present she possesses only two high technology industries in which she enjoys a marginal foreign trade surplus; the telecommunications equipment and the aircraft industries. However, with the exception of telecommunication equipment, high technology industries are dominated by foreign companies.

As can naturally be expected, an industrial structure dominated by foreign companies imposes a heavy burden on the economy in terms of outflow of resources. The cost incidence of investment and technology transfers by the foreign companies has already been showing up in the increasing cost incidence of technology transfer and investment. The trade in traditional resources is unlikely to spur growth in future as it once did. But the payment for imports continues to rise. The surplus in merchandise trade is not sufficient to offset the investment income outflows, the cumulative deficit of which

TABLE 4. GEOGRAPHICAL DESTINATION OF CANADIAN FDI, SELECTED YEARS, 1970-86

Geographic Grouping	Proportion of Book Value of Long Run Investment Accounted by Each Area			
	1970	1975	1980	1986
Grouping 1				
US	52.5	53.2	63.4	71.2
UK	0.5	9.5	9.4	7.9
Other EEC	4.9	6.0	5.1	4.7
Others	33.1	31.3	22.2	16.2
Total	100	100	100	100
Grouping 2				
North America	60.7	61.9	70.6	74.9
South and Central America	13.3	11.6	4.0	3.2
Europe	17.4	17.7	17.0	15.5
Africa	2.2	1.5	1.1	0.8
Asia	2.2	3.0	4.4	3.6
Australia	4.0	4.1	2.6	1.8
Others	0.3	0.3	0.3	0.3
Total	100	100	100	100
Grouping 3				
Developed countries	75.5	76.7	83.4	88.8
Developing countries	24.5	23.3	16.6	12.2
Total	100	100	100	100

Source: Statistics, Canada.

TABLE 5: NET OUTFLOW ON TECHNOLOGY ACCOUNT

(in million dollars)

Items	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Receipt from technology export	45	40	51	47	67	90	125	139	151	180
II Payments for technology import	700	826	875	1020	1067	1130	1117	1364	1528	1683
Net outflow	–655	–786	–824	-973	–1000	–1154	-992	-1227	–1377	–1503

totalled $ 81.86 billion by 1992. The net of inflows and outflows on technology account alone is revealing (Table 4). It is alright for a country like Canada to be a net importer of technology. What is disturbing is that the net outflows has been increasing overtime. As Table 4 indicates the increase between 1981 and 1989 had been to the extent of 110 per cent. It is also important to mention in the context that the foreign controlled firms represented a major share of total imports varying between 67 per cent and 71 per cent with US firms accounting for more than three-fourth of the foreign controlled share. By 1986 foreign controlled firms were four times as import intensive as were the domestically controlled, compared to three times in 1976 thus leading to intensification of balance of payment pressure.[15] As is well known, a deficit in the balance of payments put an ultimate constraint on the growth of the economy. A vicious circle has developed which seems to be developing given the weak balance of payments, slow growth rate and declining manufacturing industry in the Canadian economy.

The free trade agreement among the three countries the US, Canada and Mexico which has taken effect recently will create the largest free trade zone in the world. What will be the likely impact of the North American Free Trade Agreement (NAFTA) on the Canadian economy? Mexico has the low cost advantage and Canada and America are more or less on par in wage cost. However, in a barrier-free North America, the likely restructuring may witness the emergence of the following scenarios. A look at the present patterns of Canadian trade with the US and Mexico suggest that the industries thriving on low cost factors are likely to be shifted to Mexico. Such industries are textiles, metal, fabricating units, machinery, electrical products and autoparts. The painful adjustment burden will have to be borne by the low-skilled labourers in Canada. Regarding the high cost, in high skilled industries located in the US and Canada there is likely to be a restructuring shortly. Canada's ability to gain from the restructuring depends on the competitive advantage to offset the disadvantages of high cost economy. This depends on economy, and ability to capitalise on technological innovations. As has been already seen, it is this very factor that is very much missing in the Canadian context. The labour force trained in extraction and primary processing of raw materials woefully lacks the critical skills and industrial R and D base for attracting industries from the rest of the world. The earlier compulsions of jumping the tariff barriers will no longer add the attractiveness of Canada as a host country. In fact, as a part of rationalisation process, the US multinationals rather than replicating their plants

.n are likely to serve the Canadian market by running larger production runs in the US and thus achieving better scale economies. The implication is that even the existing locations are likely to be closed down accentuating further the unemployment problem. Ironically enough, many Canadian observers are pinning their hopes on the depreciation of the Canadian dollar *vis-a-vis* US dollar as a positive factor in the investment decisions favouring Canada.

What lessons do the Canadian experience hold for the rest of the world? A nation which till fairly recently was regarded as a colonial nation either dependent upon Britain or US, Canada could not follow relatively independent path of development and had to be content with mostly an imitative and defensive strategy. Unlike other late industrialisers it had abundant natural resources to start with and had privileged access to the US and UK technology. The task force on foreign investment observed as back as 1968 "the ease with which foreign capital could be imported via portfolio direct investment, skilled manpower via immigration technology and entrepreneurship via direct investment had expanded the size and complexity of the economic base and the opportunities to Canadians. It has at the same time diminished the pressures for Canada to develop the skills amongst the Canadians to their fullest extent"[16] It is only natural to ask why Canada followed this kind of defeatist strategy? The answer to this question very much depends on the relative weakness of the Canadian bourgeoisie whose essential trait is non-industrial and dependent. It means that the economy has no control over US choices and that national choices are increasingly getting subordinated to moves from outside. Unlike the rest of the developed world, the weak Canadian bourgeoisie failed to recognise its long-run interest and even if it did could not muster collective strength of its own to withstand the onslaught on the economy.

Towards An Explanation

We may have to probe a bit more about the nature, characteristics and evolution of Canadian capitalist class. Why is it that the Canadian bourgeoise did not constitute a coherent national force? The attempts to explain the roots of this peculiar phenomenon have thrown rich insights into the making of Canadian class formation. Such explanations centre around the determinants such as history, geography, centre-periphery trade relations, the particularities and contradictions of Canadian development.[17] To elucidate, the major studies on Canada's economic process have underlined a sharp cleavage between finance and industry.[18] We have in the previous sections referred to strong financial sector: and its expansion overseas. This fraction of Canadian bourgeoise did not encourage the development of an indigenous class of Canadian industrialists. "Insofar as they have associated themselves with manufacturing activity to any considerable extent, they have increasingly done so in alliance with American industrialists who have bought out indigenous Canadian firms or established branch plants in Canada with little autonomous technological or export capacity. Whereas the key to the success of other twentieth century capitalisms has been its merger into a unified and concentrated national bourgeoisie."[19]

The above observation underlines the divided structure of Canadian bourgeoisie, the powerful factions of indigenous financiers, weak indigeneous industrialists, a dominant foreign capital as Leo Panitch describes it, "unmatched anywhere in the capitalist world".[20] Though there may be several objections regarding the distinctions made between the commercial and industrial bourgeoisie, however, the failure of Canada to develop a national bourgeoisie to usher in a relatively self-reliant path which would foster a diversified indigenous industrialisation is well-explained in the above characterisation. It is natural in such a context to trade its exhaustible natural resources for short-run gains. The same divided structure may also explain the unintegrated regional economies that the Canada is today. Each region oriented by the nature of its specific resources expresses readily identifiable and corporate interests of its regional economy[21] without providing the material foundations of a centralised state. The economics and politics of subordinate class formation is an interesting area that need to be probed, in particular in the case of white colonies. Such an enquiry may provide useful lesson into the structuring of dependency relations. In short, the Canadian experience reveals that even the apparently developed countries such as Canada had to pay a heavy price for pursuing strategies of open door economic programmes. Clearly, the Canadian experience underlines the need for exercising restraint and caution in blindly swimming with the tide.

Notes

[Jorge Niosi stimulated my interest in this area. Very helpful comments were offered by P R G Nair, Raman Mahadevan and K K Subrahmanian on an earlier draft of this paper.]

1 *Report of the National Anti-poverty Group*, main highlights of the report published in *Gazattee*, November 24, 1993.

2 *Report of the National Council of Welfare*, main highlights published in *Gazattee* (Canada), November 23, 1993.

3 C K Hamilton, 'Canadian Industrial Energy Consumption and External Trade' in J Niosi, *Technology and National Competitiveness*, Mac Gill Queen University Press, Montreal, 1991

4 See Jorge Niosi, *Canadian Capitalism (A Study of Power in the Canadian Business Establishment)*, James Lorimer and Company, Toronto, 1981.

5 See Jorge Niosi, *Canadian Multinationals, Between the Lines*, Toronto, 1985

6 Roger Voyèr and Ezra R Miller, *Canada in the World*, Secretariat of National, Conference on Technology and Innovation, Toronto, 1988

7 See for details, See Lucie Laliberte, *Globalisation and Canada's International Investment*, Canadian Economic Observer, April 1993

8 See Jorge Niosi, *Canadian Capitalism*, op cit, p 149

9 See, Alan, M Rugman, *Outward Bound (Canadian Direct Investment in the US)* Canadian American Committee, 1987.

10 See Theodore Moren, *Multinational Corporations and Politics of Dependence: Copper in Chile*, Princeton, NJ 1974, was one of the first studies to develop the bargaining perspective in detail.

11 See, Roger Voyer and Ezra R Miller, *Canada in the World*, op cit.

12 See Jorge Niosi, *Canadian Capitalism (A Study of Power in the Canadian Business Establishment)*, James, Lorimer and Company, Toronto, 1981.

13 In this context, J Niosi observes "The percentage of patents awarded to local residents is one of the lowest in the world. It is lower than the percentage in such developing countries as Australia, Argentina, India and Mexico or in small industrialised countries such as Sweden, Belgium, the Netherlands and Norway". Niosi's observation based on the late 60s is valid even today. See J Niosi, *Canadian Multinational*, op cit

14 Roger Vyer and Ezra R Miller, *Canada in the World*, op cit, and K Hamilton, *Canadian Industrial Energy Consumption, and External Trade*, op cit.

15 See, Barry Mersercan, 'Characteristics of Importing Firms', *Canadian Economic Observer*, August 1992

16 Quoted from Task Force and Foreign Direct Investment In Canada 1972, Ottawa.

17 Naylor, R T, *The History of Canadian Business*, Toranto, James Lorimer, 1975; Clement Wallace, *Canadian Corporate Elite*, Toronto, Mcelelland and Stewart, 1977.

18 Ibid

19 Leo Panitch, 'Class and Power in Canada' *Monthly Review*, Volume 36, Number 11, April 1985

20 Leo Panitch, op cit

21 Stevenson, Gartn, *Unfulfilled Union: Canadian Federalism and National Unity*, Toronto, Gage, 1982.

Crises, Crashes and Speculation

Hegemonic Cycles of Capitalist World-Economy and International Financial System

Krishnendu Ray

This article sketches historically the capitalist world-economy from the 17th century to the present as seen from the vantage point of international finance during periods of hegemonic transitions. The discussion here is at a level removed from the everyday practices of production and consumption and from much of what is called 'market economy'. It focuses on the view from the successive cores of the capitalist world-economy such as Amsterdam in the 17th century, Great Britain in the 19th century and the United States in the 20th century. It gives attention to those events and processes that had systemic ramifications, largely ignoring those of regional or local significance. The attempt here is to describe the transitions at the apex of a world-economy consisting of several different regional hierarchies of finance both public and private, from Amsterdam to London, then, from London to a more global system led by New York, and finally to a tripolar world led by Tokyo.

I
Introduction

THE capitalist world economy is fragmented into politically discrete jurisdictions: states. Competition for capital between states is necessary for the system to reproduce itself but so is the need for order. It is scholars like Leopold von Ranke, Otto Hintze, and Max Weber who first drew attention to the relationship between capitalism and the modern interstate system. Max Weber added the interstate system to his list of necessary structural conditions for the emergence and reproduction of modern capitalism. Weber wrote in his *General Economic History*:

> This competitive struggle [between states in early modern Europe] created the largest opportunities for modern western capitalism. The separate states had to compete for mobile capital which dictated to them the conditions under which it would assist them to power. Out of this alliance of the state with capital, dictated by necessity, arose the national citizen class, the bourgeoisie in the modern sense of the word. Hence it is the closed national state which afforded to capitalism its chance for development—and as long as the national state does not give place to a world empire capitalism also will endure [Weber 1927/1981:337].

In *Economy and Society* Weber elaborated:

> Finally, at the beginning of modern history, the various countries engaged in the struggle for power needed ever more capital for political reasons and because of the expanding money economy. This resulted in that memorable alliance between the rising states and the sought-after and privileged capitalist powers that was a major factor in creating modern capitalism and fully justifies the designation "mercantilist" for the policies of that epoch... At any rate, from that time dates that European competitive struggle between large, approximately equal and purely political structures which has had such a global impact. It is well known that this political competition has remained one of the most important motives of the capitalist protectionism that emerged then and today continues in different forms. Neither the trade nor the monetary policies of the modern states—those policies most closely linked to the central interests of the present economic system—can be understood without this peculiar political competition and 'equilibrium' among the European states during the last five hundred years—a phenomenon which Ranke recognised in his first work as the world-historical distinctiveness of this era [Weber 1922/1978:353-54].

'Hegemony' is the process through which that 'equilibrium' is established. In adopting Gramsci's concept of hegemony for the interstate system we are referring to the power of a state to exercise governmental functions over a system of states. Hegemony is the additional power that accrues to the dominant state by virtue of its capacity to pose on a universal plane all the issues around which conflict rages [Arrighi 1990b:366-67; Modelski 1987]. Hegemons establish hegemonic regimes with support of those that are hegemonised (such as western Europe under American hegemony) and by excluding those that cannot be hegemonised (such as the USSR). Nonetheless, here we are mainly interested not in hegemonic regimes but in the transition between them so as to illuminate the present transition from US hegemony.

This is a historical sketch of the capitalist world-economy from the 17th century to the present as seen from the vantage point of international finance during periods of hegemonic transitions. Let us clarify what we do not intend to do in this paper: one, our discussion here is a level removed from the everyday practices of production and consumption and from much of what Braudel characterises as the 'market economy' (1977); two, it is focused exclusively on the view from the successive cores of the capitalist world-economy such as Amsterdam in the 17th century, Great Britain in the 19th century and the US in the 20th century,[1] and three, it gives attention only to those events and processes that had systemic ramifications, largely ignoring those of regional or local significance. Our attempt here is to describe the transitions at the apex of a world-economy, consisting of several different regional hierarchies of finance both public and private, from Amsterdam to London, then, from London to a more global system led by New York, and finally to a tripolar world led by Tokyo.[2] In Section II we briefly describe the distinctive aspects of the international financial network under the Dutch and then the transition to the British-centred world-economy which roughly covers the period from circa 1650 to 1795. Similarly, in Section III we first describe the British system and then the next expansion, retrenchment and reorganisation of the international financial system and the resultant instabilities due to British decline and the inability and/or unwillingness of New York to take the lead. This transition, like the previous one, was characterised by a long-lasting crisis that effected the banking system, and the currency, loan and stock markets and lasted from ca 1890 to 1945. The financial system bottomed out in a series of crisis in the interwar years. Consequently, it was only under the leadership of the American state that the international financial system was stabilised. Keeping with our focus on transitions, in Section IV we briefly describe the Bretton Woods system, moving quickly to a description of the present transition with all its associated symptoms of a debt crisis, an emergent banking and currency crisis and a volatile stock market. Here we also compare the present transition with the transition from Dutch to British and British to American hegemony, drawing analogies and pointing out differences. In this section we also attempt to outline the secular trends in

international finance in terms of, for instance, an expanding system, deepening institutionalisation and changing directionality of long-term financial flows.

Let us first provide a thumbnail sketch of the main features of the transitions under discussion. In the 17th century, Amsterdam plutocrats could establish control over the financial flows of the capitalist world-economy because of their monopoly over Baltic supplies and fine Asian spices through which they appropriated the bulk of precious metal coming into Europe from Iberian America. Sitting on monetary flows of such magnitude Amsterdam merchant-bankers established the *wisselbank* to manage it. From the middle of the 18th century, with downward pressure on profit rates in the main circuits of their commerce, Dutch businessmen withdrew into finance and chose to become the bankers of the world [Braudel 1984:243,246]. "Surplus capital", mobilised through the stock exchange from various trade monopolies, was then lent to European states involved in the most extensive interstate conflict between 1652 and the American War of Independence to make further profit. At the same time, because of a combination of processes that had been in the making over a long time, London was fast overtaking Amsterdam as the centre of a more complex array of financial institutions. Expanding transatlantic trade that English merchants and shippers controlled, declining profits in traditional Dutch strongholds like the Baltic trade that diverted the flow of Dutch capital to British enterprise, and the flow of tribute from India with which the British bought back their national debt from the Dutch, were the most important processes at the root of the shift of the financial centre from Amsterdam to London. The United Provinces had by the middle of the 18th century become a protectorate of the British state. Real competition for world power was between France and Great Britain that was decisively settled in favour of the latter with the Treaty of Paris in 1763 when the French were ousted from North America and India.

Although the locus of world liquidity began to shift from Amsterdam to London between 1690s and the 1720s, the breakdown of the financial pattern dominated by the Dutch did not occur until the 1770s. The new British regime was not established until after the restoration of the sterling-gold standard at par in 1821. The long destabilised international financial networks bottomed out in a series of crisis between 1763 and 1783. The financial instabilities of the 18th century were a product of the reconfiguration of trade networks and the insufficiently developed institutions of control for the new stock markets and bank money.

Monopolies in transatlantic trade circuits, especially in the slave trade, tribute from India, and the new international division of labour that made Great Britain "the workshop of the world" were the processes through which "surplus capital" came into Great Britain and was pumped out to the rest of the world through the via media of the city financiers such as the Rothschilds. Simultaneously, 'surplus capital' accumulating in different regions of the British national economy was mobilised by the branch-banking network and pumped out to the rest of the world once again through the medium of the city. British financiers, situated on such newly profitable flows of the 18th century, quickly moved to consolidate their advantage by setting up institutions of control. At the base of the British system of control was domestic credit-management and resource mobilisation through the national branch-banking network governed by the institutional nexus of the City-Treasury-Bank of England and at the apex was international credit- and currency-management through the sterling-gold standard. By the end of the 19th century when downward pressures increased on profit rates in trade and production English merchants replicated the Dutch preference for liquidity at about the same juncture in their hegemonic cycle and chose to become the financiers of the world investing much of their money in the North American railroads. This era has often been characterised as one of 'finance capital' and 'imperialism'. We will see how this 'stage' of finance capitalism is recurrent in the history of the capitalist world-economy.

Increasing competition that eroded the gold monopoly of the Bank of England at home and abroad and the resultant collapse of the sterling-gold standard in the early decades of the 20th century marked yet another phase of long-lasting financial instabilities in the capitalist world-economy that bottomed out in the inter-war years. Consequently, the financial centre of the capitalist world-economy shifted from London to Wall Street and the Federal Reserve system. Repeating another earlier pattern, the British, by the end of the 19th century, were no longer the main contenders for world power. The competition was now between Germany and the US and the issue was decisively settled in favour of the latter only in the course of the two world wars by 1945. The creation of a continental national economy through competitive industrialisation was the fundamental advantage that the American state had in the struggle for dominance which the German state—the other main contender for world power—could not replicate being hemmed-in in the middle of Europe.

Once again, though New York came to acquire increasing importance in the late-19th century financial network, the British regime did not collapse until the 1930s and the US regime was not put in place until the 1950s. General financial instability since the 1890s gave way to the terminal and transformative crisis of the 1930s: a period of systemic chaos. At the end of this period new arrangements of governance were instituted that included the US Federal Reserve System, Wall Street financiers, selected central banks, the International Monetary Fund (IMF), and the World Bank (WB). These were connected in a hierarchical relationship under what came to be known as the Bretton Woods system.

With the erosion of US industrial dominance by the 1960s, the Bretton Woods system was transformed into a genuinely multilateral system of control. Financiers based in east Asia, under Japanese leadership, became the biggest creditors and this new region became the powerhouse of the capitalist world-economy. Consequently, the international financial system witnessed increasing instability since the late-1960s and the pace of change seems to have hastened in the 1980s and 1990s. In the 1980s, we could recognise the rebirth of finance capital at an analogous juncture of the US hegemonic cycle. "[Every] capitalist development of this order seems, by reaching the stage of financial expansion, to have in some sense announced its maturity: it [is] a sign of autumn", argued Braudel, commenting on the cyclical rebirth of finance capital at the end of each regime of accumulation (1984:246). Instabilities in the international financial system has increased but it is an open question whether the 1980s and 1990s constitute a period of systemic chaos analogous to other such periods before, and whether we are witnessing the birth of a new hegemon. It is without doubt that today old regimes and institutions are being transformed out of recognition and the question is what would they look like at the end of these changes and could these transformed or newly formed institutions establish control over the emergent system without the trauma of a terminal crisis of the old regime and institutions? It remains to be seen whether it would be necessary to go through dramatic crises and wars, that have been necessary correlates of past hegemonic transitions, before any new regime is instituted. Have the rich and powerful learnt any lessons and do they have the institutional means to avoid repeating such catastrophic 'mistakes'?

Hegemonic transitions in the past have been associated with the pre-eminence of finance capital and long-lasting financial crises. Old patterns and regimes of trade and finance have been replaced and reconfigured and in the process new centres have replaced old ones as anchors of emergent systems of accumulation. Volatility and instability during transitions have increased the possibility of making quick speculative profits and have often even made it necessary to specu-

late as a method of hedging against risks in uncertain markets. Financial expansion and crises are two sides of the same coin. Hence, before we launch into any detailed description of hegemonic transitions we need to elaborate on the cyclical pre-eminence of finance capital and to define what we mean by a 'financial crisis'.

As regards the cyclical pre-eminence of finance capital, Braudel, taking issue with Hilferding's characterisation of late-19th century capitalism as a new stage of "finance capitalism" wrote: "Finance capitalism was no newborn child of the 1900s; I would even argue that in the past—in say Genoa or Amsterdam—following a wave of growth in commercial capitalism and the accumulation of capital on a scale beyond the normal channels for investment, finance capitalism was already in a position to take over and dominate, for a while at least, all the activities of the business world" (1984:604).[3] The tendency towards liquidity preference at the end of a phase of material expansion usually comes about by way of decisions by certain capitalist groups and organisations, especially those of the old centres who have lost their competitive edge or are ill-positioned or ill-disposed to fight the competitive struggles, to voluntarily pull out and restrain themselves from investing further while their profits are still high [cf Hicks, 1969:58-59, and *passim*]. Some may withdraw from production but still linger a little longer in the market for intangible assets, such as shares, so as to make a quick speculative profit. Many of the investors who withdraw in the ripeness of time may turn into speculators and be instrumental in leading the "bubbles" in the securities market. Here they need to delicately time yet another withdrawal from such intangible assets so as to leave the market when speculative profits are high, sometimes triggering the collapse of the bubble. Good speculators are the best capitalists and that is why so few capitalists can resist the temptation of playing the high risk market during tumultuous times. This withdrawal of capital in the ripeness of time or what Arrighi calls the "self-protection of capital" finds typical expression in rebirths in the financial sector (1990). Hence, crisis in the 'real' sector and affluence in the financial sector characterise the ends of cycles of accumulation [cf Sweezy and Magdoff 1988]. Consequently, the capitalist enterprises that pull out of trade and production in the ripeness of time have all the liquidity they need to take over at bargain prices the assets of the enterprises that miscalculated the conjuncture and got stuck with less profitable assets. This is the time for take-over battles and corporate buyouts. However, at this point finance capitalists may attempt to lead the mass of money capital out of trade and production altogether. Historically, leading states, that have a tendency to be in chronic financial difficulties because of their over-expansion (because states are driven by power-maximisation rather than profit-maximisation), have provided the most remunerative outlet for such capitalists [cf Hicks 1969:81,85]. Thus, at the end of each cycle Hobson's "finance capitalists" resurface to take charge of the process of capital accumulation under conditions of retrenchment in the "real" sectors [Arrighi 1990:17-23]. Older hegemonic states that are especially over-extended by this time in their hegemonic cycles absorb money capital to momentarily refurbish the dying regimes before that proves to be inadequate.

Hegemonic regimes in the past have usually overseen secular expansions of the capitalist world-economy, be it the 17th century articulation of the Atlantic economy to the Indian Ocean economy through the via media of the Dutch East India Company (VOC), or the 19th century globalisation of the capitalist world-system under British hegemony, or further industrialisation, commodification and proletarianisation in the 20th century under US hegemony. That is because newer regimes are nothing but improvements in the organisation of trade and production that in themselves become the expansionary forces [cf Hicks 1969: 56 and *passim*]. During expansionary phases profit rates increase and based on that expectations of future incomes increase, leading to expansion in credit and increased use of short-term debts to finance investments. Due to eventual overcrowding and falling rates of exploitation (as supply costs including labour-costs catch-up), profit rates begin to fall and as the cycle turns interest rates begin to increase under pressure of increasing demand at the old centres. In such an environment businesses find it difficult to sell their commodities as limits of current consumption structures are reached. Hence, it is simultaneously a crisis of overproduction, an underconsumption crisis, a crisis of the rate of exploi'ation, and most importantly for our purposes, a credit crisis marked by retrenchment.[4] Credit liquidation ensues and interest rates go up as the demand for cash escalates and many firms are faced with bankruptcy and/or are forced to sell assets and offload commodities at falling prices. The crisis proper is triggered by an event like a major bankruptcy and/or a decision by a major bill broker or central banker that credit is too extended and its resultant refusal to honour paper or tighten monetary policy. Financial crises happen more often than hegemonic transitions and since the Industrial Revolution have been associated with business cycle peaks. For instance, in the 19th century there was a credit crisis almost every 10 years (1816, 1826, 1837, 1847, 1857, 1866 and 1890).[5] Here, we are interested only in those long-lasting crises that seem to coincide with hegemonic transitions. A financial crisis in our sense occurs only when it effects the main centres of capital accumulation, is deeper than the recessions of the usual business cycle, and remains festering through a number of credit cycles because of problems of managing the 'usual crisis'. A hegemonic transition makes a quick recovery difficult because of incompletely formed institutions of governance of the emergent trade and financial regime and the absence of a lender-of-last-resort. The fundamental reason for the crisis to fester is that credit- and currency-management by the old financial centre is inadequate and new centres are unable to steady the system of accumulation. A crisis in our sense is defined by exchange rate volatility; run on major banking networks, a crash in the major stock markets, and an international debt crisis. All three hegemonic transitions under discussion have been characterised by crisis in one or more of these spheres. The transition from Dutch to British hegemony being the least clearly defined, in these terms.

II
Transition from Dutch to British Hegemony (ca 1651-1795)

The merchant-bankers of Amsterdam never managed to establish a hegemonic regime of international finance. Instead, they merely dominated the trade and financial flows of the 17th century European world-economy and established in Amsterdam the institutional funnels that furthered the city's role as *the* entrepot of the world-economy. Monopoly over the Baltic trade and displacement of the Portuguese as the pre-eminent European power in the Indian Ocean trade were the basis on which Amsterdam plutocrats established control over the bullion market, set up the stock exchange and financed their state-building activities. As a consequence they continued to profit from these institutions long after their decline as the pre-eminent centre of trade and industry. The Dutch 'enjoyed' a long decline, as Hicks put it (1969:60).

Amsterdam was the commercial and financial entrepot of the city-centred world-economy of the 17th century.[6] Precious metal came in from Iberian America to Amsterdam to settle Dutch surpluses with Spain and Portugal and was deposited by Amsterdam grain merchants and shippers in the *wisselbank*. This bullion played a crucial role in supplying the means of payment for the entire system.[7] It was not only Dutch deficits with the "external arena" that were paid from the bullion stock in Amsterdam but also English deficits. English East India Company (henceforth EIC) agents in

Amsterdam, for instance, purchased Dutch silver ducatons for the Asia trade, which, in the closing years of the 1690s amounted to no less than 7-8 million guilders a year [Wilson 1949:160; Attman 1983:54]. Then, the precious metal stock of the Amsterdam *wisselbank* played an important role in stabilising the Dutch currency, hence transforming it into an 'international currency' of some importance (though never a rival to the Spanish *rial*).[8] Arguing for the re-establishment of the *wisselbank* in 1802, the French Consul in Amsterdam explained the role of the Bank accurately

> Precious metals come to Europe from the New World, not in a constant stream, but at varying intervals, in the irregular bursts of a torrent rather than the smoother flow of a river. At the end of a maritime war which has kept the treasures of the mines pent up in the Spanish and Portuguese colonies, Europe is suddenly inundated with gold and silver in quantities far above what is needed, so that they would decline in value if they were put into circulation all at once. In such an eventuality, the people in Amsterdam deposited the metal in ingots in the Bank, where it was kept for them at a very low cost, and they took it out a little at a time to send to different countries as the increase in the rate warrants it. This money, then, which if allowed to flood in too rapidly would have driven up prices of everything exceedingly, to the great loss of all who live on fixed and limited incomes, was gradually distributed through many channels, giving life to industry and encouraging trade. The Bank of Amsterdam, then, did not act only according to the special interests of the traders of the city; but the whole of Europe is in its debt for the greater stability of prices, equilibrium of exchange and a more constant ratio between the two metals of which coin is made; and if the bank is not re-established, it could be said that the great system of the trade and political economy of the civilised world will be without an essential part of its machinery [cited in Vilar 1976:209]

Yet, Amsterdam was not only the major entrepot of precious metal and the site of the institution that controlled its flow (the *wisselbank*) but also the most important money market in Europe. The stock exchange was a product of the chartering of the VOC and it was *the* "blue chip" company that drove the Amsterdam market. Chaudhuri states that everyone agreed that the stocks of the two great East India Companies (the VOC and the EIC) acted as leaders in the Amsterdam and London exchanges. Daniel Defoe, for example, pointed out that though there were many different kinds of private shares in the market then, it was the East India stock that "was the main point" [Defoe 1719:13-14 cited in Chaudhuri 1978:417]. Through the bourse (the stock exchange), capital was recycled from profitable but stagnant or contracting trade networks such as the Baltic to expanding networks, and reshuffled among business and governmental units depending on their prospective solvency and profitability. The Amsterdam stock exchange, which in the early 17th century functioned as a powerful suction pump that drew 'surplus capital' from all over Europe into Dutch enterprise, a century later turned into an equally powerful machine that pumped Dutch 'surplus capital' into English enterprise [Arrighi 1990:50,77]. Other than recycling and reshuffling 'surplus capital', the Amsterdam stock exchange made possible the mobilisation of relatively small capitals at home on an unprecedented scale, and colonial expansion abroad.[9] Pierre Goubert accurately sees the role of the Amsterdam stock exchange in the 17th century as analogous to that of Wall Street in the 20th century [1970:23-54, from Wallerstein 1982: 111, n 123]. More on that later.

After the *wisselbank* and the stock exchange, the creation and management of the national debt was the third important element in the financial arrangement under Dutch dominance. As stated earlier, the VOC did mobilise a new mass of money capital, yet as far as the relatively small private investor was concerned the principal channel was government securities and it was only when these companies got involved in the consolidation of the national debt that a much larger pool of investors got interested in them. And before the birth of the modern welfare state the national debt basically involved defence costs. Dutch finance capitalists found an outlet for the 'surplus capital' accumulating in the hands of Amsterdam merchants in the needs of the state. If these large pecuniary surpluses were reinvested in the networks of their origin, for instance in the Baltic trade, the most likely outcome would have been an upward pressure on purchase prices of Baltic supplies and/or a downward pressure on sale prices—that is why we call it 'surplus' capital [Arrighi 1990:39-44].[10] Fortunately for the Dutch merchants involved, this surplus capital found an outlet in a number of avenues: (a) in investments in land; (b) in trade expansions to the Orient; and (c) most importantly, in loans to the Dutch and eventually the English state.[11]

Protection has always been a very expensive business. Fortunately for Dutch financiers Early-Modern Europe witnessed a particularly dramatic escalation in costs of wars and the provision of protection.[12] A state's capacity to provide protection depended in the first instance upon an adequate supply of men and munitions which in turn depended on sufficient money and proper organisation [McNeill 1984: vii, 117, 144ff].[13] A political-fiscal revolution was needed to pay for the costs of military-naval expansion on such a scale. It is in the realm of state financing through public debt that the Dutch proved to be the leaders. The capacity for an unprecedented expansion of the debt-revenue ratio funded by indirect taxes was the financial revolution,[14] and a political structure that handed the reins of the state to the same urban plutocrats who financed the public debt was the political revolution.[15] Together they defined the Dutch lead. Rasler and Thompson correctly generalise, that

> ... the earlier winners in the struggle for world leadership owed a significant proportion of their success to their ability to obtain credit inexpensively, to sustain relatively large debts, and generally to leverage the initially limited base of their wealth to meet their staggering military expenses. Conversely, the decat or demise of the earlier losers, despite the possession of relatively extensive resource bases, can be traced partly to their failure to generate or maintain a sufficiently competitive financial capability (1989:89).[16]

By shifting into finance from production and trade, Dutch capitalists had merely postponed the inevitable end of their dominance. The transition from Dutch domination of the international financial networks to British hegemony was a long affair compared to subsequent hegemonic transitions. That was perhaps because it took a certain degree of maturity of the capitalist world-economy before any genuine international regime could be instituted. It took a long time before the British could institute a financial system for the world-economy, whereas the Dutch had more or less merely dominated the current flows. That is also the main reason why this transition did not exhibit all the features of a 'financial crisis' as defined in the introductory section of this paper. As there were, for instance, no institutionalised exchange-rate systems in place, nor for that matter the extensive use of bank money, or 'third world nations' to be indebted, certain typical features of a crisis were missing. Equally importantly, the very nature of the available data (in the absence of national accounting methods) makes it impossible to fully describe the analogous crisis in the same conceptual terms.

Nonetheless, it can be argued that the most definitive features of this transition came in the 18th century, especially between 1690 and 1773. The challenge first took shape in the sphere of trade. The English did not directly boot out the Dutch from the position of dominance. Instead, they were the benefactors of a reconfiguration of trade, especially the Americanisation of the capitalist world-economy. The processes that led to the relocation of England at the centre of a new regime of trade was in the making over a long period of time. In a symbolic way the eviction of the Venetians and the Hanse, who had once controlled the

main English export of cloth, between 1533 and 1598 marked the beginning of a concerted attempt by English merchants to move from the periphery towards the centre of a new trading system. The Dutch still controlled European trade and were the first to challenge the Iberian powers in the New World and the Portuguese in the Far East.

For more than a century English and French forays were a distant second to the Dutch challenge but slowly the foundations for English pre-eminence were laid out [Minchinton 1969:3]. There were a number of factors in the eventual English victory on the Atlantic, many of which the English had done nothing to deserve. First, was the location of Great Britain as an island on the currents of Atlantic trade that provided her with locational advantages of protection and intermediation. Second, there was the long-term effect of Iberian-Dutch hostility on the Atlantic which ended up (a) by inadvertently protecting the English from Spanish naval might by anchoring a 'naval screen' when the Dutch seized Curacao in the Caribbean in 1634 [Wallerstein 1980:64]; and (b) by driving the Portuguese into 'buying' protection from the English at terms highly favourable to the latter, that half-a-century later was formalised in the Treaty of Methuen (1703), through which the English gained access to Brazilian supplies and Portuguese markets. Third, settler colonialism in North America, the other important factor in later English pre-eminence in the Atlantic trade, happened to be spearheaded by immigrants from England, Wales, Scotland and Ireland. The Dutch could never compete with the English in settling North America simply because fewer Dutchmen were available as a result of relative labour scarcity [Boxer 1965:109]. Moreover, higher standards of living made immigration across the Atlantic unattractive for most Dutch. Most of the colonial population, and nearly all the well-to-do merchant, planter and professional classes, were of British origin, who over generations became accustomed to take manufactures from British sources (so important for the Industrial Revolution) and sell through British factors (so important for the transformation of Great Britain into the new entrepot and the centre for services in the 18th century capitalist world-economy) [Davis 1969:115].

Then there were purposive mercantilist actions of wars and protection that the English state initiated so as to come to dominate the Atlantic trade. First came the protectionist measures and then through them the benefits from wars and peace treaties. Expansion of the English shipping industry, so crucial for protection of her island status and the establishment of a sea-borne empire, came in the 17th and 18th centuries as a combined result of strong state protection in the form of the Navigation Acts of 1650 and 1651, the Act of 1660, Act of Frauds of 1662 and the Staple Act of 1663; [17] the coastal coal trade; the Newfoundland and Greenland fisheries; and the expansion of the Mediterranean and African trades [Minchinton 1969: 11; Davis 1962]. The unequivocally mercantilist Navigation Acts sice 1651 directed much of the commodity flows into the British entrepot and excluded the powerful Dutch carrying trade, as a consequence, nurturing London's commercial and bank capitalists. The Navigation Acts were a major tool in locking-in the colonial market to the British national economy, especially the British North American market. This was of special significance given the ten-fold increase in the North American population between 1700 and 1775 and given the high wages current in those colonies that generated a large effective demand for English manufactured goods [Wallerstein 1989:68, n 53]. As trade expanded the tax-base expanded, further strengthening the state. In the English case it particularly benifited the state because trade was funneled through a few bottlenecks—the ports—where duties could be collected cheaply and efficiently. The opportunities for this depended on geography and that had much to do with the long-standing relative efficiency of English administration. If trade, on the other hand, passed over a vast and often ill-defined frontier then duties were more difficult to collect. Furthermore, if taxes on trade had to be taxes on internal trade, they have to be levied at artificial frontiers, which are difficult to police. Most states of Continental Europe, including France, faced this difficulty [Hicks 1969: 82]. Then there were a series of other protectionist measures, such as the Acts of 1700 and 1721 that prohibited the importation of printed calicoes and cottons from India for domestic consumption. This system of industrial protection was further consolidated by Walpole's custom reform of 1722 and the removal of export duties on agricultural and manufactured goods in 1699 and 1722 respectively [Minchinton 1969:13]. These measures were supplemented by the much larger effort in the 15 years after the accession of William III to the English throne when "the English tariff structure was transformed from a generally low-level, fiscal system into a moderately high-level system, which, though still fiscal in its purposes, had become in practice protective" [Davis 1966:307]. With the navy, the merchant marine and domestic industry nurtured in these ways English naval power became ascendent. That in turn helped in the acquisition of markets, supply sources and monopolies in a virtuous mercantilist cycle.[18]

Next came the wars and the resultant peace treaties. As mentioned above, the conclusion of the Methuen Treaty with Portugal in 1703 provided a stimulus to trade and helped in time to make London a major market in bullion, so cucial for pre-eminence in an age of metallic currency [Wallerstein 1980:191-93; Minchinton 1969:155ff]. Then with the Treaty of Utrecht, that ended the War of Spanish Succession (1702-13), England enlarged her American holdings at the expense of France who gave up her claims to the Hudson's Bay region, to Newfoundland, to St Christopher and ceded Acadia. These gains opened the way to westward expansion and the growing population of the North American colonies cultivated more land which eventually expanded exports of tobacco, rice, and indigo to England and wheat, beef, pork, livestock and lumber to the West Indies [Wallerstein 1980: 255; Minchinton 1969:14]. From Spain, England won Gibralter and the *Asiento* which gave English and colonial slave traders a crucial monopoly in the supply of African slaves, the most strategic resource of the Atlantic trade,[19] to the Spanish American colonies. With the Treaty of Paris, which brought the Seven Years War to an end, England gained Canada, Cape Breton Island and all the region east of the Mississippi. Florida was taken from Spain and most of the French colonies in India, Senegal and Goree in West Africa were also acquired. The annexation of Tobago, Dominica, Grenada and St Vincent in the West Indies was followed by the Free Port Act of 1766 by which the English state endeavoured to capture trade with the Spanish American empire [Minchinton 1969:17].

Along with the defeat of the Dutch on the Atlantic came their defeat on the Indian Ocean. Through much of the first half of the 17th century the EIC appeared to be fighting a losing battle with the VOC as the early Dutch monopoly of the Moluccan Islands and the seizure of Batavia in 1619 forced the EIC into concentrating on Indian textiles (that nonetheless proved to have a far more elastic market in Europe to the later advantage of the English). The upward trend of the EIC began to take hold only from 1661, though momentarily hampered by the Second and Third Anglo-Dutch wars of 1665-67 and 1672-74. The personal union of England and the Netherlands through the Glorious Revolution was a blessing for the EIC as it attenuated Anglo-Dutch hostility.

Next, came the creation of the British home market, that, in the first instance, received a fillip from the Act of Union with Scotland in 1707 that realigned the Scottish economy away from the Dutch and into the British Isles—a fact made evident by the withering of the Scottish Staple at Campveere in Zeeland [Lenman 1990: 48-54; Davidson and Gray 1909: Chapter 6]. Then, an intricate regional division of labour and the internalisation of production costs by enterprises, in the course of the "Industrial

Revolution", dramatically transformed the international regime of production and trade, with Great Britain relocated at the centre of the new regime of accumulation as the "workshop of the world" importing agricultural supplies and raw materials (grain, cotton, sugar) and exporting manufactured goods and machinery (cotton textiles, metalware, textile machinery, and railways).[20] Then, new sources of supply and expansion into new markets for textiles, textile machinery, coal, and railroads, generated an increasing velocity of trade till the 1870s that became the motto of the British regime of accumulation [Milward and Saul 1977:471].

The results of this reconfiguration of trade and the new international division of labour were evident in the volume, value and direction of trade flows. Through much of the 17th and 18th centuries the traditional traffic in English woollen cloth continued to play an important role but the newer trades proved to be more consequential in transforming the trading system as a whole and for later British hegemony. With growing extra-European trade and increasing volume of re-exports, English ports, especially London, became first an entrepot as well as a terminal and then a 'global city' providing information, management, and finances, especially financial management services, for the circuits of the capitalist world-economy. The most rapidly expanding trade was not in the indigenous manufactures of England but in the re-export of commodities brought from overseas as a consequence of the widening area of English overseas trade. Of these East Indian products—calicoes, saltpetre, indigo, silks and spices—tabacco from America and Mediterranean cotton, dyestuffs and raw silk were the most important. The slave trade acquired increasing importance in the 18th century. "Before the English civil war, re-exports were trivial; by the 1760s they were making a notable addition to English native exports; by the end of the century they added to that total no less than 50 per cent" [Davis 1969:111].

"Armed aggression was the heart of commerce", argued, George Clark, a historian of the 17th century (1947: 59). We have seen how apt that characterisation was for English successes in commerce in the west and in the east. We will now see how through much of the 17th and 18th centuries the same would hold for English pre-eminence in Europe itself. Intense intra-European conflict characterised that epoch and the British came out on the top because of their geo-strategic insularity that involved lower protection costs, and more importantly from our perspective, because they managed to mobilise the sums required for such extensive inter-state conflict without going bankrupt. As the geopolitical features are beyond the scope of this paper, we confine ourselves here to a discussion of the financial aspects.

Braudel agrees with Isaac de Pinto's assessment that the crucial English victory over the French in the Seven Year's War (1756-63) was a natural consequence of the mobilisation of English resources through the national debt, which in turn was a product of the English 'financial revolution'. In contrast, France, the other challenger to the Dutch mantle was disabled by its poor credit arrangement [Braudel 1984: 378]. The irony was that much of the capital mobilised by the English state and deployed to some extent against the United Provinces came from Dutch capitalists. But Dutch capitalists needed some guarantees and restructuring of the English financial system before they could invest in the English state wholeheartedly.

The English 'financial revolution' fulfilled that requirement and became a major tool, first, in the British challenge to Dutch dominance and then in holding on to her lead *vis-a-vis* France. The English/British financial revolution that was engineered between the 1660s and the 1720s [21] was the latest increase in scale for modern long-term debt, from Italian city-states to the province of Holland, than to the United Provinces, eventually to the UK. Like the Dutchm, the English financed their state building activity through loans. In less than a century, between the Nine Year's War (1689-97) and the American War of Independence (1775-83), the public debt had increased 15-fold in current prices from £ 16.7 million to £ 245 million. As aggregate borrowing increased with each successive war, so the proportion of wartime expenditure funded by borrowing rose. Credit accounted for 31 per cent of spending during the War of Spanish Succession (1702-14) and by the time of the American War (1775-83) 40 per cent of the expenditure was funded by loans. The state's dependence on loans meant more tax revenue had to be spent to meet interest payments. In no year after 1707 was less than 30 per cent of state income required to service debts [Brewer 1989: 114-16, 119]. Following the Dutch lead British debt-revenue ratio dramatically moved from 0.8 in 1692 to 8.5 in 1720, 10.4 in 1750 to a peak of 18.4 in 1784 [22] then declining to 8.4 by 1811 [Riley 1980: 116-17].

As mentioned before, in spite of all the innovations, the English financial revolution would have been a much muted affair without the interest of Dutch capitalists in English government securities. It was with the decline of Dutch monopoly over the Baltic trade, rising wages at home, and protection costs, that we witness a financial withdrawal of Dutch capital in search of an adequate rate of profit. At this time there was a general tendency of Dutch businesses to forsake the goods trade to specialise in finance (e g, the Hopes, the Pels, and the Cliffords). Dutch capitalists' interest in English government securities was evident from the million-pound English loan flotation in the Amsterdam market early on in 1692. Yet, the Dutch had generally refused to place their capital at the disposal of the English state fundamentally because of inadequate or unsatisfactory guarantees. Once the English financial revolution transformed that, the Dutch moved-in in a big way as English 'funds' afforded them convenient investment, higher interest rates, and a choice focus for speculation on the Amsterdam bourse [Braudel 1984:261]. The movement towards British investments peaked in the period between 1740 and 1780, when they became the most important investment after loans to Dutch corporate bodies.[23] So much so that a speaker in the House of Commons in 1737 expressed worries about Dutch control of British land mortgages [Wilson 1941:67].[24] The British then used the plunder of India, in the decades after Plassey, to buy back the national debt from the Dutch. A debt of about £ 25-30 million was rapidly liquidated in a few years after 1783. In the years 1757-66 pure plunder reached its peak and continued at a high level until 1774 after which it became disguised more and more in commercial forms. Estimates of the "drain of wealth" from India range from £ 100 million to £ 1,000 million for the half-century or so after 1757. Davis argues that "Indian wealth supplied the funds that brought [the] national debt back from the Dutch and others, first and temporarily in the interval of peace between 1763 and 1774, and finally after 1783, leaving Britain nearly free from overseas indebtedness when it came to face the great French wars from 1793" [Davis 1979: 55-56, Wallerstein 1989: 85, Carter 1953].

Though the English challenge to the Dutch had begun by the middle of the 17th century it was only after 1730 that the Dutch commercial system finally began to break down under the pressure of the English Navigation Acts. The terminal financial symptoms of the transition became visible only in a series of crises that hit Amsterdam in the years 1763, 1772-73, and 1780-83. While more and more of the profitable trade routes were monopolised by English merchants, and British industrialists spearheaded the reorganisation of the international division of labour, and both reinvested their profits in expanding trading and production systems, Amsterdam remained the greatest centre of international finance. Amsterdam plutocrats financed much of these British activities. But Amsterdam could fulfil this demand only within limits, after which came the financial crises as Dutch pecuniary supplies proved to be inadequate for the expanded world-system. The first crises, of 1763, was triggered by the end of the Seven Years' War (1756-63). The war had

necessiated an expansion in credit which was said to be 'fifteen times greater than the cash or real money in Holland'.[25] The bankruptcy of the Neufvilles in August 1763, because of their inability to produce the six million florins they owed, touched off the collapse of a system already under severe strain. Suddenly discounters could no longer discount paper and the whole credit structure came crumbling down, creating a currency shortage that spread from Amsterdam to Berlin, Hamburg, Altona, Bremen, Leipzig, Stockholm and London. In need of cash Dutch investors began to recall the capital they had invested in English stocks paralysing the Amsterdam Stock Exchange.[26]

Amsterdam's merchant bankers had just about re-emerged from the trauma of 1763 when the crisis of 1773 was triggered by the Clifford bankruptcy of December 28, 1772. The bourse ground to a halt, bankruptcies spread, and the Bank of Amsterdam in association with leading businessmen advanced two million florins in cash to ease the pressure. Yet, Braudel (following Charles wilson) argues that this crisis of 1773 was decisively different from the crisis of 1763 because the initial incident occurred in London not in Amsterdam. The collapse of the Cliffords was linked to the difficulties of the East India Company in Bengal. The crisis in london was quickly brought under control by the intervention of the Bank of England which suspended discounting of any doubtful bills and eventually of all paper. Amsterdam was hit the hardest, as the preeminent money and credit market was left by itself to back all the paper in circulation. In Amsterdam, for years confidence was never really restored among the merchant class. According to Braudel this was the crisis that showed that

> ...Amsterdam was no longer the centre or epicentre of Europe. This had already shifted to London. Can one suggest that a highly-convenient rule might operate in this context, to wit, that any city which is becoming or has become the centre of a world-economy, is the first place in which the seismic movements of the system show themselves, and subsequently the first to be truly cured of them? If so, it would shed a new light on Black Thursday in Wall Street in 1929, which I am inclined to see as marking the *beginning* of New York's leadership of the world [Braudel 1984:272].[27]

Kindleberger argues that in the previous crisis of 1763 the Bank of England and London private bankers had come to the rescue of their Dutch correspondents by granting credits larger than those previously given in periods of prosperity. Seven consignments of gold were shipped in two months, and in addition, English banks delayed presenting bills for payment. Such aid was based on the Knowledge that British prosperity was intimately associated with the flow of Dutch capital into England. Yet in the crisis of 1773 the Bank of England dumped all the pressure of the crisis on Amsterdam by refusing to discount paper (1989:203, 1978:183). Could it be that 1773 revealed the logic of all transitions where the old centre can no longer rule the system while the new is unable, perhaps unwilling too, to do so? How then can we explain English aid to Amsterdam in 1763? Could it be that in 1763 English merchants could not afford a shaky Amsterdam financial market and they aided the Dutch from a position of relative subordinations while their refusal to do so in 1773 was a signal of English arrival?

Amsterdam had ceased to be a world leader by the time of the third crisis, in the 1780s. In association with the fourth Anglo-Dutch war (1781-84) this crisis had a particularly devastating effect on Holland. Nominally, according to the Treaty of Versailles (September 3, 1783), the Dutch won that war, but they were financially exhausted and it was England that emerged the economic victor. The war contributed to the collapse of the Amsterdam *wisselbank*, which had advanced funds in the emergency to the city of Amsterdam, which in turn, had got involved in a futile attempt to rescue the terminally ill VOC. The VOC never recovered nor did the *wisselbank* [Kindleberger, 1984:48]. To make matters worse, following closely on its heels were the 'Patriotic Revolution' and the successful "Orangist Counter-revolution" brought about by English money and Prussian troops in October 1787. The United Provinces were caught in the power struggle between France and England and would witness another foreign invasion by Napoleonic France in 1795 that can be considered to be the symbolic date when all Dutch pretension to greatness ended [Braudel 1984:273-76].

Underpinning the three episodes of tumult in the financial markets was the evolving fiscal crisis of the Dutch state. The rate of increase of protection costs far outstripped revenues. The earlier withdrawal of Dutch capitalists into international finance had the effect of starving the United Provinces of tax revenues. Simon Schama shows how the effects of this escalation of costs and shortfall in revenues showed up in the debt charges of Holland. Its capital sum had risen from around 150 million guilders in 1678 to over 400 million in 1713. But mid-century retrenchment had succeeded in confining interest charges to below 15 million. By 1789, however, extraordinary loans, 'dons gratuits', lotteries and levies had begun to take their toll and in 1791 interest reached the record level of 18,276,015 guilders. On top of that, on the eve of the Batavian revolution in 1795, the debt of the now moribund VOC stood at 118 million guilders with yearly charges of around 4 million. Interest rates which throughout the century had remained around two-and-a-half per cent began to increase at the end of 1780s when rates of 4-5 per cent became common. By 1794 the government was resorting to contracts with financiers at even 10 per cent and more (1975:110-11). The disruption and expenses associated with the end-of-the-century wars and revolutions bankrupted the Dutch state and destroyed the financial market of Amsterdam and left London unchallenged in the sphere of international finance (Schama 1975:111).

III
Transition from British to American System (ca 1890-1945)

Before we describe the transition from British to US hegemony we will briefly sketch the essentials of the British system. It can be said in a highly condensed from that it was the successful creation of the national market and the deployment of state strength, two mutually constitutive elements of the European world-economy in the 17th and 18th centuries, that were crucial in the duel for world domination. The constitution of the national market as a well integrated division of labour, as in the English case, brought a renewed surge of power to the new centre that the city-centred economies, like the Dutch, could not withstand [Braudel 1984: 297]. France failed to produce either a competitive enough state or a national market to challenge the Dutch and the English. Consequently, the English beat their European rivals in the conquest of the markets of the New World; put their finances in order under Pitt's administration (while French finances went into a tailspin with the American Revolutionary wars); defeated the tea smugglers in 1785; established a more efficient administration in India Through the East India Bill in 1784; and established the first settlement in Australia in 1789 [Braudel 1984:379-82].

Perhaps the single most important factor that made the British financial regime so distinctive from the system that the Dutch dominated was the role of the empire, particularly India. It is the far more successful combination of territorialism and capitalism, as analytically separate logics, that distinguished the English from the Dutch and it was the prevalence of the capitalist logic in Europe and the territorialist logic in the east and the symbiosis between the two that made all the difference.

If the empire was acquired in a fit of absent-mindedness it was nonetheless with great rationality that its fiscal assets were exploited to the financial advantage of London.[28] Firstly, India's foreign trade was structured to realise a deficit with Britain but a large surplus with the rest of the world. That allowed Great Britain to square its international settlements on current account, which

in turn, allowed it to use the income from overseas investment for further investment abroad and to give back to the international monetary system the liquidity it had absorbed as investment income. Furthermore, according to Lindert's calculations, in 1913 British possessions in Africa, Asia and Australia held about $ 150 million deposited in London, of which $ 136.3 million belonged to the 'Government of India' (1969). By preventing India from transforming its annual surpluses into gold reserves the India Office contributed towards keeping British interest rates low. English banks were able to borrow from the India Office at 2 per cent and reinvest on the London market at 3 per cent [de Cecco 1984:63]. Secondly, manipulation of India's metallic currency allowed the British monetary authorities a much larger room for manoeuvre. For instance, with the discovery of gold in South Africa in the 1890s the British government feared that the market might be glutted so the imperial government ordered the minting of gold sovereigns in India but reversed the decision as soon as the Boer War put pressure on the gold supply.[29] Finally, and most importantly, the British Raj engineered a reversal of the traditional flow of bullion from the west to the east. As mentioned earlier tribute from India allowed the British to buy back their debt from the Dutch. The main component of this flow were the 'Home Charges': interest on debts to England incurred by the Raj to subjugate India; pensions of former civil servants living in England; payments to the War Office for the upkeep of the British-Indian Army and materials purchased in England on the Raj's account. The 'Herschell Committee' noted in 1893 that the main problem of the 'Government of India' was that it had to remit large sums to England every year that, for instance in 1873-74, amounted to £ 14,265,700 and had by 1892-93 increased to £ 26,478,415 [de Cecco 1984:63, 65]. The surplus which that tribute made possible freed the city's earnings for further commercial and financial transactions.[30]

The Raj played a crucial role in the international financial system of the 19th century but there were other British developments that though subsidiary were nonetheless important. First, similar to Amsterdam, London's control over world liquidity began with South American precious metal. Because of a combination of gold finds in Portuguese colonies (Minas Gerais in Brazil in the 1690s) and the construction of English-Portuguese trade that showed an increasing English surplus,[31] England dominated gold imports through the 18th century amounting to about 10 million rix-dollars a year in the first half of the century.[32] Yet, at the height of British hegemony, paper began to replace precious metals as the increasingly acceptable store of value and the British dominated the system of issuing bank notes from the very first. In the issuing of bank notes Great Britain became the most proficient, making the British monetary regime somewhat different from the Dutch regime of finance. By 1698 the Bank of England had notes in circulation payable on demand worth £ 1,340,000. By 1720 this total had risen to £ 2,480,000 (smallest denomination £ 10). Many provincial banks in England and Scotland issued their own notes too. In all, it is estimated by Parker, that the total value of paper credits circulating in early 18th century England was about £ 15,000,000 as against a total coin and bullion stock of £ 12,000,000. The financial innovations of the later 17th century had expanded England's total monetary stock by 25 per cent without an equivalent increase in the amount of bullion . No other European country at that time managed to create money on this scale in this way [Parker 1974:552]. It was not only a matter of creating paper money, but also of managing its creation in a manner that would keep the pound-sterling stable. The British banking structure took care of both these aspects: creating money through country banks and the Bank of England and controlling it through the sterling-gold standard.

The British were also the first to establish a national banking network. Within a decade of the legislation of 1833 (that explicitly allowed joint-stock banks in London) about 150 banks had been established which with their branches accounted for almost 600 bank offices [Cameron 1982:104].[33] In 1865, Walter Bagehot testified before the French *Inquiry into the Principles that Govern Monetary Circulation*, that the banking system of England was superior to that of France in transferring savings from households to industry, since each village in England had at least two banks, "thanks to which no shilling of savings was lost" [cited in Kindleberger 1984: 87-88]. Larger networks and larger assets meant greater stability. In addition, the growth of British deposit banks placed at the city's disposal a huge quantity of funds which could be used to finance world-wide trade.

The central principle behind the smooth functioning of the British financial system was a stable banking network that mobilised vast amounts of capital and the Bank of England's monopolistic control over the reserves of the system that ensured convertibility at all times. The Bank of England's control over the domestic money supply and sterling's world role were made possible by the centralisation of the domestic banking and monetary system under the monopolistic control of the Bank of England (as envisaged by Peel's Bank Act of 1844).[34] The city's interest in free trade and convertibility, the Treasury's attempts to maintain a tightly balanced budget that kept the state solvent, and the Bank of England's control over the reserves of the national and international system, made it possible to establish the distinctive institutional nexus of British financial hegemony: the City-Treasury-Bank of England nexus [Ingham 1984].

If the nexus of the City-Treasury-Bank of England was the institutional site of governance of the international system, international financiers like the Rothschilds were the sinews of the British system connecting the world through sterling loans.[35] They were the most important agents that marketed public loans in the London money market. Government patronage and an all-European network, that provided both connections and information, was what gave the Rothschilds the decisive edge. The Rothschilds were part of a larger circle of merchant bankers who had jumped on the boat of British industrial expansion only to emerge by the mid-19th century as the 'central bankers' of Imperial Britain by pulling out when profits were still high [Arrighi 1990:86; Chapman 1977]. The importance of the Rothschilds, among other merchant-bankers, for the British regime of finance can be gauged from Hobson's comment:

> These great businesses—banking, broking, bill discounting, loan floating, company promoting—form the central ganglion of international capitalism... No great quick direction of capital is possible save by their consent and through their agency. Does any one seriously suppose that a great war could be undertaken by any European state, or a great State loan subscribed, if the house of Rothschild and its connections set their face against it? [Hobson 1938:56-57].

The protection and preferential treatment which the Rothschild financial network received from Imperial Britain had its counterpart in the incorporation of that network in the apparatus of world rule deployed by Imperial Britain. "Pax Britannica held its sway sometimes by the ominous poise of heavy ship's cannon, but more frequently it prevailed by the timely pull of a thread in the international monetary network" [Polanyi 1957:14].

To reiterate: till the 1880s London operated unchallenged in the international field. Sterling's stability had been maintained by government directives to the Bank of England, and it had prevailed over all other currencies as the most stable and efficient vehicle of trade, attracting more and more capital to itself. The London accepting houses had assembled unique experience in assaying commercial paper from all over the world. The growth of British deposit banks and the stability of the sterling, placed at the city's disposal a huge quantity of funds which could be used to finance world-wide trade. The politically servile reserves of the Indian monetary system provided a large *masse de manoeuvre* which British mon-

etary authority used to supplement their own reserves and to keep London at the centre of the international monetary system. From 1890s onwards, as trade, production and profits shifted to non-British hands, especially German and American, financial centres emerged that challenged London's centrality.

From the Barings Crisis in 1890[36] it was evident that the international financial system was catching up with the competitiveness and resultant restructuring that was developing in the world of production and commerce since the 1870s. As the sterling-gold standard became an international gold standard, Paris, Berlin, and New York developed financial institutions that came to threaten London's monopoly. As the political climate deteriorated with the collapse of the Continental balance-of-power, what changed was London's capacity to be the repository of the world's ultimate gold stock. Paris and Berlin no longer considered the departure of their gold reserves (so essential for the working of the gold standard) with equanimity. But it was the behaviour of the American Treasury with the size of the American market behind it, that was crucial for the demise of the gold standard.

US bankers used the London money market as its central bank, as it did not have one of its own until 1913. London thus had to absorb all the seasonal oscillations in the American demand for money. The US on top of that, unlike the politically pliant 'India Account' absorbed huge amounts of gold, keeping with the resurgent protectionism in the world economy. The US Treasury being the principal glutton along with, the national banks, and the farmers. In 1889 the combined gold reserves of the US Treasury and the national banks grew to £81m out of a total world official reserves of £296m; in 1899 they stood at £124m out of £504m; and in 1910 they totalled £273m out of £867m. The reserves of the three centre-countries combined—Great Britain, France and Germany—were worth no more than those of the US alone. The Bank of England was left to control the London money market with a puny average gold reserve of only about £30m. That too in a system in which the gold recycling mechanism, which worked well as far as the colonial territories like India were concerned, was only partially effective where independent primary exporters such as the US was involved [de Cecco 1984:120,125].

Troubles in the financial system were reflections of the changing configuration of the trade network. The smooth functioning of the sterling-gold standard was dependent on British industrial supremacy and trade surpluses, both of which were compromised by the relative rise of the US and Germany. Then the first world war further eroded the centrality of the British economy. First, the war weakened the trade balance of European powers, particularly Britain. On the one hand British exports decreased as a result of the diversion of resources for the war effort, and on the other Great Britain had to increase its imports of war related products, especially from the US, which in turn stimulated American heavy industries.[37] The immediate consequence of the increase in imports and decrease in exports was that Great Britain generated a huge trade deficit.[38] These factors acting together contributed to the collapse of the sterling-gold standard in March 1919 when the pound was officially devalued. Repeated but unsuccessful attempts by the British state to re-establish the dominance of its own currency followed. Second, the war strengthened the financial power of the US while weakening Great Britain's. Since the first world war was mainly a European war, the American business environment could avoid disturbance. In fact, the war made the US a net creditor in relation to the rest of the world.[39] During and after the first world war the US became the principal supplier for new international capital flows.[40]

The trend of relative British decline continued through the inter-war years. Relative to other great powers, "the 1920s were, except for 1929, a lost decade for the United Kingdom" [Kindleberger 1973:58]. With increasing industrial self-sufficiency of the US and the reconfiguration of trade the British had come to depend more and more on their financial services to retain their edge. Here too British transnational banks and financiers were soon faced with a changed world. As Geoffrey Jones put it:

> Regulatory measures and exchange controls altered the parameters of banking as it had existed before 1914. Competitive pressures increased in many places. In some cases, such as Iran and Australia, state-owned institutions combined central and commercial banking, to the chagrin and dismay of the British banks. These changed conditions meant that barriers to entry began to rise for British institutions, but decline for those of other countries... The changes in industry structure worked almost uniformly in the direction of reducing the competitive advantages that British banks enjoyed and developed prior to the First World War. In the area of cost, dollars began to rival sterling in the settlement of international transactions, especially in some areas of Latin America. Exchange controls, and other problems greatly curtailed the floating of foreign loans on the London market. New local institutions competed vigorously for deposits. Bank Misr in Egypt and Bank Melli in Iran were two examples in the Middle East. The ability to moe funds between countries was disrupted by exchange controls and exchange instability (1990:43).

Nonetheless, it must be pointed out that even though Britain's economic power was decreasing it kept its extensive financial networks and its role as an important (if not the) international financial centre after the first world war. Moreover, in spite of the emergence of the dollar and, to a lesser extent, the franc as competitors, sterling maintained its role as the world's leading currency. Pound-sterling reached the peak of its importance between 1860 and 1914, when about 60 per cent of world trade was invoiced and settled in sterling. The descent from that peak was gradual and slow and as late as the early post-second world war years, the pound was still the world's most important transactions and quotation currency, accounting for perhaps half of all trade [Cohen 1971:71-72; Brown 1940:143,145]. Yet, things were beginning to change for the worse for the British currency.

In the panic of 1907, US bankers realised that the weight of the American economy had become 'too big' for Europe to underwrite in times of crises. After years of bitter debate president Woodrow Wilson signed the Federal Reserve Act on December 23, 1913. This provided a rediscount market for dollar bills of exchange that increased the use of dollar as a means of exchange and as a means of payment in international trade and encouraged American banks to participate in international banking business [Abrahams 1967:10-11,50-51]. After the outbreak of the first world war, "the Federal Reserve Board further increased the use of dollar exchange in 1916 by obtaining from the Congress an amendment to the Federal Reserve Act that allowed American banks to accept bills of exchange in dollars that were used to finance trade between nations other than the US. This facilitated the replacement of sterling with dollars as the medium of exchange between South America and Europe. As a result, shipments of merchandise from Holland to Argentina, for example, and of coffee from Brazil to Italy, were financed in dollars. By the end of 1916, New York banks had acceptance liabilities in the neighbourhood of $150 million; all of America's banks held between $200 and $250 million" [Abrahams 1967:53-54].

As mentioned before, the strengthening of the US financial power came mainly from its huge trade surplus. As a result the American gold stock tripled between 1914 and 1930 (continuing an earlier trend discussed before) and American gross external assets quadrupled, far outgrowing foreign claims on the US. In terms of comparative capital flows, "from 1924-29, the US loaned abroad some $6,400 millions and the UK $3,300 millions" [Kindleberger 1973:56]. The outflow of capital from New York, which were accelerated by the Dawess Plan in 1924, had surpassed those from London in the 1920s [Drummond 1987:36; Kindleberger 1973:38-39,54].

The late-1920s and the early-1930s were characterised by unprecedented financial instabilities. As instability spread through the system, a speculative boom took hold in the New York stock market and its collapse was one of the most memorable and dramatic expressions of the crisis of the inter-war years. The stock market bubble was formed during the period of sustained growth of the 1920s. The engine for prosperity of the 1920s was the emergence of large-scale commercial and industrial enterprises that took advantage of new continuous process technologies and more efficient vertical integration [White 1990: 146]. The financing needs of these new industrial and commercial enterprises altered the face of American capital markets. These firms rapidly came to dominate the equities market. Between September 1916 and September 1928 many of these companies like Allied Chemical, American Locomotive, AT and T, American Tobacco, International Harvester, Mack Trucks, Sears Roebuck, Western Union and Woolworth were added to the list of companies whose shares were traded on the NYSE. These large firms preferred to raise funds out of retained earnings and new stock issues rather than through bank loans. This left commercial banks in a quandry and they started looking for new sources of income. Commercial banks could not directly trade in securities, hence, to circumvent the legal restriction they set up wholly-owned security affiliates which entered investment banking and brokerage business. Charging sometimes one quarter of the New York brokerage commission these commercial banks developed a large new pool of potential clients in their depositors. A large number of small investors were drawn into the market first through investment trusts set up by these banks that had fixed portfolios (largely blue chip) and then through managed trusts that played the market more ambitiously. The influx of many new people and the excitement about the potentialities of new managerial styles and organisations (for instance GM) and new technologies (for instance RCA) made it difficult to evaluate market fundamentals. Old information and control systems proved to be inadequate. Bankers got 'pulled' directly into the market for short-term call-money loans and this expansion of credit encouraged investors to become dangerously leveraged. By 1928 the market began to take a speculative turn. As competition increased in the real sectors of trade and production investors began to concentrate more and more on speculative profits that were to be had in the NYSE, further starving the real sectors of investments. The inevitable crash followed triggering the Great Depression [White 1990; Galbraith 1988].

The international debt crisis of the 1930s was another expression of the financial chaos. The debt crisis unfolded in three stages. It was Latin American defaults that overshadowed the first phase which covered the entire year of 1931 and extended to the following years. On the first day of 1931 Bolivia began to default on its dollar obligations and within a short time its Latin American neighbours followed [Fishlow 1986: 82]. In the second stage the default spread to southern and eastern Europe from 1932 to the middle of 1933. Finally, the third stage was dominated by the German default that coincided with the Monetary and Economic Conference of 1933 [Eichengreen and Portes 1990:74].

The collapse of the NYSE and the international debt crisis sent a wave of bankruptcies through the banking structure. Carlos Marichal describes the unfolding banking crisis succinctly:

> The first signs of a weakening of the banking system came from the US as a run on banks in the south-east almost provoked a national panic in mid-1930. The weakest link of the international financial structure, however, was not in the US but in Europe. The crisis, exploded in May 1931, when the great Credit-Anstalt bank of Vienna collapsed. The run then shifted to Germany and provoked the fall of the even larger Danatbank. By late July the London money market had begun to crack under the strain, and on September 21 Britain went off the gold standard. Another twenty-one countries followed the British example, and exchange controls were established by governments of thirty-one nations around the world [Marichal 1989:209].[41]

The period between 1914 and 1925 was also marked by large exchange rate fluctuations. Consequently, Churchill, under influence of the city and with the interest of London in mind, decided to return to the Gold Standard at par in 1925. It was no surprise that the city of London was interested in restoring its pre-war position as a world financial centre. Nor was it surprising that many leading European businesses backed the return to gold because they were interested in exchange rate stabilisation. However, at first sight it is a little surprising that the US put continuous pressure for sterling's return to gold. Kindleberger argues:

> Not only Benjamin Strong, the Governor of the Federal Bank of New York, but Secretary Mellon, and a host of other Federal Reserve officials, were unhesitating in informing Norman in December 1924 and January 1925 that the time had come. Syrong's views were partly based on world considerations: the need to eliminate the malign effects of disturbed foreign exchange markets on world trade; and partly on two national grounds: the hope (a) of reversing the flow of gold to the US, and (b) of gaining international lending business for New York as a consequence of higher interest rates in London (1973:47-48).

Yet, the post-war gold standard not only failed to provide stability, but caused further trouble. The first problem of the inter-war fixed exchange rate system was that it was a 'gold exchange standard' instead of a sterling-gold standard. The weakness stemmed from its attempt to economise on the use of gold (something necessary given the limits of gold supply) by enabling countries to hold a portion of their reserves in foreign exchange. Since the supply of new gold was relatively inelastic, the incremental liquidity of the expanding international economy took the form predominantly of sterling and/or dollar. Once the stock of sterling or dollar claims held by foreign central banks approached the value of British and/or the US gold reserves, the British and/or the US commitment to peg the sterling and/or the dollar price of gold would no longer be credible.

> The existence of two reserve currencies, sterling and dollar, enhanced the ease with which central banks could shift between them. Since the US gold stock was sufficiently large relative to foreign claims, once the suspension of convertibility by Austria and Germany in the summer of 1931 drove home the riskiness of exchange reserves, central banks and others began to shift out of sterling, the weakest reserve currency. Britain's forced devaluation in September 1931 then shifted pressure towards the dollar. The fed responded by tightening credit, which intensified pressure on foreign central banks ... [Eichengreen 1992:385].

In much of the literature, the gold standard is portrayed as synonymous with financial stability. However, in the 1930s, the opposite was true (ibid: 394). "Between 1918 and 1925 people had too often said that London's financial strength before 1914 was due to the gold standard. The truth was rather that the strength of the gold standard was due to London's international financial position" [Sayers 1990:295; also see Fearon 1979:22]. Telescoped between 1925 and 1933 were a series of crises in the exchange rate mechanism, the securities market, the debt market, and the banking network that destroyed all semblance of order in the international financial system.

The extraordinary troubles of the inter-war years were rooted in the fact that in spite of its economic pre-eminence and trade surpluses the US financiers either refused to or could not replace the British in supporting the systemic needs of the new world economy.[42] Certain American actions further aggravated the situation. First, the passage of the Hawley-Smoot tariff in 1930 indicating a new wave of protectionism in the US,[43] further destabilised the equilibrium of the world economy. Before 1914 unilateral British free trade had provided debtor countries a certain market for their exports and hence provided them opportu-

nities of earning foreign exchange for servicing their debt. However, the American refusal to do the same meant that the world market was no longer stable since neither Britain nor France were able to do so. With the US protection indebted third world countries, especially of Latin America, found it more difficult to earn foreign exchange that had already become difficult with the decline in prices of major primary products through the late 1920s. Second, the momentary reduction in capital export from the US in the late-1920s also contributed to the collapse of the world economy.[44] This was so because once the generation of export surpluses by the weaker economies (ie, debtors) was blocked by protection, the only other route left for global equilibrium was continuing capital exports so as to provide the foreign exchange necessary to service outstanding debts and finance deficits [Fishlow 1986: 79; Kindleberger 1973:130]. The reason for the momentary reduction in American capital outflow was mainly internal. Due to the speculative surge in stock market in the second half of the 1920s, investors turned to the domestic stock market thus crowding out foreign issues [Kindleberger 1973: 124-25]. "The mounting boom on Wall Street diverted American funds from foreign to domestic uses and like a powerful suction pump siphoned off liquidity from the rest of the world... Net short- and long-term foreign lending by the US had exceeded $ 1,000 million in 1927 and reached nearly $ 700 million in 1928... In 1929 net short- and long-term lending by the US turned negative, and the $ 800 million bill [of debt service payments on dollar debts] came due" [Eichengreen and Portes 1990:75-76]. The next external shock to the indebted regions came in term of an increase in real interest rates that got underway since the Spring of 1928 and by late-1929 short-term real interest rates had risen to more than 15 per cent [Eichengreen and Portes 1986: 612]. Protection of the domestic market, speculation on the NYSE, and rising interest rates made the debt crisis inevitable. Apart from these destabilising measures the US government further added to the disturbances in the world economy by its refusal to write-off war debts. For Britain, France, Italy, and Belgium, reparations and war debts could not be treated separately. They were willing to exchange German reparations for their war debts owed to the US. However, US financiers refused to accept reparations from Germany and to cancel war dents owned by other European countries. Although eventual American settlements were made with 13 countries on February 1922 it did not avert a continuing need for European countries to send significant payments to the US [Fishlow 1986:71; Kindleberger 1973:41].

IV
Present Transition from Bretton-Woods System

The first attempt at creating a new regime came with the establishment of the Bretton Woods System in July 1944. Under the Bretton Woods agreement, the gold standard was replaced by a system of pegged exchange rates. Countries were allowed to change the exchange rate of their currency only with certain range, when cases of 'fundamental' disequilibrium appears in their balance-of-payments accounts. Each major country would maintain the exchange-rate of its currency either by intervening in exchange markets to keep its currency within a range of 1 per cent above or below its par value or by exchanging its currency for gold at a fixed exchange rate. The American Federal Reserve volunteered to buy and sell gold at the rate of $ 35 an ounce so as to maintain the stability of the dollar and transformed the new regime into a dollar-gold standard [Gowa 1983:35]. Moreover, two fundamental institutions of the new international financial regime, namely, the International Monetary Fund (IMF) and the World Bank (WB), were formed. The former was mainly established for exchange-rate stabilisation and maintaining international financial discipline, while the latter aimed at 'rebuilding' the economies of the underdeveloped countries.

But, the Bretton Woods system grew too slowly to solve the immediate European post-war economic problems. It was against this background that the US, first, proposed the British Loan (1945), and then the Marshall Plan (1948). Several years into the Marshall Plan the dollar gap was still a major problem and most European trade continued to be organised along bilateral lines, and no major European currency was yet convertible [Block 1977:109]. The dollar gap persisted because US private investment failed to take hold in Europe in the 10 years after the second world war. Barriers to profit repatriation due to foreign exchange controls seemed to be the main problem [Frieden 1987:76]. The rearmament policy, initiated since the early 1950s, finally solved this problem by pumping in millions of dollars into Europe. Supplementing military aid, the stationing of large numbers of American troops in Europe greatly increased the dollars earned by European countries. Furthermore, the prosecution of the Korean war and the establishment of a network of military bases around the globe also increased the flow of dollars into foreign hands. The outflow of dollars for direct military expenditures in the US balance of payments increased from $ 576 million in 1949 to $ 2,615 million in 1953 reaching a peak of $ 3,435 million in 1958 [Block 1977:115]. The Korean war was in many ways Japan's Marshall Plan and soon enough the European and East Asian economies recovered. Like the other two hegemons before it the US government in expanding the world-economy had undermined its own relative power in the long-run.

In line with historical precedents the very expansion of the system since the 1960s became a source of instability for it. Just as British Free Trade and investment in railroads all across the globe had brought home huge profits and expanded commodification, yet encouraged competitive industrialisation, US businesses did very well under US hegemony but so did the economies of Europe and East Asia. They in turn eventually posed challenges to US hegemony. The Eurodollar market played a particularly important role in the latest financial expansion. Its market gained momentum in the second half of the 1960s after the expansion of west European subsidiaries of US TNCs.[45] Much of the profits of these subsidiaries were reinvested in western Europe which contributed crucially to the rapid development of the Eurodollar market. One of the most important characteristics of the Eurodollar market was its unregulated nature. It was an off-shore market which neither the country of origin (US for instance) nor the host country (UK) controls. That helped it to become more competitive than the domestic financial markets. Eurodollar banks could offer higher interest rates to depositors and lower interest rates to borrowers since they were not subject to restrictive reserve requirements. US capital was thus attracted to the Eurodollar market. That put pressure on the already worsening balance-of-payment situation in the US. From the mid-1960s, the US government attempted to control capital outflows. However, despite controls that lasted until 1974, American TNCs which were increasingly financed out of borrowings abroad and profits did not stop investing overseas. Even worse, these restrictions speeded the outflow of American capital by pushing American banks into the unregulated Euromarkets. "By 1970, the Euromarkets' net size (that is, substracting transactions among banks themselves) was $ 65 billion, and three years later it reached $ 160 billion" [Frieden 1987:85].[46] This outflow of capital put pressure on the Bretton Woods pegged exchange rate mechanism as the over supply of dollars in Europe put downward pressure on ts exchange rate *vis-a-vis* European currencies that eventually led to the closing of the 'gold window' in 1971 as American gold reserves were running out. Involvement in the Vietnam war further worsened the balance of payment deficit of the US.[47] The fixed exchange rate system completely collapsed in 1973 and it was now left to the market to determine the value of currencies.

An important ramification of the unregulated Eurodollar market was to generate a deregulation market force, pushing other financial centres to offer similar facilities and freedom to banks and operators.

> **The dominant trend in US domestic policy-making through the past decade under Presidents Ford and Carter, as well as President Reagan, has been toward deregulation... [for instance] ceilings on deposits left for less than six months were lifted in 1970; and ceilings on demand deposits were lifted in November 1978. In 1980, the process of deregulation was greatly speeded up by the Depository Institutions Deregulation and Monetary Control Act which will result in the total elimination of all controls by 1986 [Strange 1986:52].**

Even in Japan, the least susceptible country to foreign penetration, deregulation has been gaining momentum.[48] In addition, the two major Asian financial markets in Singapore and Hong Kong also reduced taxes and relaxed the regulations pertaining to bank deposits and loan activities. Even Taiwan and South Korea, which are famous for their tight controls over the financial sector by the state, are also liberalising their banking system.

Financial innovations have also kept much of the financial market out of the regulatory reach of the old institutions of control. For instance, the development of non-banks as competitive substitutes for banking services, such as money-market mutual funds, credit cards, and smart-cards have undercut regular banking services because the non-banks are less tightly regulated, particularly in terms of the amount of capital they are required to keep as reserve. Effectively raising the relative cost of capital for banks and at the same time thinning the liquidity cushion of the whole system. It is not only the creation of new forms of money but also the electronification and globalisation that has kept much of the financial market of the 1980s and 1990s out of the regulatory reach of states. Finally, newer centres have emerged and/or some older centres have increased their relative power such as the Tokyo-Singapore-Hong Kong web that are not amenable to American control.

We have seen that in the past when the system expanded to include new actors and new sites of capital accumulation, old regimes and institutions of governance turned out to be inadequate. The present transition is reminiscent of the period in the 18th century when the entry of Brazilian gold under English control (since the 1690s), the explosion in share capital (especially the birth of the London stock exchange), and the entry of the British national market, with its paper currency, into international trade and financial networks expanded the system and yet destabilised it. The Amsterdam *wisselbank* and the Amsterdam stock exchange proved to be inadequate in governing the system. Institutions grounded on British soil like the branch banking network that mobilised a large new mass of money capital in paper currency and the Bank of England that operated the gold standard so as to maintain the stability of this paper currency took over the role of establishing a new international regime. By the end of the 19th century with the real internationalisation of the gold standard and the competitive industrialisation of the US and Germany the international trade regime underpinning the 19th century financial system was undermined and the Bank of England could no longer play the role of the international monitor. Important central banks in a more deeply institutionalised and statist system had to be led by the American Federal Reserve through the crisis of the inter-war years to establish the Bretton Woods arrangement that saw the birth of multilateral institutions of control such as the IMF, and the WB. Similarly, the expansion of the Eurodollar and the East-Asian market has thrown the old regime into disarray. Unregulated non-banks and the linking of financial centres (New York and Chicago in the US; London, Frankfurt and Paris in Europe; Tokyo, Singapore and Hong Kong in Asia) through fibre optic cables, has turned the international financial system into a 'global casino'.[49]

The present financial expansion, like others preceding it, is happening mainly due to stagnation, or even declining prosperity, in the real economic sectors after 1968.[50] The profit rate of manufacturing and business in the seven most advanced capitalist countries (US, Japan, FRG, France, UK, Italy, and Canada) in 1973 was only 80 per cent of the peak year of the 1960-73 period [Itoh 1990:52; Glyn et al 1990:77]. As a result we have today the most unfettered speculation seen in the US since 1929. One simple indicator of this is the jump in the average number of shares of stock traded daily on the NYSE from 19 million in 1975 to over 200 million today. Even more striking is the expansion in the trading in futures contracts that grew from 3.9 million in 1960 to 11.2 million in 1970, to over 92 million in 1980 reaching over 220 million in 1987! [Sweezy and Magdoff 1988:21]. This kind of financial expansion has generated an institutional overload for the old system of regulation which has for all intents and purposes crumbled. Everywhere de-regulated global markets are getting out of control of even the major states.

Transitions are characterised first by unregulated credit expansion followed by retrenchment that brings in its wake bankruptcies, runs on banks, debt crisis, and stock market collapse. Falling interest rates throughout the 18th century ended with the late-18th century retrenchments that kept interest rates high for a long time, especially in Amsterdam. Similarly, the manias of the late-19th and early-20th centuries ended in inevitable panics before a new regime was put in place under American dispension. In the present transition we have already witnessed the souring of speculative manias of the 1980s with the new international debt crisis, collapse of the real estate market and the resultant S and L crisis, and Black Monday alongside the widening American budget deficit that is putting additional upward pressure on long-term interest rates.

Systemic chaos characterises the terminal phase of the transition. Systemic chaos is born out of the fact that during transitions there are at least two non-congruent trajectories: one of the rising hegemony and other of the declining power. While hegemony is a delicate balance between competition (inter-firm and interstate) and order, transitions are marked by the tipping of balance towards the pole of intensifying competition. Competition leads to instability and financial instability expresses itself in exchange rate fluctuations, banking crisis, debt crisis, etc, that encourages speculation as well as shorten the time horizon of capitalists and states alike. Hegemonic regimes degenerate into systems of pure domination where the strongest capitalists and states exercise their power unilaterally further exacerbating conflict in an already competitive environment. In the present transition, the volatility of the international financial system reached a critical point in 1970s when the US government could no longer control global dynamics and decided to deregulate and aid in the increasing strength of the market over the state in the hope of benefiting from this transformation. For instance, the floating exchange rate, which was basically a decision to let the market decide the exchanges, gave the US monetary authorities a free hand in determining world money supply and interest rates. American unilateralism has increased the uncertainty arising from the markets and furthermore it has even encouraged the formation of new markets dominated by uncertainty such as the Eurocurrency market and various futures markets [Strange 1986:106].

For instance, the Eurodollar boom in the 1970s, in addition to the huge surplus of Petro-dollars from the OPEC since 1973,[51] forced the commercial banks to find outlets for these surpluses in needs of states, especially the US and third world countries. On the demand side, third world countries eagerly engaged in rapid industrialisation, had high incentives to borrow money in the 1970s because of the extremely low interest rates (the LIBOR real rates in 1974-77 were negative). Consequently, when the US budget deficit put upward pressure on real interest rates, that rose in the 1980s, the debt

service burden of third world countries dramatically increased. An international debt crisis broke out that put tremendous pressure on US multinational banks.

Then there was the dramatic securities market crash in October 1987. The crash of October 1987 may have been a signal of the limits of expansion within the old regime, somewhat akin to the boom and bust of the 1920s which came in the wake of major structural changes in the economy of the US. Which, in turn, has further parallels with the crises of 1873, 1720 and perhaps even 1634-37. The first analogy is that in all these instances major trouble was confined to and/or began at the future centre and the growing sectors of the world-economy and it was this centre and the ascendent sectors that bounced out of the crash the quickest, confirming Braudel's rule of the thumb (Section II). It is no mere coincidence that in the 1920s, industries such as RCA, GM and the utilities that spearheaded a series of innovations in technologies, organisations, and methods of financing, also led the speculative boom in the stock market. New organisations, and products fed a rightly placed optimism about future incomes but without the benefit of newer tools to evaluate such expectations accurately. They were changes outside anyone's experience making it impossible to define market fundamentals. Similar potentialities and yet difficulties to concretely evaluate opportunities for profit was also the basis of the 1873 crisis in US railroad securities. The railroads, which had previously provided only locally integrated systems of transportation, were being forged into a nation-wide network parallel to the unification of the utilities in the 1920s, creating great expectations. Speculation and collapse born out of genuine difficulties in evaluating market fundamentals was also at the root of the South Sea Bubble of 1720 and the Tulipmania of 1634-37. The South Sea Company's planned conversion of government debt from a mass of highly illiquid annuities into modern securities along with the influx of a mass of investors were both quantitatively and qualitatively a new phenomena that made it difficult to evaluate the fundamentals, though the associated excitement about shares in the London market correctly predicted the future centrality of that market. Similarly, the arrival of the tulip from the Near East as a new asset in Dutch markets, along with the dramatic extension of practices of shareholding and -trading and the associated influx of new investors led to the speculative boom and the consequent collapse, once again correctly predicting Amsterdam to be the new centre of accumulation and a market in shares as the new means of reshuffling of surpluses [White 1990: 235-40]. Secondly, the crises of 1634-37, 1720 and 1873 primarily affected the emergent hegemon and all of them could be said to be a product of overenthusiasm about the prospects of the market in the new centres—UP, UK, and the US respectively—nonetheless correctly signaling the trends of the future. They were all instances of overshooting an essentially correct assessment. In all three cases the market exhibited an awareness that something new and promising was on but failed to evaluate the exact extent of that promise, which is not at all surprising given the inadequacy of old systems of information gathering and regulation for what were qualitatively new phenomena. The NYSE's boom and bust in 1929 similarly predicted the centrality both of the NYSE and company financing through securities. However, the far greater global effect of the crash of 1929, compared to other crashes under discussion, may have been because of the overlap of this signal crisis with the terminal crisis of the transition.[52] In that historical light, could the boom and the bust of 1987 be similarly characterised as a case of overshooting an essentially correct future trajectory? It may be relevant that, in terms of the magnitude of the boom it was the Tokyo Stock Exchange that led the way [Wood 1989:57]. In that case, the near global simultaenity of the crisis of 1987 may have been a product of the global electronification of exchanges and computerised trading rather than the sign of a terminal crisis.

Since such booms and busts are the product of things new and 'unknown' and are a result of the inadequacy of old information and regulatory systems it is doubtful whether such instabilities can be prevented in the present transition. Change in fundamentals, with the arrival of east Asian financial power and Japanese style corporations, and greater globalisation would make it so much more difficult to legislate or regulate future crises out of existence, notwithstanding the Brady Commission's attempt to introduce circuit breakers. Only new information and regulatory systems can stabilise the newly configured market for any length of time and we may have to go through the purgatory of a long crisis to institute these new mechanisms, and in all probability we can only do that after all attempts to tinker with the old system is exhausted and their limits made evident to all. In the long run, the crash of 1987 may register more as a signal crisis of the transition, akin to the crisis of 1873, 1720 and 1634-37, rather than as the terminal crisis of 1929. In that case we have a long transition ahead of us.

Exchange rate instabilities, international debt crisis, bank failures and stock market crashes that are already upon us today are expressions of financial expansion that have historically been associated with hegemonic transitions. It remains to be seen whether the big financial powers like Japan, Germany and the US can collectively lead the system or, as in the past, one pre-dominant power has to emerge to establish order. Of course the system can go on for a long time in the present state of festering crisis and partial solutions. All depends on the evaluation of the costs of the present crises by influential capitalists, policy-makers and states.

Comparing hegemonic transitions we can notice other parallels beyond financial expansion, chaos, intensifying competition, and non-congruent trajectories. Firstly, the obvious: all financial transitions are born out of a reconfiguration of trade and production. When the centre of gravity of trade moved from the Baltic to the Atlantic, London replaced Amsterdam as the hegemonic financial centre. By the late 19th century with further industrialisation and the making of national and continental economies the centre of gravity moved from London to the US. Today, as the primary engine of capital accumulation moves to east Asia and the Pacific Rim, east Asian financial markets have emerged to share the spoils with London-Paris-Frankfurt and New York-Chicago in a tripolar world. Secondly, with increasing competition and declining profit rates in manufacturing and trade during transitions, we witness a marked tendency of capital to withdraw into financial speculation. As wages and taxes rose, Amsterdam merchants withdrew from trade and production to invest in British bonds,[53] the British, in turn, became an increasingly rentier nation once the railroad boom was behind them by the middle of the 19th century, and in the present transition, with declining prosperity in the real economic sectors after 1968, real estate dealings, currency speculation and junk bond powered corporate takeovers seemed to be the only sectors to show any prospects of expansion. The speculative boom of the Dutch withdrawal lasted the longest from circa 1660 to circa 1790, while the financial boom of British decline lasted through much of the second half of the 19th century into the interwar years, and the American speculative boom has lasted about two decades in the last 20th century. Yet there are differences. When the Dutch withdrew from production they invested massively in English bonds, shares and mortgages reaching a peak between 1740 and 1780, similarly when the British withdrew to the relative safety of high finance they showed a marked preference for American investments, yet, when American corporations began to withdraw into financial speculation they depended on the Japanese to finance the deficit at home (which added up to over a hundred billion dollars a year in investments and purchases of Treasury bonds). By 1982 Japan had become the major exporter of capital and the US had become the leading recipient of foreign capital [Sassen 1991:39-40]. This reversal of capital flows in the present transition,

from an emergent centre to a declining centre, may be symptomatic of larger trends contrary to historical precedent. Thirdly, extensive warfare has been common during past hegemonic transitions in hastening the decline of the old and the emergence of the new. The 150 odd-years of warfare from the First Anglo-Dutch War (1652-54) to the Napoleonic Wars (1790s-1815) were crucial in weakening the Dutch and strengthening the British financially, the latter being relatively protected by its island status. Similarly, the two world wars were central in transforming Great Britain from a creditor to a debtor nation while doing the opposite for the US which enjoyed an analogous geostrategic insularity. The relative geopolitical weakness of Japan and Germany *vis-a-vis* the US today, on one hand, reduces the possibility of a system transforming war in the core, and on the other hand, gives an unprecedented advantage to the US government in extracting protection money from these clients so as to extend its 'belle epoque'. Further, a high degree of sophistication of technologies of warfare that ensures mutual destruction, in all probability, excludes the possibility of any extensive warfare in the core during the current hegemonic duel. In such a case aggression could be turned primarily towards the south, as shown in the Gulf War and continued UN belligerence towards Iraq, with complex ramifications for intra-core struggles between the US, Continental Europe and Japan. Nonetheless, in the 1980s and the 1990s we have witnessed the transformation of the US from the world's largest creditor to the world's largest debtor without the usual intermediation of a global war. Fourthly, all hegemonic states at the end of their hegemonic cycle have faced acute fiscal crisis due to one or a combination of factors that include declining production at home (hence taxes), geopolitical over-extension (hence expenditures), and costs of accommodation of social demands for redistribution. Through the 18th century tax revenues of the United Provinces failed to keep up with the interest on the public debt that put upward pressure on interest rates further worsening the situation until it reached about 10 per cent when the Dutch state simply went broke. Similarly, in the early 20th century the British state had to introduce 'income tax' to meet the demands on the state for basic social services, infrastructural development, and counter-cyclical measures. Eventually, even that was not good enough and the British state had to be bailed out by their richer transatlantic cousins. Today, the US is faced with a similar fiscal crisis but the sheer size of the debt and the budget deficit makes it a more intransingent problem. There is no way that the American state can either be allowed to go broke like the Dutch or be subsidised to the same extent that the British state could be after the second world war. Whoever emerges as the new leader and whatever institutional order is established it is going to be so much more difficult this time round because of the extraordinary troubles of the only real continental economy—the US—which is at the moment going through not only an exceptionally deep recession but also the end of a 40-year boom. The recession will of course end but the question is can a new phase of long-term expansion be brought about? Order in the financial sector helps but there can be no hope without growth in the real sector. Policy prescriptions for the latter are not at all clear since the exhaustion of the stimulatory medicine of Keynesian deficit spending. Keynesianism can no longer work because the strengthening of global markets *vis-a-vis* national state has reduced the power of states to effect countercyclical measures. Moreover, where state spending already takes over half of the national income it is so much difficult to intervene in comparison to when states absorbed only about 20 per cent of the national income in the 1930s. That is, there is already an overburdening of bureaucratic machinery and budgets [Strange 1986: 98]. In the financial sector itself, the predicaments facing the US appear to be unsolvable in a stagnant world-economy. It appears that the two deficits, the budget and the trade deficit, that pose the biggest threat to the international financial system are at the same time, to some extent, essential to maintain the present world order. The budget deficit needs to keep expanding for a while so as to keep the US financial system from collapsing as the current recession increases social spending including health care costs, and as the deepening S and L and banking crises absorbs more and more federal money. Referring to the troubles in the financial system in the 1980s none other than William Seidman, chairman of the Federal Deposit Insurance Corporation, issued the following warning in 1986:

> The financial area is probably, next to nuclear war, the kind of area that can get out of control, and once out of control cannot be contained and will probably do more to upset the civilised world than about anything you can think of [cited in *Financial Times*, May 29, 1986].

The political economy of the Reagan years has devastated state revenues. While creating a generalised anti-tax hysteria it has quadrupled the deficit not only because of military-keynesianism and the consequences of deregulation on S and Ls, etc, but also because of cuts in tax rates in such areas as capital gains, that fell from 39 per cent in the mid-1970s to 20 per cent in 1981, and the top individual income tax rate from 70 per cent in 1980 to 50 per cent in 1981 and then to 28 per cent by 1988. Consequently, though the top 1 per cent of the US households did increase their share of total income tax paid from 18 per cent to some 27 per cent, their proportionate share of family income rose even more from 8 per cent to between 13 and 14 per cent of the total [Phillips 1993]. That has fed the political and economic bifurcation of Wall Street and Main Street whose most visible short-term consequence has been Bill Clinton's storming of the Republican bastions of the suburbia. The trade deficit appears to be equally necessary for a while so as to keep the rest of the world, especially the Latin American countries, from defaulting on their loans by providing them access to the US market so that they can earn foreign exchange to service their debt [Sweezy and Magdoff 1988:54]. It appears to be an insoluble dilemma for the declining hegemon and an issue that has to be addressed so as to restabilise the international financial system under a new hegemonic regime.

Beyond the similarities and differences between transitions and the ensuing struggle for hegemony there are interesting secular trends to be noted about the evolving capitalist world economy as a whole. The 17th century monetary regime of the European world-economy was characterised, first, by a constant drainage of specie from Americas via Europe, to Asia and, second, by Amsterdam's quasi-monopolistic control over European liquidity. In the course of the 18th century, control over European liquidity was recentralised in London and the constant drainage of specie and other monetary instruments from west to east began to be reversed. The control exercised by London over international means of payments in the 19th century was probably tighter and more extensive than that exercised by Amsterdam in the 17th and 18th centuries. The drainage of means of payments from west to east was completely reversed as the financial expansion of the late-19th and early 20th centuries promoted a major transfer of liquidity in the form of loans and investments from Europe via London to the Americas. Consequently, the indebtedness incurred by European states, including and especially the UK, during the first and second world war *vis-a-vis* the US boosted this drainage to such an extent that, by the end of the second world war, control over world liquidity was almost completely centralised in the hands of US governmental and business institutions. Today, we have come around full circle and the drainage of monetary instruments is eastwards across the Pacific to east Asia.

This relocation of control over world liquidity was institutionalised at Bretton Woods. Under this regime, the fiction that world money is a commodity like any other, the supply of which can be left safely in private hands—as in different ways it had been under the Dutch and British regimes—was abandoned. Control over the

world supply of means of payments, including its distribution among political jurisdictions, was entrusted to select central banks that acted in concert under the leadership of the US government and its Federal Reserve System. The trend seems to be reversed today. For people only a little more than a decade ago, today's speed and scale of commodification of money is beyond imagination. As de-regulation has strengthened the market *vis-a-vis* states, it has basically postponed the day of confrontation between the 'self-regulating market' (in Polanyi's sense) and the political, legal and regulatory support that money needs from states. It is towards this confrontation that the international monetary order is headed.

The recent travails of the European Currency System and the inability of the European central banks to stem the speculative assault on the pound, the lira and now the franc makes evident how central banks, so powerful under the Bretton-Woods system, can no longer control the international system. It is said that the combined foreign exchange reserves of the most important central banks today amount to no more than a trillion dollars which is the value of the daily market transactions in international currencies, which is about 25 times the value of world trade! In New York alone, daily financial transactions amount to about one-fifth of the annual GNP of the US! The strength of the Eurodollar market which is beyond the reach of any particular state, the entry of new east Asian actors under Japanese leadership, and the increasing influence of non-banks like mutual funds and private actors over world liquidity has created fundamental problems of governance of the international financial system. It is an open question whether new regimes and institutions of governance would be put in place or the capitalist world-economy would continue to lurch from one crisis to the next, postponing any systemic overhaul. Much would depend on the possibility of the emergence of a new hegemonic power, in all probability centred in east Asia, or a hegemonic world government with new multilateral institutions of governance.

In that context, the question on everybody's mind is: could Japan be the new hegemon and establish order in the system.[54] Historically, all the three hegemons have been leading creditors to the world for much of the period of their financial dominance. They have also controlled the key public financial institutions of their age and their private financial institutions have dominated the international markets of their era. Moreover, their respective currencies—the Bank of Amsterdam's guilder, British sterling, and the US dollar—have acted as global currencies. With some limitations and differences the Japanese have begun to play many of these roles in the 1980s.

Most dramatically, since 1985, Japan has emerged as the world's largest creditor amassing external assets to the tune of US $ 328 billion by the end of 1990, which may have greater resonance because it has been paralleled by the fall of the US into a debtor position.[55] The majority of Japanese funds have been lent to the US firms and government, on which, unlike other emergent hegemons, Japan is economically and militarily heavily dependent. On account of this unprecedented situation some scholars like Susan Strange have claimed that the emergence of the US as the world's largest debtor may be a sign of its strength, especially because the Japanese state has exhibited very little influence over American policies [Strange 1990].[56] That may be changing. For instance, around mid-1987 there was a Japanese pull-out from American investments, that some have described as an officially sanctioned capital 'strike', so as to force the US government to correct its fiscal deficits and in November 1987 the Japanese minister of finance publicly called on the US government to raise taxes [Helleiner 1992:434]. Then, in April 1988, at the fourth annual meeting of the *US-Japan Working Group on Financial Markets*, Japanese officials demanded for the first time that the same amount of time be spent discussing Japanese concerns about American financial markets as was spent discussing American demands for further Japanese financial reforms.[57] In late 1989 the governor of the Bank of Japan, Yashushi Mieno, instituted a tight monetary policy after he reached the decision that the financial costs of supporting the US had become too great and he raised interest rates with intentions of bursting the American financial bubble in which equity and land prices had tripled since 1986 [Helleiner 1992: 436]. Japan's more active role in American affairs since the mid-80s is symbolised by the holding of the annual meeting of the Inter-American Development Bank in Japan in 1991. Such symbolic events, demands and actions have gone hand-in-hand with increasing Japanese influence at the institutional loci of the exant international financial regime. Increasingly acrimonious debates have broken out between the US and Japan over voting powers in multilateral financial institutions like the IMF, the IBRD and the Asian Development Bank with increasing concessions to Japanese financial clout. In a two-pronged strategy, in February 1991, the Bank of Japan organised and hosted a meeting of central bankers from Thailand, Malaysia, Indonesia, the Philippines, Australia, New Zealand, and South Korea (along with promises of annual meetings in the future), so as to institutionalise its regional financial pre-eminence along with greater international assertiveness. Displaying another hegemonic symptom, since 1986, Japan has become the largest bilateral aid donor for some 25 developing nations over whom the Japanese ministry of finance has enormous influence. So it must be concluded that Japan's financial presence is not only increasing *vis-a-vis* the US economy and state but is also being felt in multilateral and regional institutions, in tune with its ascendant trajectory.

Japan's private financial markets and institutions have acquired increasing weight in the international arena. By the late 1980s, Tokyo's bond, foreign exchange, and equities markets had all begun to challenge their New York counterparts in size.[58] By 1989, Tokyo's share of international banking activity had grown to be the largest of any financial centre. Japanese banks, for instance, had come to control 35 per cent of all international bank assets by 1988.[59] In banking, of particular importance is the Japanese Postal Savings System that controls almost one-third of the nation's savings making it the world's largest banker and giving the Japanese state the potential capacity of effecting the international financial system in a major way analogous to the effect of the Bank of England with British deposit-banking network behind it in the 19th century [Helleiner 1992:442].

In terms of the status of the yen as an international currency it is perhaps in the worst relative situation compared to the guilder, the sterling and the dollar in comparable phases of their respective hegemonic cycles. Low yields and insufficient liquidity of Japanese treasury bills have dissuaded investors from holding their assets in yen. Approximately 8 per cent of the world's official reserves were denominated in yen in 1989, in contrast to 19 per cent for the German mark and 60 per cent for the US dollar. Only 4.3 per cent of world trade was denominated in yen in 1989. Of course, things are changing for the better for the yen but the US continues to derive massive seigniorage benefits from issuing the world's most used currency and greatly benefits from being able to borrow from Japan in its own currency—a situation without precedent between the world's largest debtor and creditor [Helleiner 1992: 429].

Till the mid-1980s, Japan's power was used to support the American-centred global financial regime. Most importantly, Japan's enormous capital exports supported the external current account deficits and the internal fiscal imbalances of the US. Yet, the situation has some parallels with past transitions, especially in terms of continued Japanese dependence on the more highly developed financial markets of the US. British bankers and traders, for example, had already become key global actors in the 18th century when they continued to use Amsterdam markets and in 1763 came to the aid of latter. Similarly, the inadequacies of New York financial markets led American

merchants and financial operators to continue to be overly dependent on London well into the 1920s, by when they had already amassed more than 25 per cent of the world's gold reserves. The American state initially deferred to the Bank of England's greater expertise in rebuilding the international gold standard and even at the Bretton Woods conference, the British were still boasting that the Americans had "all the money bags, but we have all the brains" [cited from Helleiner 1992: 434]. Not at all dissimilar to American claims *vis-a-vis* the Japanese today!

Commensurate with its financial power Japan is becoming increasingly assertive, and given its greater dependence on imports and exports it may turn out, Helleiner argues, that the Japanese would be better at reinstituting an international financial regime. There are other reasons why the Japanese could do a better job. One is the freedom from diplomatic and military obligations of a superpower. That would be in line with the Dutch position in the 17th and 18th centuries. Similar to the Dutch, the Japanese would be less constrained to subordinate their role as financial leaders to geo-strategic objectives. Caught between France and England the Dutch maintained neutrality for a long time and attempted to divorce diplomatic considerations from the needs of international finance. At the present moment, for instance, the Japanese appear to have fewer qualms in dealing with the post-Tiananmen Chinese regime than American and European operators. Moreover, the Tokyo financial community has much greater say in the policies of the Japanese state than New York financiers ever had on the American state. That is analogous to the influence of the city on the British state and the Amsterdam plutocrats on the Dutch state. In addition, the rapid expansion of Japan's aid programme and her dependence on east Asian economies places her in a better position to address the financial mess between the north and the south, so crucial for any hegemonic regime today. As Dennis Yasutomo observed: "Japan's contribution to the solution of the north-south issue through aid giving is becoming a *raison d'etre* of Japan as a 21st century international state."[60] Then, in line with Japan's more interventionist and managerial tradition in economic institutions, the new Japanese international regime, if one does emerge, would be different from the "free market" ideological inhibitions of the past three hegemons. Within a decade or so the Japanese financial vision for the world would also have to come to terms with a vastly stronger European central bank and *ecu*, ushering in perhaps a more multipolar regime than ever before [Helleiner 1992:439-44].

For the first time in its long history there is a possibility today that the centre of accumulation would shift to the east, yet the west retains its monopoly of violence, so the question is will the west allow the inevitable to happen or will it be tempted to destroy capitalism so that it can continue to dominate the world? There is panic in the west and there is the typical apocalyptic pathos about the coming century with a hint of the end of the 'civilised world'. So let us give the last word to the *Times Literary Supplement* (that sentinel of western culture):

> Britain and Ireland could respectively be Japan's Hong Kong and Macao, well placed for the European entrepot trade, the United States will be Japan's fabulously wealthy India, terre des merveilles, while Australia can be Japan's Australia, land of rugged adventure and heavy drinking, the appropriate place of exile for Japanese dissidents and remittance men. This would leave only table scraps for the others: Holland, perhaps, for the Indonesians, France for the Vietnamese [how awful indeed!] (Sayle, April 28, 1989, *Times Literary Supplement*, cited in Cummings, nd).

Notes

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1 Which is not necessarily Eurocentric.

2 For a general discussion on financial centres and leadership by a particular centre see Kindleberger (1978: 66-134); Braudel (1984: 25-45; 89-276); Smith (1984: 985-1005). For a theoretically insightful and empirically rich description of "global cities" as financial centres in our contemporary world see Sassen (1991).

3 For further elaboration on this theme see Arrighi (1990).

4 For a general theory of financial crisis see Minsky (1977, 1982), Altman and Sametz (1977), Strange (1986), Kindleberger (1978), and Wolfson (1986).

5 See Kindleberger (1978).

6 For general descriptions of Amsterdam as the commercial entrepot see Barbour (1950 edn: 11-27, 35-41, 85-103), Israel (1990) and Braudel (1984: 175, 236-241).

7 For a succinct overall picture of world bullion flows between 1450-1800 and a discussion of the major sources of these calculations see Barrett (1990).

8 The *wisselbank's* stock of precious metals, amounted to 0.9 million guilders in 1610, about 11.8 million guilders in 1645 and about 10.6 million guilders in 1650, fluctuating between 7-8 million guilders during the years 1651-1686, and between 7-20 million guilders during the years 1687-1720. In the first half of the 18th century these stocks reached dramatically high levels, about 25 million guilders in 1721-24, 31 million in 1764, and about 26 million guilders in 1765. But entered a phase of rapid decline from 1783 (Attman 1983: 41).

9 For a discussion of the importance of the companies for later colonialism, that lies outside the scope of this paper, see Masselmann (1963).

10 This is a feature that would repeat itself on many trade routes and has been termed by Hicks as "the tendency to diminishing returns" (1969: 45, 56, and *passim*).

11 For the general crisis of the European world-economy that coincided with Dutch financial expansion, see Aston (1965), Hobsbawm (1965), Trevor-Roper (1965), Schoffer (1966), van Dillen (1974), Krantz and Hohenberg (1975), de Vries (1976), and TePaske and Klein (1981).

12 For a refinement of the traditional idea of a 'military revolution' in 16th century Europe, see Parker 1976. For the increasing size of European army, see Parker (1976: 205, Table 4) and for the size of navies, see Kennedy (1989: 99).

13 That was ensured through the elaboration of what McNeill calls the 'military-commercial complex'. See, McNeill 1984: 86-87, 90-91, 120-22, 126-31; Brewer 1989: 7-8.

14 Tracy (1985); Riley (1980); Plumb (1965).

15 For the character of the Dutch ruling elite, see Roorda (1964) and van Dijk and Roorda (1976).

16 Usually, as Braun suggests, "the more advanced states are, the more deeply they are in debt without being insolvent" (1975). Interestingly, Braudel provides a rough estimate of the historical limit between a healthy public debt and insolvency, at about twice the size of the GNP (1984: 307). That raises an interesting question about the limits of the American debt burden in our contemporary world-economy.

17 See Harper (1939).

18 For further elaboration on the tools of the English challenge to Dutch domination see Faber (1966); Astrom (1960); Davis (1969); Rankin (1969); Omrod (1975); Chaudhuri (1978); Wallerstein (1980; and Conquest (1985).

19 For elaboration see Curtin (1968); Lovejoy (1982); and Klein (1990).

20 For the long historical processes involved in the creation of the British national market, see Braudel (1984: 352-79).

21 See Dickson (1967); and Dickson and Sperling (1970).

22 Interestingly, Holland's debt-revenue ratio also peaked at 17 around 1720 (Riley 1980: 77).

23 There has been an extensive debate on the size and nature of the English national debt held by the Dutch in the 18th century. In 1737 a government spokesman, Sir John Barnard, opposing the motion to reduce the interest on the National Debt, quoted a figure of £ 10 million to represent the Dutch holding, arguing that if interest were reduced the Dutch would withdraw all their money with catastrophic consequences (Wilson 1941: 72). The consensus, for long, was that by 1776 the Dutch owned about three-sevenths of the British National Debt. Carter has shown that assessment to be an exaggeration, and she estimates that in reality it was somewhere between one-sixth and one-eighth. From about 1760-1783 the

proportion of solid Dutch money in the English funds remained between £ 25 million and £ 30 million. She has also challenged the thesis that there were many small Dutch share holders of British debt. She argues that it was usually held by those with inventories above 20,000 guilders (1975: 22, 25, 28-31, 40).

24 The importance of the Amsterdam capital market for British finances was not lost on contemporaries. Astier, the French consul at Amsterdam, reported with considerable chagrin, about big English loans in the Amsterdam market in 1760. Astier remarked, that in the given context, it was not difficult to understand why the British had of late been showing increasing respect for the Dutch flag. French, Dutch and English observers concurred on the importance of Dutch capital and speculated about its probable effects on the Anglo-French struggle. Luzac, a Frenchman, believed that Dutch neutrality (dominant between 1713-80) and Dutch capital had assisted England in its fight to dominate Europe and India. He argued that without Dutch capital, England could not have maintained such an immense navy, a land army in Europe and a great number of troops in the rest of the world and provided subsidies to sustain her influence [Wilson 1941: 70-71; also, see Sherwig 1969].

25 An observation by a Dutchman from Leyden cited in Braudel 1984: 269. For further details about the crisis of 1763 see, de Jong-Keesing (1939).

26 See Braudel 1984: 269; Kindleberger 1989: 136-37; Wilson 1941: 168; Carter 1975: 63.

27 In contrast Kindleberger argues that the locus of a crisis does not necessarily overlap with the hinge of the system (1978: 190-91).

28 See Keynes (1913); for the role of the empire in the British trade regime in general, see Cairncross (1953), Chaudhuri (1968), Crouzet (1975) and Cain (1985).

29 For further elaboration on the associated issue of demonetisation of gold in India so as to direct flow of gold to London and then India's absorption of huge quantities of surplus silver that stemmed world inflation see, de Cecco (1984: 62).

30 For further elaboration, see Sen (1992).

31 See Fisher (1969).

32 One rix-dollar was equal to 24.38 grams of pure silver. English merchants and ships ultimately acquired two-thirds of the gold that arrived in Portugal in exchange for cloth and corn. The Brazilian gold boom would last from 1695 to about 1770 (Phillips 1990).

33 Within the British system the Scots are reputed to have pioneered many of the 'modern' features [see Checkland 1975; Cameron 1982: 107; Kindleberger 1984: 83].

34 See Clapham (1966). The Bank controlled approximately 58 per cent of all banking assets in England and Wales in 1800, about 36 per cent in 1844 [Cameron et al 1967: 34, 42-45].

35 For a general description of the role of the city of London or the "mind of the city" see Checkland (1957). See the table compiled by Chapman concerning the number and amount of loans marketed by the Rothschilds and the Barings (1984: 16, Table 2.1).

36 The vortex of the crisis was London. London financed the boom in the securitisation of domestic companies, such as Guinness, but especially in Argentinian land based on exaggerated expectations of profit with the shift from grain to meat production and the development of refrigerator ships in 1875 [Kindleberger 1985:228-29]. During the crisis of 1890 British investors found themselves locked into Argentinian investments which could be sold only at very low prices if at all. However, these investors were able to realise cash in order to meet their commitments by selling US railroad bonds, which were absorbed by US investors not involved in the Argentinian investments [Michie 1987:241]. To tide over the immediate panic the British state, in addition to the domestic guarantee, arranged for the Russian government not to draw its £ 2.4 million deposit from Baring and a loan of £1.5 million from the State Bank of Russia and another loan of £ 3 million the Bank of France [Kindleberger 1978: 188].

37 In 1914 imports from the United States were 18 per cent of British imports; in 1918 they were 39 per cent of the total. By 1916 almost all British imports of munitions, iron and steel, oil, cotton and grain were coming from the US [Milward 1984:55, 64].

38 In 1914, British trade deficit was £170.4 million. In 1915 it was £367.9 million, in 1918, £783.9 million. The visible trade deficit with the United States in 1918 was £488.9 million [Milward 1984:55].

39 As a result of the war, "[e]xcept for British Dominions and Colonies upon whose borrowing the Colonial Stock Act of 1900 conferred preferential treatment or who continued to borrow in London for political as much as economic reasons, for much of the 1920s London and New York were in very real competition in the flotation of overseas loans [Eichengreen and Portes 1986: 602].

40 "... more than 55 per cent of total British investment in the period 1871-1913 was directed overseas. World War I occasioned a considerable liquidation of Britain's external assets, and in the second half of the 1920s the share of new capital issues for overseas borrowers declined from its pre-war range in excess of 50 per cent to 37-44 per cent before slumping to very much lower levels in the 1930s... In contrast to Britain, America's foreign assets doubled over the course of the war and, after fluctuating in the immediate post-war years, soared in the mid-twenties" [Eichengreen and Portes 1986: 601-03].

41 Also see Kindleberger (1988: 55, 73-82); Drummond (1987:40); Fearon (1979:36).

42 Kindleberger argues that it was the unwillingness of the US government to take up the leading role which caused the collapse of the world-economy in the early 1930s (1973:28). However, it is not at all clear whether the US economy had the financial strength at that point to underwrite the international financial system given the relatively limited use of dollar as an international currency and the continuing British expertise in international banking activities.

43 In fact, the US had always kept her tariffs high raising them from time to time between 1922 and 1930. The Fordney Act served notice that the war had not changed American attitudes about protection. Nonetheless, as a result of the Hawley-Smoot tariff, which increased the protection of the US considerably, countries all over the world immediately retaliated. The US was not interested in bringing down the increased trade barriers because its prosperity did not yet depend on free trade [Drummond 1987:36-37; Fishlow 1986:79; Fearon 1979:41].

44 In 1927-28 American capital outflows were of the same order of magnitude as the American current-account surplus. But these outflows then began to fall, so that in 1930 they barely financed half of that surplus. In 1929 the US injected $ 7,400 million into the world economy by its purchase of goods and services and its investments abroad, but by 1932 this figure had been reduced to $ 2,400 million [Fearon 1979:51]. In 1931 things became still worse; while continuing to run a current-account surplus the American economy pulled immense sums from the rest of the world, so that America's capital outflow became a capital inflow [Drummond 1987:39].

45 During 1946-58, 143 US subsidiary manufacturing firms were established per annum abroad, while during 1959-67, the number increased to almost four times to 566 per annum. By 1966, there were nearly 9,000 US subsidiaries in western Europe, over three times the number in 1957 [Glyn et al 1990:99].

46 The growth of the Euromarkets continued in the 1980s. In March 1988, the gross size of the market was estimated at $ 4,560 billion, which was much higher than $ 485 billion in 1975 [Hultman 1990:73].

47 Total US military expenditure in the Vietnam war has been estimated to be more than $ 140 billion [Miller 1986:56].

48 See Hultman (1990) and Itoh (1990).

49 See Strange (1986).

50 The factors that led to the stagnation of the world-economy, according to Itoh, were the failure to provide cheap and docile workers and maintain the cheap supply of primary products for the advanced capitalist countries from the third world (1990:53-54).

51 "Between a third and a half of OPEC's excess billions went to the Euromarkets, a total of $ 150 billion between 1974 and 1980" [Frieden 1987: 88].

52 It must be noted that the New York collapse was preceded by the fall in the London market (reacting to the failure of the Hatry on September 20, 1929) and the fall in the Berlin market (responding to tighter credit policies and flight of American capital to the NYSE).

53 Wilson (1963).

54 This sub-section is a mere paraphrasing of the work of Helleiner (1989, 1992). Special thanks are due to Thomas Reifer for drawing my attention to this literature.

55 Helleiner (1992: 423).

56 For further arguments about continued US financial strength see Emmott (1989).

57 *The Economist*, April 23, 1988.

58 Helleiner (1992: 426).

59 Ibid (1992:427).

60 Yasutomo (Winter 1989/90): 490, note No 3.

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Man, Political Man, Political Theory

Rustam Singh

A large, perhaps the largest, part of a subject's dialogical existence is spent in realms which remain totally beyond the available institutional arrangements. These realms, therefore, deserve as great a part of attention in political theory as the institutional arrangements are customarily given.

I

ONE of the central issues in political theory has remained the issue of political power, and the state has normally been treated as the point where this power resided. It was Marxist theory which, for the first time, decisively broke away from this tradition and shifted the focus of political analysis from the state to property or 'the means of production'. Whatever the implications of this theoretical shift in the residence of political power, its net effect, in the context of this essay, was the following: it merely transferred the focus of political examination from one institutional point to another.

At a different but connected level, a parallel and similar tendency is to be found in the treatment of man as a citizen or a purely political being—where 'political' includes the social and economic, as in non-Marxist theory, or, alternatively, as primarily an economic being, as in the dominant tradition in Marxist theory. One result of these tendencies has been to reduce the issue of political power to an issue which is of purely politico-economic and -social nature. Another result has been to reduce the human subject to a politico-economic and -social being.

Hidden in these reductions are the implications, first, that the political sphere is not just a part and a mere extension of man's existential world but is a separate sphere in its own right, and, second, that the human subject as a political being is, similarly, separate from his existential being and not just a part and a mere extension of it.

II

One assumption on which this essay is based is that the human subject enters the political arena in order to fulfil his existential needs, and the decision to stay on in or leave this arena is, again, an existential decision. Secondly, the entrance or staying on in this arena is not a matter of choice but is rather a compulsion. Not to assume a political persona and enter or stay on in the political arena is possible only at an existential cost. It is this compulsion to enter the political arena and wage a continuous battle for existence that makes this arena a necessary part and a mere extension of the human subject's existential world.

Implicit in these assumptions are a number of propositions. Briefly, these are: The proper subject for political analysis is the human subject. The human subject is an existential being in an existential setting. The political arena is a part of the existential setting, and political struggle is a part of the struggle for existence by existential human beings. As such, acquisition of political power is a central human motivation.

Below, we will clarify some of the terms used in the propositions outlined above. This clarification will in turn bring to light some of the premises that underly these propositions.

The term 'human subject', in our use, introduces two differentiations: one, man as different from all other entities; and, two, man as different from and incorporating the 'political man'.

The meaning of the term 'existential human being' may initially be summed up in the phrase: Man is, and he is a thinking and acting being, where 'thinking' itself constitutes and is a part of the 'acting'. Thus conceived, the term 'existential human being' is, however, merely a combination of the Sartrean concepts of the 'being-in-itself' and the 'being-for-itself'. Our conception, therefore, needs to be clarified more fully. In this conception, the existential human being is not merely a thinking and acting being, but a being who 'thinks' and 'acts' for one or both of the following two purposes: (1) preservation of his being-in-itself; and (ii) a meaningful preservation of his being-in-itself, where the 'meaningful' is defined by the subject himself. Presented thus, our conception differs from that of Sartre whose subject is concerned with a meaningful existence—through an exercise of his 'choice'—rather than with a meaningful preservation of his being. A Sartrean subject will not flinch from dying in pursuit of a meaning for his existence. Thus the act of dying itself—in pursuit of meaning—will embody for such a subject the meaning he was looking for. For us, a subject may come to sacrifice his being-in-itself but will do so either in the pursuit of or in the absence of a possibility of a meaningful preservation of his being-in-itself. More commonly, he will become willing to sacrifice only his being-*for*-itself, that is, his thinking and acting being, for a preservation of his being-in-itself. Our subject, thus, has no 'choice'. It is also clear that it is not merely 'thinking' and 'acting' that make our subject political, but also 'not thinking' and 'not acting' which he may do out of compulsion.

The 'existential setting', what we would now call the existential world, combines in itself two sub-settings: one, what we would call the 'world of nature'; and, two, the 'world of man', where the world of man is a part of the world of nature. It is this setting which forces man to become a being-for-itself from a mere being-in-itself. In other words, this setting itself consists of beings who are thinking and acting beings, that is, beings who are, so to say, 'beings-for-themselves'.

It only remains to add the following. Firstly, in this conception of the existential world the political arena, what we would now call the political world, forms part of both the world of nature and the world of man. Secondly, the human subject acts in the political world not merely as a political being, where by 'political being' is understood a being pursuing his narrowly defined political interests, but as an existential being. Thirdly, the political world partly includes within itself what we may call a subject's economic and social worlds. However, whereas his activities in the economic world are directed specifically at and are a pre-condition of a preservation of his being-in-itself, those in the social world aim at and assist in preserving a subject's (both) the being-in-itself and the being-for-itself. A combination of all these worlds, the economic, the social and the political, constitutes what we would call, following Habermas, a subject's life world. However, as is clear, our conception of the life world differs from that of Habermas, for whom life world is what he calls the world of consensual communicative action. In our conception, life world is characterised by what Habermas would call purposive-instrumental action, which is the opposite of consensual communicative action. Finally, the political world, for us, is purely the world of dialogue, a dialogical world, where the dialogue includes but is not confined to merely verbal communication.

In this sense, all dialogical activities within the social and economic worlds, too, form part of the world of politics. But what are dialogical activities? These are the activities which involve the pursuit of power, the stuff of which politics is made.

III

One aim of this essay would be to modify and/or extend, in the light of the discussion it leads one into, the conception of the existential or life world outlined above. Another would be to tentatively discuss the possibility of attaining a nondialogical, that is, a nonpolitical existence in a world that apparently seems to totally rule out such a possibility.

Theory has suggested mainly four ways of attaining this latter end, or, what amounts to the same thing, of resolving this problematic. One, appropriate the alienating other. This has been a dominant theme of most western theory, especially since the enlightenment. Two, negate the other, as in certain of the eastern traditions. Three, make pact with the other, advocated most recently by Jurgen Habermas. And, four, annihilate the self, that is, the alienated subject, thereby bringing to a conclusion the very struggle for the realisation of a nondialogical existence. Elements of this suggestion are visible in Schopenhauer, Camus and Dostoevsky.

We will contend, through an implicit dialogue with the existing theory (and 'dialogue' here has the same connotation as underlined in the framework above, for the author sees the present exercise as part of his struggle for existence), that the four suggested ways cannot resolve the problematic due to their inner limitations: (1) The subject may not be able to appropriate the other because the other is a multiplicit and multiplying subject. (2) The subject cannot negate the other since negation presupposes a continuing recognition of the other which implies a continuing confrontation with it. (3) The subject may make pact with the other; however, some-what like in (2), it would mean a persistence of the dialogue. Finally (4), the problematic is not resolved by an annihilation of the self; by this act the subject moves out of the dialogical world—leaving it intact—having paid the highest cost for this exit, his very existence.

There is another, a fifth, clue to a solution to this problem, articulated most clearly in Jean-François Lyotard who talks of the 'atomisation' or dispersal of the other through the strategy of 'critique', that is, a rhetorical (meaning real, concrete) 'language game'. Although Lyotard advances this view in opposition to the discourse of enlightenment and his theory is in itself a 'critique' of the enlightenment project, atomisation or dispersal is just another word for appropriation, and therefore this suggestion falls in the same category as the one mentioned at (1) above

One may mention one more, a sixth, suggested method to end this conflict: 'love' or identify with the other. This suggestion is found mainly in the moral-religious discourse but also in some ethico-political thought, such as of Gandhi. We have brought up this suggestion as one of the peripheral ones as it rests on a totally different plane of logic than ours. It remains none the less the most powerful one. The source of both its logical distinctness and its power is the questioning implied in it of the very concept of the 'other': it is grounded in the notion of essential 'oneness' of the subjects including the nonhuman ones. This not only puts it in an altogether different analytical category but also for the same reason makes it the most difficult to examine. By challenging the most basic premise of our understanding of the world, it compels us to abandon that premise for the moment and confront it on a different ground.

Without vacating our own ground the question that we could have asked of it is: If I am one with all the other subjects, wherefore then the need for me to love them or identify with them? But obviously this is the question that we cannot ask, for the answer from the other logic would be: "You should love them *because* you are one with them." An alternative that we have is to point out what appears to be an anomaly within this logic. And that anomaly is: it uses the notion of 'love' which should apparently belong only to *our* logic to construct a view of a totally different logical order—"You should love them because you are one with them"—forgetting that love, in our logic, presupposes otherness, that it embodies a need and therefore a desire for oneness.

If we resort to this alternative, however we can ourselves be accused of taking concepts from one order of logic and projecting them onto another without regard to their possibly different meaning in the latter. What we need to do, first, therefore is to try to discover the meaning of the terms 'love' and 'oneness' in this *other* logical order we are talking of. One thing that is clear is that love in this order does not presuppose otherness, nor does oneness imply here the absence of the need for love. In fact, love presupposes here precisely the opposite of otherness—oneness; and implied in oneness is precisely the need for love. In other words, while there is oneness here, this is a oneness which has a void within itself and this void can be filled with love. At the same time, the nature of the love that would fill this void is such that the need for it would not cease to exist even after the void has once been filled—the oneness being a given and a permanent entity devoid of love. It is this given and permanent need for love, love that is to be brought to one another by the subjects-become-one, that makes their existence—for, being one they have no *relationship*—a dialogical one, for this need signifies an absence, which in turn signifies a struggle to fill it. Admittedly, the dialogicality of *this* existence is of different order, and hence the nature of the efforts to end it and the route to this end too would be different, but that is not the point we were trying to discover here.

IV

Does that mean that the human subject is condemned to live a dialogical existence? While the answer to this question appears at this point to be yes, and while most available theory tacitly concurs with this conclusion, far from bringing the discussion to an end, it only lays the ground for its further opening up and in more directions than one. For, not only is the human subject an existential being, as we have projected him so far, he is also for this very reason an *imagining* subject. And the richer and more complex is the world of his existence, and therefore the intenser and more complex is his struggle for existence, the richer and more complex is likely to be what we would call the world of his imagination.

But what is the significance of our introducing this world at this point of the discussion? One significance obviously is that it gives us an opportunity to allege that political theory has so far nearly totally neglected this what in our view has been and is increasingly becoming one of the more important areas of man's existence. Only recently have some attempts been made to take conscious notice of the significance of man's imagination for the political world he may want to build around himself. However, what makes inadequate the attempts like these is that they take notice mainly of the 'collective' imagination of the human subjects. While the concept of collective imagination is in itself of a controversial nature and should, for that reason, be taken up for discussion, what is more imperative here is to advance a proposition which will form the basis of a necessary component of the discussion to follow. This proposition is: It is not merely that man's imagination, or the world of his imagination, is an important sphere of his existence, but also that it belongs essentially to his dialogical world and is as such a dialogical phenomenon. Having said this, it needs to be pointed out that the nature of man's imagination as a dialogical activity is somewhat different from that of his other dialogical activities. While like them it enables him to confront the dialogical world,

it appears to do so by making him, so to say, *transcend* this world while at the same time remaining *within* it.

This confrontation through transcendence that man's imagination makes available to him could at one level be interpreted as a negation of the world in the sense of an escape from it, where 'escape' is intended to have the meaning of an essential non-confrontation. However, apart from the fact that negation—as we have indicated above—is never, in any of its forms, a nondialogical activity, the phenomenon of confrontation through transcendence is totally different and far more complex than mere negation: It is actually an attempt at re-creating the world. And this re-creation takes place not merely in a metaphysical, 'non-worldly' fashion, where the activity of man's imagination bears a truly transcendent character. Rather, this activity is never devoid of—and more often than not actually realises—the potential of transforming the 'real', the 'material' world. It is in this sense that Proust, when he was writing *Remembrance of Things Past*, had transformed his world, and van Gogh, when he was struggling to 'capture' the various shades of light, had transformed *his*. Nor is it an occasional Proust or van Gogh who is capable of effecting this activity or this transformation. The case of a Proust or van Gogh, or, even more truly, of a schizophrenic subject, provides only an extreme and therefore a less common instance of a more pervasive phenomenon. The case of a schizophrenic subject, is, in fact, the rarest of all insofar as the depth and intensity of this activity and transformation is here the greatest. It constitutes an instance where the world created by the imagination completely overwhelms and replaces through total transformation the so-called real world—so-called, because once the created world is the only world in which the schizophrenic subject lives, it becomes for him the only real world.

And it is here that the second point of the significance of our introducing the world of imagination in this discussion comes to the fore. This point lies in the fact that imagination seems to provide the human subject with so far the only possibility of transforming his world in the sense of making it nondialogical. This possibility inheres in the complete transformation that imagination seems to promise. For unless the inherited world of the subject has been transformed *completely*, that is, until it has undergone total re-creation, it remains, to a greater or lesser degree, a dialogical world. Does that mean that a completely schizoid subject is a completely liberated one? Given the model of the existential or life world that we have sketched so far, it *does* seem to mean exactly that. In this model, a potentially schizoid subject can only be said to have *imagined* himself into a schizoid world, a process leading, after a point, to an obliteration of his inherited world.

And here, before we proceed any further, it needs to be pointed out, needs to be underlined in fact with all the rhetorical power that one has at one's command, that this appears to be a damning indictment, of the highest order, of the world in which we live—this, the phenomenon of schizophrenia, which, despite all the willingness that may go into its making and therefore into the making of a schizoid world as an alternative to the one it rejects, expresses in its essentiality, and because of this very willingness, an *anguished unwillingness to leave this world*. Prompting one to ask: Surely there must be a less tragic way of transforming one's world, of ridding it of its dialogicality, and thereby of preserving one's essentially nondialogical self that finds itself at odds with this world from the moment it is born?

And a position we arrived at a couple of paragraphs above, where we said that "unless the inherited world of the subject has been transformed completely, that is, until it has undergone a total re-creation, it remains, to a greater or lessor degree, a dialogical world", has, indeed, within it elements promising the way to if not a complete transformation of a subject's dialogical world then at least a partial transformation of it. At the same time, this position is such that it has already made clear its propensity to force us—unless we want to *dis*continue to adhere to it—to introduce a modification in our model of the dialogical world outlined towards the beginning of this essay. We had contended there that if a subject makes a pact with the other, with the aim of ending his dialogical existence, it would not attain this end since the existence of a pact is predicated on a continuing recognition of the other which implies in turn a continuing confrontation with it. However, the position we have reached and mentioned above has opened up the possibility of attaining at least a partial closure of the dialogical world, for this position suggests that to the degree this world has been re-created to that degree it has become less dialogical. If this were to be accepted, then we have to admit that while a pact with the other would not end a subject's confrontation with it, it would certainly make this confrontation less intense thereby making his existence more bearable.

It would seem to follow from this that if we apply a similar logic to the phenomenon of appropriation, as different from a pact, we would likely get a similar result. That is, a partial appropriation of the other, in the pursuit of nondialogicality, by forcing him to become potentially less dialogical, would reduce the dialogicality of the subject's life world to that degree. If a pact can blunt the dialogical edge of the other, so should, it would seem, a partially effected appropriation. For even though it is different from a pact in essential make-up, it is similar in effectivity: a pact aimed at and realising a partial reduction of dialogicality is no more holistic in results than a partial appropriation.

This project, nevertheless, seems implausible, and for precisely the reason that makes appropriation different from a pact: the element of force implied in the former and seemingly missing in the latter, For force, it is clear, only pushes underground—rather than cutting it down—the dialogical potential of the other into a region where it impatiently waits for a chance to resurface and possibly regain its former stature.

However, is a pact really so different from appropriation? For, firstly, a pact may be forced by one subject onto another, or, secondly, it may be equal threat of potentially exercisable force that impels opposing subjects to arrive at a pact. In both cases, it is the involvement of force, actual or potential, which is the decisive element, and which reduces a pact essentially to an appropriation, with the difference that, here, this may be an appropriation that, under ideal conditions, is effected equally by contesting subjects.

In these ideal conditions at least, nevertheless—it can be contended—an appropriation through pact is actually a shedding of some dialogicality by both sides in an equal measure and, therefore, if at all it is an appropriation, it is one which is effected, as it were, by an abstractly existing third subject for the equal good of both the others. Enabling us to say that a pact under ideal conditions—that is, when both the sides possess or are capable of applying equal force—is *actually* a pact, and that a pact under *less* than ideal conditions is no pact at all but a one-sided appropriation.

VI

If a pact made by inequal subjects, however, does not reduce the dialogicality of the life world, and if to achieve this end, therefore, a pact must be made by equal subjects, then the possibility of resolving the problematic through a pact is very limited indeed. For in the life world, such as we find it, there are very few subjects who, at a given moment, may be said to be equal with some others, and even when they are so equal, they also have to struggle with the *inequal* others, below but more importantly *above* themselves. When the struggle is with those below (that is, who possess lesser power), a subject can hope to appropriate them or

at least to drive their dialogical potential temporarily underground, thus making his own life would that much less dialogical. But when it (the struggle) is with those above, he has no option but to either be appropriated (during this struggle), or, alternatively, keep some of his dialogical potential in abeyance till the moment for its retrieval and use presents itself.

This has two implications significant for the further course of this discussion. One, some subjects have to struggle harder than the others for the same or even a lower level of existence. And, two, this struggle is carried on at multiple levels of existence. While these observations are not in themselves new, they serve to indicate the richness and complexity of the existence of especially the modern subject and thereby the difficulty of arriving at a pact for this subject. For not only is it true that some subjects have to struggle harder than the others and that the struggle for existence has to be waged at a growing multiplicity of levels, it is also beyond denial that these levels are nearly as many as the individual others a subject has to encounter and confront in his daily existence, including the members, where applicable, of his most immediate group, the family. This not only makes the life of the individual subject an interminable stretch of timorous existence, it also means that not all of the struggle or rather struggles a subject may have to wage are institutional in nature. Indeed, it is one of the basic assumptions of this essay that a large—perhaps the largest—part of a subject's dialogical existence is spent in realms which remain totally beyond the available institutional arrangements at any given moment. From which it follows that these realms deserve as great—if not a greater—a part of theoretical attention as these arrangements are customarily given. It speaks of the ingenuity of fictional literature—and even of poetry and drama—indeed it speaks of its superiority over political theory that such attention is to be found in *it* rather than in the latter. Hence the case for a 'literaturisation', so to speak, of political theory, by which it is meant that political theory display the same sensitivity towards individual human condition and individual human consciousness as is found in fictional literature, and deal with them with the same minute subtlety and thoroughness.

In this context, the weakness of the most existing political theory inheres in its tendency to deal with the human subject mainly as a member of some collectivities, and with the larger of these collectivities at that. It is presumed that the subject becomes dialogical *only insofar as* he is such a member and—what only follows this—his struggle, through collectivities, is essentially against similar other collectivities. What is forgotten, first, is that a subject only *finds* himself a member of a collectivity, and that as such his collective identity is basically an imposition on him. Secondly, part of the dialogical consciousness of a subject stems from precisely this imposition, for this finding is one of the acts as well as the moments of the acquisition of this consciousness. It is this finding, the dawning of this knowledge—among innumerable others—that makes the subject from a being-in-itself into a being-for-itself, that is, that transforms him into a dialogical subject. And insofar as it transforms him so, it pitts him against not only the 'members' of other 'collectivities' but also those of his 'own'. The acquisition of dialogicality, thus, is a subjective act and a subjective moment, and so is the struggle a subject wages including against the members of other collectivities, and *as* member of his own collectivity. The other, it follows, is never a 'collective other', nor is the self ever a 'collective self'. It also follows, inevitably, that 'collective imagination' is an abstracted category, like the two other categories mentioned above. All these categories may facilitate analysis, but they can never lead to the acquisition of ever greater political understanding. The possibility of the acquisition of such an understanding presupposes the discovery of categories which are founded on a knowledge of the individual self embedded in an alienating world. This knowledge thus is *prior* to the discovery of these categories. But, does not *all* knowledge presuppose the existence of some conceptual categories? And if that is so, how would we arrive then at knowledge of the 'individual self embedded in an alienating world' without such categories? The answer is: a knowledge of the individual self is not dependent for its arrival on an exercise of thought whereby 'an exercise of thought' is meant a *reflection* on the 'objective' world. Rather, it comes via an *experiencing* of the life world by the selfsame individual subject. This process of experiencing of the life world is akin to the one through an unfolding of which works of art are born. The birth of a political theory carrying within it the possibility of an ever increasing understanding of the dialogical world is therefore akin to the birth of works of art. Works of art however—and our model here is primarily fictional literature—do not treat and cannot treat by their very nature the dialogical world in separation from the overall existential or life world. Nor can political theory, so-called, do such a thing—that is, *not* treat the dialogical world as a part and mere extension of the existential world—and still carry within it the possibility of an ever expanding understanding of the dialogical world. This essay, which is rooted in an experiencing of the life world by an individual subject, namely, this author, may be taken as a preliminary attempt at an alternative political theorising.

A Primer on Fiscal Sanity

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Public Expenditure Management by A Premchand; International Monetary Fund, Washington, DC, 1993; pp 282.

THE main *raison d'etre* of economics as a science is that it helps to understand how scarce resources can be managed to meet competing demands on their use. And yet there is an unbridgeable chasm between economic theory and policy. Debate on policies typically ignores the essential element of efficiency, whenever the issues are raised of what the government should mobilise and how it should spend what it mobilises by way of taxation and borrowing. A major reason for this hiatus between economic theory and its application to government operations is that economic logic is elided in favour of economic ideology, whether of the right or the left. This is reflected generally in four policy areas—taxation, public sector role in the economy, stabilisation policy and the nature and limits of government intervention.

It used to be seriously argued in the 1960s that the more the taxes raised as a proportion of GDP, the more was the expenditure incurred by government. The question was not asked why this should be so; whether expenditure was a dependent variable, being solely governed by the amount of tax receipts, or an autonomous variable; and whether the expenditure that followed taxation was a total waste. The same argument appeared in a different guise but with the same connotation more or less when the supply-side economists like Laffer came up, during the Reagan era, with their laughable nostrums that the rate of growth of GDP was inversely related to the tax ratio. All that was put forth as a self-evident truth was that the expenditure out of tax receipts was all unproductive.

The controversy on the public sector and its rationale is also, more or less, of the same genre. If the state sets up industry, it is necessarily unproductive or less productive than industries in the private sector and therefore the GDP growth is less than it would have otherwise been. This may or may not be the case, if the public sector is efficiently operated. In other words, the issue should have been posed more in terms of how investible resources are employed.

The discussion on stabilisation policy generally focuses on how the fiscal deficit should be reduced and the implicit arguments in the discussion centre on it. Those who ideologically support the government's role in critical investment as being central to the economy would not like capital expenditure to be reduced to achieve fiscal consolidation. For them, the government's capital expenditure is sacrosanct, regardless of how it is incurred. Those who are on the other side of the ideological divide stress the fungibility of money. The resources saved through scaling down government capital expenditure are available to the private sector. Though nothing explicitly is said about efficiency, it is just inferred from vague pronouncements on the subject.

The last stream of arguments relates to the nature and limits of government intervention. Here again, it is taken as axiomatic that government intervention is a superior or inferior policy, depending upon one's perception of the nature of the state. In general, a case for state intervention is made on the ground of market failure, which is commonly observed in many developing economies. But that in itself should not justify state intervention. There are transaction costs both in market and government transactions as Ronald Coase long ago emphasised. Markets are efficient and function best when the transaction costs are low, in fact lower than the benefits that markets yield. Otherwise government should enter the scene to correct market failure. But the case is not unambiguous unless it is shown that the transaction costs of intervention are lower than the benefits it might bring in. However, these issues are slurred over both by the supporters of government intervention and its adversaries. The arguments of the former are buttressed by the false anologies of South Korea, Taiwan and Singapore, which have successful economic regimes, however defined, and they are countered by the latter through recounting the experience of countries in Latin America, south Asia and Africa which have starkly failed under autarkic policies.

All these four strands of ideas have one common thread—they are all abstracted from the central criterion of efficiency. Taxes can be raised and expended, but the point is whether they are efficiently spent and here efficiency is defined in the economic sense of maximum benefits from the use of minimum resource. The same could be said about public sector operations, stabilisation policies which reduce capital expenditure and the extent of state intervention. In the final analysis, it all depends on how the expenditure by the state is managed. The great merit of Premchand's book under review is that it deals head-on with all the relevant expenditure management problems in the author's usual thorough and comprehensive manner, first revealed in his scholarly and much-lauded work on *Government Budgeting and Expenditure Control*. It offered an expose of the battle royal between the budgeter and the economist. This book has a wider canvas and a fair amount of philosophical rumination with the author tangentially and elliptically pulling the legs of administrators, politicians, economists and other functionaries at different layers of the government.

Premchand does not deal merely in attractive but innocuous niceties of expenditure management. He straightaway enters the main battleground in a combative spirit. "Practical politics have an enormous influence on these processes. Indeed politics is what spending is all about and this is an integral part of expenditure management. But conventional wisdom holds that politic· ·dominant in policy formulation, and that implementation is administrative in nature. This is a myth however—for political influen-ces and the interplay of political forces are to be found at every stage of management. They may be hard to measure, but the results often show the footprints of politics" (p 7). If what Premchand so clearly elucidates is recognised, it will be easily seen why most of the debates economists revel in are sterile. Politics supersedes economics and the casualty is economic rationality. However, after having caught the bull by the horns, Premchand steps back. The technician and careworn budgeter in him wakes up. He shuns "the political forces or the role of the legislature" and considers expenditure management at second remove from politics—"from the point of view of the decision-maker (concerned with both policy formulation and implementation) who, notwithstanding the influence of his public or private religion, has to address issues in that role" (p 7). Then he proceeds to 'chalk' out, in his scholarly style, the expenditure management strategy. He thinks that such a strategy would overcome the problems created by 'uncertainty'. The need for a strategy is inherent in the long process of expenditure management, in which each stage of the system has a separate vision and its own scale of values. These visions and values have to be blended into a harmonious whole. Premchand's stratagem is no doubt correct and is probably necessary to discipline finance ministers and politicians, but how can one ensure its success if it is abstracted from *realpolitik*? In the world we live in, expenditure

management divorced from the political element is just a curiosum and can hardly be used as a tool to keep profligate governments within the bounds of "propriety, accountability and the adequacy of the system for delivery of services to the community" (p 48).

The importance of non-technical considerations or factors which cannot be dovetailed systematically in an "expenditure management mechanism" is thrown up in sharp relief by Premchand's well-articulated and innovative device of "modular presentation of features" of expenditure control drawn from a sample of countries of all categories—industrial, centrally-planned and developing—which use different systems of expenditure control. What these countries actually do in the field is derived from their responses to the questionnaire issued by the author. The responses are revealing. Here is how countries use expenditure management: "In public expenditure planning, industrial country representatives felt that excessive political interference was a major problem. The representatives of the planned economies thought that the major problem areas were excessive regidity in expenditure and fragmentation of responsibilities between planning and finance agencies, whereas officials of the developing countries, in particular those from sub-Saharan Africa, viewed expenditure planning as a major problem."

"In the cluster relating to the attention paid to special problem areas, officials from industrial countries believed that productivity in government operation and maintenance expenditures received the least attention. While sharing this view, officials of planned economies thought adjustment for inflation received too little attention. Officials of developing countries believed that control of personal expenditures was the major problem. In regard to resource planning, officials of industrial countries believed that the absence of convergence between expenditure and revenue budgets at an early stage of the process was a problem, while those from planned economies and the developing countries felt that the planning of revenue resources (and external resources for the developing countries) constituted a major problem" (pp 50-51).

The factors identified in Premchand's modular presentation based on empirical findings highlight the one fundamental theme that it is the political element and the nature of governance, whether in relation to "rigidity of expenditure", "conflict between planning and finance agencies", "inflation control" or "resource planning", which are overpowering in determining the pattern and magnitude of government expenditure. It follows therefore that the efficiency of expenditure management is a correlate of the political element and any analytic framework devoid of the latter will have no more than ornamental value. Authorities like Verne B Lewis and K N Chaudhuri, who Premchand quotes in profusion, have come, more or less, to the same conclusion through deductive reasoning. Lewis, for example, points out that "governments fail not so much because of lack of effort, but because they do too little or too late or too much" and as a result "the underlying approaches to expenditure management remain the same". Chaudhuri is more frank in concluding that the "fundamental characteristics of a structure [expenditure management] remain unaltered despite outward transformation".

What lessons can be drawn from the erudite study of Premchand for managing the expenditure of governments? An optimist would delve into the analytics of expenditure control, raciocinate on economic logic and the imperatives of good governance and come with an impressive tome on how expenditure should be optimally managed. Premchand is an optimist and his scholarly, well-written book should be considered a heroic effort helping those wanting to rescue us from the labyrinthine government machinery. A pessiment would throw up his hands in despair and refrain from fighting a losing battle, but plead instead that governments, if they cannot extirpate the matastasis of political interference, should confine themselves to that level of expenditure which is essential and minimal and which, even when interfered with by the political authorities, will impair the least the economies of the countries and their citizenry.

Rule of the Contented

G Parthasarathy

The Culture of Contentment by John Kenneth Galbraith; Houghton Mifflin Company, Boston, New York, London, 1992; pp 195, $ 22.95.

THIS book is about the attitudinal changes in the behaviour of the majority affluent towards the minority poor in the US in the 1980s, from one of concern to that of gross indifference. Galbraith, in his inimitable style seen in *The Affluent Society*, and other works, describes the culture of contentment and narrates the transition to it in 15 eminently readable chapters. What makes the book of absorbing interest to Indian readers is the parallel to the current situation in India. The situation here is marked by the culture of contentment of the minority elite and lack of concern towards the majority poor.

The first chapter titled 'The Culture of Contentment' traces briefly what the Roosevelt administration did to save the capitalist economy and ensure a more stable and secure economic life. As a result, a contented majority has emerged on the scene. The government is accommodated not to the reality of common needs but to the beliefs of the contented who are now the majority of those who vote.

The contented majority is comprised of people who manage to be in the middle and upper reaches of the great industrial corporations; independent businessmen; those in lesser employment but whose compensation is more or less guaranteed; the larger population of lawyers, doctors, engineers, scientists and accountants; families with dual pay cheques; a certain, if diminishing, number who once were called proletarians and those whose wages are now supplemented by those of a diligent wife; big farmers benefiting from price support programmes; and the aged living on pensions for whom there is adequate retirement allowances and for whose remaining years of life there is adequate and ample financial provision.

The first and most general expression of the contented majority is its affirmation that those who compose it are receiving their just rewards. The second characteristic of the contented majority is short-run public inaction in preference to protection of long-run interest. The third is a highly selective view of the role of the state, that the need is to get the government off the backs of the people. Significantly, exceptions are made only in the case of (a) military expenditure and (b) expenditure on interest payments. The fourth expression of the contented majority is the tacit approval of growing inequalities.

Much that is being attributed to ideology, idiosyncrasy or error of political leadership has deep roots in American polity, particularly the doctrine that if a horse is fed amply with oats some will pass through to the road for the sparrows.

There are people who do not share the comforts of the contented majority, they are concentrated in the slums of great cities; on deprived farms; as rural migrant labour; as more diffused poor of the old south; and as members of minority groups, blacks or people of Hispanic origin.

The underclass is integrally a part of larger economic classes and more importantly it serves the living standards and the comfort of the more favoured community. This class is needed so that the more fortunate may be relieved of distasteful, disagreeable and low paid jobs. However, the theory upheld by the contented majority disguises these facts. The shift in studies on poverty without reference to the macro context in which the poor grow forms part of this effort towards the suppression of fundamental facts.

Galbraith brings out the perverse effects of the recent theories of taxation and public services. Public services and taxation have disparate impacts on the contented majority and on the underclass. The contented majority seeks reduction in taxes and curtailment of welfare services.

In two chapters Galbraith brings out the modern accommodation of economics of the culture of contentment. There are three basic requirements to serve contentment. One is the need to defend a general limitation on government spending; a second more specific need is to find social justification for the untrammelled, uninhibited pursuit and possession of wealth; and the third is to justify a reduced sense of public responsibility for the poor.

In the culture of contentment a distinction is invoked between private corporations and their public counterparts in relation to the bureaucracy. The former is perceived as efficient whereas the latter is thought to be mentally moribund, seriously incompetent and offensively arrogant. The large, private organisation cultivates its acceptance in several ways: (i) through regular rewards to those who surrender independent thought; (ii) through diminishing the role of thought itself; and (iii) through increase in the number of persons who are subject to the influence of cultural contentment, though bureaucracy is a hated word in the culture of contentment. Immunity from criticism of the bureaucracy from the private sector is central.

Galbraith comments that very few who cite Adam Smith in favour of the preceding propositions have read his great book. "Smith was in reality, the supreme pragmatist, and with much else, was fully open to a necessary or useful role for the state. Smith was also alarmingly doubtful about some of the more cherished capitalist institutions of our time" (p 99). The inspiration for the culture of contentment came more from George Gilder, a free-lance philosopher whose *Wealth and Poverty* acquired a biblical standing in the early 1980s. Gilder called for the necessity for faith as opposed to reasoning. He avowed that material progress was ineluctably elitist: it made the rich richer and increased their number, exalting a few extraordinary men who could produce wealth over the democratic masses who consumed it. Gilder warned: "material progress is inimical to scientific economics, it cannot be explained or foreseen in mechanical and mathematical terms". He further pleaded that regressive taxes helped the poor; "in order to succeed, the poor need most of all the spur of their poverty".

Gilder's faith was supported by the taxation doctrine of Arthur Laffer who said that reduction in taxes would not diminish but increase aggregate government revenues. While Gilder and Arthur Laffer supported the theory of wealth accumulation by the rich, Charles A Murray pleaded that the poor are impoverished and are kept in poverty by the public measures particularly the welfare payments that are meant to rescue them from their plight.

In two well-written chapters on 'The Military Nexus' Galbraith unfolds the autonomous character of military power. This prevented any reduction in military expenditure even after the Soviet power collapsed. Understanding of politics in our time will continue to require an appreciation of the depth, breadth and influence of modern military power. The chapter on foreign policy brings out its recreative role.

In two concluding chapters Galbraith raises the question 'what then is the future?' of the culture of contentment. He reflects on some possibilities of change: (i) adverse develop-ments that will challenge the sense of comfortable well-being; (ii) widespread economic disaster; (iii) adverse military action that is associated with international misadventure; and (iv) eruption of an angry underclass. A severe recession or depression would shake the political economy of

contentment and lead to change. But such a result is even now far from certain since in the half-century and more since the New Deal the position of the contented has been gradually strengthened, very specifically by the measures then so vehemently resisted. One of the still-acknowledged threats to contentment is inflation. Unlike the effect of declining output and unemployment, its effect is felt across the full spectrum of the economy. Therefore in the age of contentment it has become a matter for deep concern.

The military power in its substantial strength would be a threat to the culture of contentment in the future. Though the need for military deployment and action against areas of communist expansion has lessened, it should be recognised that the military establishment in the US operates out of an internal power of its own. As a consequence, the military budget has remained relatively unaffected. Another threat to contentment comes from those who are left outside its comfort—from the underclass in the urban slums to which it has been extensively consigned. However, the members of the underclass are not a homogeneous group. Yet the possibilities of an underclass group revolt, deeply disturbing to contentment, exists and grows stronger. No one should be surprised if the growing unemployment in the underclass should lead to a violent reaction. Galbraith writes, "it has always been one of the high tenets of comfort that the uncomfortable accept peacefully, even gladly, their fate. Such a belief today may be suddenly and surprisingly disproved." In the context of such developments, the reaction of the community of contentment is to resort to the hiring of personal security guards; to escape to the safe suburbs; to more extensive use of the enforcement of laws of detention for those who revolt against the culture of contentment; to armed repression by the police and then by the military.

In the concluding chapter titled 'Requiem', Galbraith reflects on the possibility of the collective force of democracy correcting the situation in favour of the underclass. But he does not foresee this possibility in the context of criminalisation of politics.

Basic to this greater long-run security of the contented is the nature of the modern industrial economy. The need for increased public expenditure is discounted. Similarly, the need for taxation to reduce the deficit in the federal budget is also discounted. Nothing in the age of contentment has contributed so strongly to income inequality as the reduction in taxes. Here the collision between wise social action and the culture of contentment is most apparent. Further, the dismal consequences of speculative activities of the savings and loan associations would have been prevented by scrupulous regulation. The mergers and acquisition mania of the 1980s could have been altered in the early stages by legislation requiring hearings and a waiting period to assess the virtue of any large substitution of debt for equity—the universal feature of corporate raiding, other mergers and leveraged buy-outs. Similarly, though the importance of education is recognised, the willingness to appropriate public funds, especially for spending on schools in the central cities, has been lacking. The resources now going to the military establishment, those devoted to such dubious weaponry as Star Wars would, if available, work a minor revolution in education. But no one should doubt the formidable opposition of the autonomous military power. As a consequence of such policies adversely affecting the poor, the number of Americans living below the poverty line increased by 28 per cent in just 10 years from 24.5 million in 1978 to 32 million in 1988. By then nearly one in every five children was born in poverty (p 107).

Galbraith concludes his book on a sad note. He writes: "In the past, writers, on taking pen, have assumed that from the power of their talented prose must proceed the remedial action. No one would be more delighted than I were there similar hope from the present offering. Alas, however, there is not."

Colonial State and Colonial Working Conditions

Aspects of the Experience of Bengal Jute Mill Hands, 1881-1930

Parimal Ghosh

This paper examines certain facets of the working conditions in the jute mills within the triangular structure constituted by the colonial state in India, the Anglo-Scottish management of these mills in and around Calcutta, and the labour force employed therein. The paper concentrates on two issues, those relating to the minimum age of the workers and their hours of work, and argues that the rules concerning these were systematically flouted by the employers with the connivance of the state.

IN any account of working class history a major part is always occupied by a consideration of the work process within which the worker functions. It is this process which shapes the worker, determining his existence as such. Obviously, the worker is not an isolated individual, he grows up and develops within a certain ambience, in a certain relationship with his context and, above all, with his employer. In a way, the position of the employer within the configuration is more crucial than any other element. The extent to which he is separated from the worker, with a distinct identity, directly determines the details of the work process to which the worker is subjected. The history of the working class is more a history of the worker's generalised relationship with his employer established through the work process, and of his generalised responses to it, than anything else.

The role of the state here assumes a particularly critical importance. To make another obvious statement, the relationship between the worker and his employer as mediated through the work process functions within a network of laws, formed by the state in its capacity as the regulatory agency of the society over which it presides. Now, the state regulates but in turn is also regulated by the cross currents within the society. The tension within the society, in this case, primarily the tension between the working class and the class of employers, is, therefore, reflected in the laws which establish the modalities of the worker-employer relationship. The relative strength of the worker and of his employer determine the specific orientation of the laws.

But the question, which always attains vital importance, is what role the state plays *vis-a-vis* the employer and the worker. For all practical purposes, as the ultimate arbiter in the general affairs of the society, state has to assume a neutral facade and maintain an equal distance with the two players in the game. Yet, the state can assume the role of the arbiter only when it, paradoxically, agrees to behave as the representative of the ruling class in the society. Its autonomy, indeed, its sovereignty, can survive only as long as it agrees to not exercise its privilege as truly neutral. Although for brief periods state can appear to act as autonomous, effectively its actions must, consciously or unconsciously, benefit the interests of the ruling class, if it has to survive. There is, therefore, necessarily, always an attempt on the part of the state, to pose, to hoodwink, the general society, and pass off the interests of the ruling class as the interests of all the other classes in the society. From the other side, it also remains true, *a la* Gramsci, that the ruling class can effectively function as the ruling class only when it is able to establish its hegemony over the rest of the society. The extent to which it is able to do so determines the extent to which the facade of neutrality of its representative, the state, is maintained, and the fiats of the state are accepted, willingly, by the rest of the society.

This position is further emphasised in a colonial society. The only crucial difference is that the anxiety of the colonial state to maintain the neutral facade is naturally less, and there is a much bolder proclamation of the colonial interests as its paramount consideration. Yet, it is of great interest as to how much time and energy is devoted by the same colonial state to demonstrate that at the back of all its actions lies the welfare and benefit of the natives whose destiny had been to come under its benign dispensation. It is, of course, easier to see through its preachings and practices than is the case with a non-colonial state. The colonial ruling class as composed of the white officials and their native collaborators are so much racially and socially separated from the rest of the society that the question of trying to establish and then to maintain hegemony does not really arise. The neutrality of the state, therefore, is, to that extent, less important. It is, therefore, possible to argue that the real conflict, so far as workers in a colonial state were concerned, lay, more palpably, not so much with their employers as with the state, which acted as their surrogate.

This view assumes further importance if we consider another aspect of the situation. Capitalist industry, wherever it may have occurred, be it in the metropolitan country or in a colony, exhibited in its early stages the same ferocity when it came to labour exploitation and extraction of surplus. Sweated labour existed everywhere and a mere narration of facts about factory process is not likely to reveal the specificity of conditions in a colony. This would necessitate an understanding of colonial mentality, which precisely speaking, was external to the working of capital in the colony, but, which nonetheless, it must be understood, modulated its functioning. This is exactly the reason why the colonial state, with its various limbs for enforcement of authority, assumes that much criticality in any understanding of a situation of this kind. Colonial state, epitomising colonial arrogance—the arrogance of race, of being victors over the vanquished of the whites being the walking gods on earth—was reflected in the motions of colonial capital. The limbs of the state, the factory inspectors, other bureaucrats at various levels, the police, and so on, articulated this. Profit motive of the mill owners was there and, as would be seen, the question of sustainability of the industry would be repeatedly raised whenever the issue of providing relief to the mill hands came up. But above all there would be the confidence of knowing better, of being privy to a knowledge that the natives were different, requiring a treatment different from the one that may be conceded to the workmen at home. This is why the connivance between the state and the mill owners in the making and unmaking of laws became that much more palpable and critical in the colonies than elsewhere.

On this general format, we propose to examine certain facets of the working conditions in the mills within the triangular structure constituted by the colonial state in India, the Anglo-Scottish management of the jute mills in and around Calcutta, and the labour force employed therein. We have

chosen the jute mills as the focus of our attention primarily because they comprised the premier industrial interest group in colonial India. The period chosen is from 1881, the year of the first Factory Act, to 1930, the year the Royal Commission on Labour was constituted, because we feel that these years provide us with a fairly convenient set of years in which to investigate the problem.

To go back to what we started with, we consider this aspect of the workers' experience to be of importance, as it was in the interstices of these relationships that the existential problems of the workers were formed and articulated. To better highlight our problematic, we shall concentrate on two issues, those relating to the minimum age of the worker, and his hours of work, and show how rules concerning these were systematically ignored and flouted by the employers with the connivance of the state.

The discussion is divided into several sections. We begin by a brief survey of what the various factory laws in this period warranted; then we outline the actual working conditions prevailing in the mills; finally, we take up the matter of official attitudes as it prevailed in this period.

I

The first Factory Act, passed in 1881, decided that the minimum age of a child worker should be seven years, with a maximum permissible working time of nine hours a day. They were also to have a minimum of four holidays in a month and fixed intervals of rest during the working day. No other category—adult male or adult female—it may be noted, was touched upon in the act.

In 1891 the government of India set up Factories Commission which suggested some changes, leading to fresh factory legislation. The minimum age was raised from seven to nine with a seven-hour day for child workers between nine to 14. Women were to do an 11-hour day and restrictions were imposed on their working after 8 p m and before 5 p m.

The next phase of factory legislation started in 1907 when a new Factory Labour Commission was appointed by the Home government leading to a new law in 1911. Restriction was now put on the working time of textile units, the maximum limit for which was fixed at 12 hours. Child workers in textile units were to do a six-hour day, and women 11.

The first world war saw several important changes in this regard. To start with, there was a rapid expansion in production followed by a slump when the war-induced demand began to fall. Further, international labour welfare movement began to gain pace affecting the stand of the Home government and the government of India. All these led to fresh official intervention into labour matters while making big employers amenable to changes. By the amendment to the Act of 1911 in 1922, therefore, for the first time hours for adult male workers were specifically restricted to 11 per day and 60 per week. Women could not be employed before 7 a m and after 5.30 p m and the minimum age of a child worker was fixed at 12 with a six-hour day for 12- to 15-year olds. There were rules regarding compulsory rest and holidays.

II

A: The principal working pattern in the jute mills throughout the period remained the multi-shift system in which batches of workers attended the machines in shifts, so that each batch secured an amount of rest even while the machines were constantly in operation. Understandably, this way of working required more hands than if one batch of workers had worked the whole day. In the 1920s, there began a tendency towards single-shift working which meant that one batch of workers attended the machines in two shifts with a small break in between. The main reason behind this, apart from more stringent application of rules, was that the mills were now anxious to cut down production after the war.

Two general features of mill working, those of excess hands and extended hours, were seen right from the beginning of the period. In 1879, A Crabbe, the manager of Champdani Jute Mills, reported that with shift system his mill worked 12 hours a day. For children and young persons this meant 8½ hours of work at an average, and it was claimed that since they were allowed to go out for bath and refreshment, the actual working period came to 7½ hours.[1] India Jute Company, which again worked on shift system, reported that this required one-third more hands than was strictly necessary. As D Cochrane of this mill described, a worker belonging to groups A and B started work at sunrise, left work at 9.30 a m for 2½ hours, returned to work at noon and continued till sundown with an hour's leave in the mean time to eat or to smoke. A worker of group C, on the other hand, started at 9.30 a m and worked till sundown with an hour's leave in the afternoon.[2]

We must note that there was nothing to ensure that these schedules were strictly followed in course of working. In September 1909, the officiating chief inspector, Adams, would observe how easily the shift system could be manipulated to prove that different groups of operatives were working the successive shifts, while in actual practice "neither the inspector, the manager, or his assistants will be in a position to state the exact number of hours worked by different classes".[3]

It appears from the evidence before the Indian Factory Commission of 1890 that the day for the hands began around 4 a m when the buzzer was sounded and the mill started to work by 5.30 a m. It was then a 4-day week. Women worked as much as men; children started with them and were let off from 9 a m to 12 noon, or from 12 noon to 3 p m, leaving finally at 6 p m. This, as we can see, was same as the adult hours, and not any the less as claimed by Crabbe of Champdani Jute Mills. Weavers were supposed to work continuously and not by shifts. For relief, an arrangement was worked out by which a weaver going out had his loom looked after by his neighbour on the shop-floor. On the last working day of the week, the hands, usually the males, attended to clean the machines after regular hours.

By the mid-1890s workload seemed to have increased substantially with the introduction of electric light. In May 1895, Walsh, the chief inspector, found Howrah, Sibpur and Ganges mills working with electric light up to 8.30 or 9 p m. At Ganges mill, he even found over 100 children, averaging 9 to 10 hours, working in the spinning rooms. In Hastings mill, though there was nothing to show that under-14s were employed at night, Walsh did find a large number of young persons working. What Walsh could not verify was even more terrible as a commentary on the penury of the workers. He did not know how many of the hands in the night shifts also did day hours in other mills. He could only conclude that it would be impossible for any one to continue long under such conditions, and that neither would it be very profitable for the mills concerned.[4]

The state of affairs did not improve after the turn of the century. In November 1905, Walsh informs that with the exception of the Gouripore Jute mills, all the mills were doing 15 hours a day. He calculated that roughly 20,000 women and half of the 16,000 nine- to ten-year olds were compelled to leave home at 4.30 a m to attend the mill.[5] At times, when the mills were short of hands, a percentage of the children were induced to work extra hours on small payment. About the same time, in 1906, Halliday, the Calcutta police commissioner, reported how the existing law was frequently evaded where child labour was concerned.[6]

We have already seen that the shift system did not apply to the weavers who had a system of mutual help to secure relief. That sometimes this did not help is shown by the petition by the weavers of Hastings Jute Mills to the government in July 1906 about the pressure they had to endure. A remarkable document in many ways, it is perhaps the only instance where we have an insight into how the hands themselves looked upon the

work schedule. As it stated, they had to work from 4 a m to 8.15 p m with an hour's leave for meals. The weavers pointed out that this left them with only five hours of night rest, which was "very insufficient for recreation". The result was "by excessive and hard toil", they had to "suffer from constant illness and thereby gradual decay in health; [and] slowly drag themselves towards their graves".[7] Walsh thought that the petition was an exaggeration but his own investigations seemed to reveal much that was true in it. According to him, the men worked from 5 a m to 8 p m, and though they did piece-work, i e, they could come early or late as they pleased, they had to deliver a minimum quantity fixed by the employers. The mill had no objection if the weavers helped each other out on their looms but apparently this was not very practicable for want of what Walsh considered to be lack of trust among the weavers. The result was long hours, which Walsh thought was "altogether wrong, and must be detrimental to health..." He was convinced that no man could stand at a loom "for more than 10 or 11 hours and keep it up month after month doing good work..." But the weavers were doing 14 hours a day. The worst part was that this was not illegal either—"it is quite legitimate to work the men any hour so long as half-an hour's interval is provided in the middle of the day for meals".[8]

More palpable irregularities were found by the Textile Labour Committee of the time. In fact, it was told by a European manager of a large mill employing 400 children that there was no such thing as half-time employment in any mill, and that he did not know of any factory act restricting child labour in this way. Another European manager of the same mill conceded that though work was carried on in shifts, when there was pressure work would continue beyond the specified period, and that there was nothing to prevent the children in one shift from continuing in the next.[9]

The Factory Commission of 1908 tried to control this by indirectly restricting the factory hours. So it was suggested that female labour may be employed for 12 hours between 5.30 a m and 7 p m, children for six hours, and that there may be a "young person" class from 14 to 17 with a 12-hour day. The government of India, however, considered that the regulations on women labour was retrogressive for the existing law allowed only 11 hours; besides, the 'young person' class was considered to be cumbersome from administrative point of view. It was, therefore, decided that work in textile factories would be restricted to 12 hours with women doing 11 hours as before. The catch, however, lay elsewhere, for all this was to be effective only if the units were not on any approved shift system. As it actually turned out, by July 1912, when the new act came into operation, the mills came up with an elaborate system of shifts which amounted to 13½ hours of continuous work from 5.30 a m to 7 p m. As the chief inspector discovered, it was extremely difficult to regulate work under such conditions, and to detect or avoid irregularities in the hours of women and children. Sixty-five of the 71 jute mills were now doing 13½ hours with an almost even pressure on all kinds of workers. In shift system, Adams found, for children of shift A, comprising 50 per cent of the total employed, the period of work came to 13½ hours. For B, C and D shifts, about 30 per cent of the total and 7½ hours, and for the rest 20 per cent and six hours. Again, for 75 per cent of the men and women, shift system implied 13½ hours of work, and 10½ for the rest.[10]

By 1922, some statutory changes had come up. There was a tightening up of regulations for women and children, and for the first time adult male day came to be restricted to 11 hours. Together with more effective arrangements for inspection, this led to a gradual abandoning of multi-shift working for the single shift, where the same batch of hands worked through the day with a rest period in between.[11]

How far this affected the length of the working day is a different question. By 1928, the single shift system was well established in the mills. Yet, as Adams notes, out of a total of 53,000 women in the mills, 40,000 worked from 5.30 a m to 7 p m. This was quite the practice in the single shift units and for 60 per cent of the women in the multi-shift mills.[12] A labour activist in the late 1920s also noted how, without a clock in every department, 10 to 15 minutes extra work was carried out. Taken together, in a multi-shift mill extra working may have been close to an hour or more in a day. It was also said that mills often worked stealthily with guards watching the gates.[13]

B: It should be clear by now that working extra or long hours remained a constant feature in this period. It has to be shown, however, how its logic lay within the system, and why the legal regulations were being repeatedly evaded.

Even at the time of the first Factory Act in 1881, it had been noted that curtailment of hours was likely to affect the system of production directly. D Batchelor, manager of the Budge Budge Jute mills, had then observed that shorter hours would keep the labourers away, for their earnings would not be enough to induce them to do factory work. But more importantly, he said, "I am fully persuaded that such an act would so fetter the industry that it would be impossible to work these concerns to profit..." Even more forthright was Downs, manager of Bowreah Cotton mills: "it will take very little to strangle these industries, and I think the proposed act [i e, the Act of 1881], if passed into law, will most effectually do so".[14]

It may be remembered that all that the first Factory Act did was to fix the minimum age at seven with a nine hours limit on the day's working for the child labour. There also had to be a minimum of four holidays in a month.

In the mid-90s, again, Walsh pointed to a different aspect of the system as the source of long hours: the cut-throat competition among the mills. So, "while mills are represented by Calcutta agents, the majority of whom receive commission on the gross out-turn of the mill, and not on the profits, it will be naturally in their interest to advocate these excessive hours".[15] Walsh made the same point again in 1904, and in 1909 he was quoted with approval by the next chief inspector, Adams.[16] In 1906, further, the fragility of inter-mill co-ordination on cutting down work was noted by Walsh. For, the overwhelming anxiety of every management was that its mills should not fall behind its neighbours.[17]

The pressure that was generated at the top naturally percolated downward to the shop-floor supervisors. The 'sardars' have long been blamed for the abuses that went on, specially in the employment of children. It was they who supplied the labour and reportedly were sometimes strong enough to defy the management. In 1909, thus, Adams suggested that the forthcoming bill should make liable to prosecution their abuse of the law.[18]

Yet, though the 'sardar' undoubtedly had a big stake in what he did, for his cut on every man employed under him was substantial, he in turn was subject to a lot of pressure. The work routine of the industry over time became a finely tuned schedule, geared to secure the maximum return for the mills. And the running of that schedule depended considerably on the adequacy of the labour supplied by the sardar. Again, it must be noted that there was no co-ordination between the mill managers or the agents to regulate labour supply. So that when supply was short, there had to be keen competition among the mills to secure their respective requirements. The manager had either to overlook the numerous irregularities practised or face a shortage, reducing out-turn and seriously affecting his position with his managing agents.[19]

In 1928, Adams elaborated that "tremendous pecuniary interests" were involved in the machines' running continuously for 13½ hours a day, four days a week. And that entailed that the requisite number of workers should be present at the machines during the whole period. However, the sardar, who was responsible for this supply, could never know of any shortage through sickness or otherwise until the shift had commenced. He, therefore, had to be ready with hands irrespective of whether they were legally fit

to work or not. "It seems to me, therefore", Adams wrote, "that owners of jute mills, knowing and fully appreciating these circumstances...can only have one motive and that is the maintenance of the flexibility of employment of labour within the mills so that fluctuations in the availability of labour can be immediately and readily accommodated in order to ensure that continuity of production and maximum output may be obtained at all times. In other words, they seek to subjugate the requirements of the act to the requirements of the industry."[20]

It was often suggested that workers did not favour any shortening of the hours as that affected their overall earnings.[21] More careful assessments seem to suggest that upcountry temporary hands did not mind the long hours as that meant quicker money and shorter stay away from home. On the other hand, those who came to adopt factory work as their permanent occupation, resented the long exhausting hours and preferred a shorter day even with reduced earnings.[22]

However, such differences in outlook may not distract us from the basic contention that the long hours were an integral part of the system. After all, it was not the inclination of the unskilled hands which determined this routine as did the "tremendous pecuniary interests" involved.

Besides, there were other aberrations arising from the same source. The Textiles Factories Labour Committee, for instance, had observed how certification of child labour had become "purely permissive". In some units, they were procured, in others not. It frequently came to the notice of the committee that in mills where hundreds of children were employed, there had been no visit from the certifying surgeons for periods varying from several to 18 months.[23] This, in fact, allied well with IJMA's stand in the same period that certificates of age and physical fitness for employment should not be required for either half-timers or adults. For this would imply idle machinery till certificates were secured. This problem would be specially severe during the annual exodus in April-May-June, necessitating quick replacement, and prior certification would make that impossible.[24]

The workers' readiness to submit to these and other abuses has also to be explored. That was the other side of the problem which made the aberrations so vexing. One official suggested that all child workers should be tested with irremovable metal rings to make impersonation difficult;[25] another suggested whipping of the under-aged when they were caught.[26] The same conditions, again, made the government inspector more a terror than a source of much needed relief to the illegally employed. Adams, in his deposition before the Royal Commission on Labour, thought that this fear was the reflection of their poor understanding, and of the ignorance of the sardars who controlled them.[27] It may well have been more directly a fear of losing their jobs.

The same situation led to another abuse in the mills, the bribes the hands had to pay to secure their job and then to keep it. In 1918, Adams observed that out of 27,709 child workers in his jute mills 18,000 were seemingly fresh hands, where the normal figure should have been 5,000. The difference showed the gains made by the sardars and their associates.[28]

Bribery did not have to stop there either. In the late 1920s, labour activists alleged that a cut from what the sardar received had to go to the European in-charge of the department. The European seldom took cash. "It will be sufficient if you supply his table by marketing for him. This 'marketing' is, of course, a comprehensive term, for it does not include merely plantains, gourds, cucumbers, cabbages, etc; it is very often an affair of gold and silver in as much as the sardar has to pander to the passions of the Europeans by procuring for them brandy and concubines. Many a mill hand in his inability to procure hard cash for his bribe has to execute promissory note for the same, which he has to pay off by weekly instalments together with the interest accruing on it."[29]

C: It is important to find out something about the working style of the hands, for it was this style which directly established their reaction to the work routine.

The employers invariably argued that the native workman was more dilatory and irregular than his English counterpart. From the beginning of the period under discussion, it was stressed that the least cause will keep the ordinary workers away—a puppet show or 'tumashaw' (fun) of any kind within a reasonable distance. And since the wages of 15-20 days were sufficient to support them, it was only "their unfortunate employers who suffered".[30]

The point was again stressed in 1890 by the secretary of the Bengal Chamber of Commerce, Clarke, who made a detailed comparison between the English and the Indian working style in a factory. In England, he observed, factories worked with "highly disciplined regularity of attendance on the part of the workpeople". "Manufacturers in England calculate very closely the effect of silent machinery on the cost of production, and as a consequence the working hands employed in a factory have to yield labour in a fashion which is utterly impossible in India. In England the factory hands are present day by day, and shift by shift, and are kept very closely to their work".[31]

It has been customary to link this dilatory work habit with the rigorous hours that the hands had to keep, to suggest that this, or absenteeism was the hand's way to seek relief from, if not to resist, the long hours.[32] Clarke, on the other hand, felt that the workers could get away with such a style as factory work was only an avocation for them. Their main interest lay at home and in traditional life.[33]

There was, also, a typical charge of apathy. The Industrial Commission, for instance, had noted the complaint of the mill-owners that the hands did not seem to respond to the stimulus of higher wages: they merely worked fewer days in the week.

Yet, it is possible to, and the Industrial Commission actually did, relate this pattern of behaviour with the material condition of the operatives: a state of affairs where extra effort did not promise sufficient benefit to warrant it. As the commission reported: "The reasons for this were investigated in some detail by us. We have little doubt but that the long hours passed in the uncongenial, if not unhealthy, surroundings in a factory, from which the labourer returns at night to a dirty, crowded and insanitary hovel, where his only relaxations are found in the liquour shop and the bazaar are most unattractive to rural life, and it is only the congestion existing in his native district and the desire to earn higher wages *for a time* that lead him to submit to such conditions...[The] conditions under which the labour force lives and works...can never create a skilled and steady class of operatives".[34]

The picture becomes even more damning if we add to this the findings of the Factory Commission of 1908, which discovered a marked absence of elderly people in the textile factories. The conclusion had to be that the hands became incapable of taking the strain of work under the existing conditions at a comparatively early age.[35] We may also note the very acute observations of Rai Sita Nath Bahadur, sercretary, Bengal National Chamber of Commerce, in 1909. He stressed that while it was desirable to examine the physical fitness of workers before employment, "owning to various causes, the standard of health of the poor of this country has been so low that most of them would not be considered eligible, and the consequence would be that the factory would fail to secure sufficient labour...".[36]

III

We have already got a fair idea about the attitude of the state towards the working people in this period. It is important to explore this specially with regard to the existing factory conditions to fully understand the peculiar set up in which they functioned. The main source of information that we have used are the various replies the government of Bengal put up as and when there was pressure for reform in factory conditions. It has to be noted though that until the advent of trade unionism, factory acts, which constituted the main avenues of

state intervention in factories, might not have figured at all in the understanding of workers. In his deposition before the RCL, thus, Adams had observed that as a whole they might not be acquainted with the provisions of the factory act.[17] The security of his job, the regularity and correctness of his pay, were all that immediately concerned the individual worker. Yet official attitude about factory act proposals is important insofar as it was indicative of a general state of affairs, going beyond the specific provisions in a bill and reflecting a milieu in which the hands functioned.

In the early part of the period the identity between the state and the employers was shown time and again. In 1879, when the first bill to regulate factory labour was circulated, the government of Bengal's reaction was quite hostile. It was plainly stated that as far as Bengal was concerned "no case whatever has been made out for special legislation". On a general ground of policy, therefore, any legislation which tended to restrict the growth of manufacturers in India, say, by regulating factory hours, could be nothing but mischievous.[18] This response was in many a sense classic and deserves to be quoted at length, for in many places it put together almost a theoretical formulation justifying the factory conditions as they were:

> In Bengal certainly there are no great town populations of artisans to whom the factory offers the only mode of living, and who require to be protected against the reckless competition of their own class, and the attempts of capitalist employers to get as much work as they can out of them in return for their wages. We have here unfortunately a population almost entirely agricultural subject to a constant risk of famine, to a small fraction of whom manufacturers, for the first time in their history, now offer a means of earning their living apart from the land. If the work is irksome, heavy or distasteful, they can readily leave it; but so long as no serious oppression and no serious evil of any kind are found to exist...(the) government should sedulously avoid all interference which may check the natural expansion of these industries.[39]

The government went on to identify two sources from where the attempt to interefere might have emanated: the "uninformed philanthropists", and the jealous "manufacturers at Manchester and Dundee"; "and nothing could show more clearly that the bill is not really required than the character of the agitation that demands it". The former view the question "entirely from an English standpoint" and so "they publicly express their sympathy with the supposed sufferings of the operatives working in an atmosphere of 90 to 95 degrees for so many hours a day, ignorant all the time that the temperature of the factories is actually less than that of the huts wherein these people would ordinarily live, and ignorant also of the fact that, owing to the dilatory and desultory habits of Indian workmen, the hours of labour are really less by two or three". The Manchester and Dundee interests, on the other hand, had themselves learned by experience the mischief of over-sensitive factory legislation, but yet were anxious to hinder the growth of Indian industries and deprive them "of the natural protection which they enjoy by working unrestricted in the country producing their raw material, with cheap labour, and with a vast consuming population lying at their doors".[40]

The attitude of the government was perhaps most typically demonstrated in the dispute between F Wyer, officiating magistrate of Hooghly, and the commissioner of Burdwan division, Beames. After inspection of Hastings, Champdany and Wellington jute mills, Wyer on May 9, 1882 had reported that while in none of them under-sevens were at work, in none was the Form C being maintained. This Form C dealt with age certificates to be issued by civil surgeons after examining child workers, and Wyer ordered this should be done. At this stage, however, Beames pointed out that Form C became operative only if the inspector thought that a child worker was under age, or if the parents of the child were unable to give the child's age—thereby necessitating an examination. Thus in some factories, there might not at all be an operative Form C as the civil surgeon was not required under the rules to examine every child. Wyer refused to accept this ruling, and in fact held that the commissioner had no right to revise his orders as an inspector. The moot point in the question, according to him, was that "the parents or guardians never, as a rule, know either their own age or that of their children; and to be satisfied with the guess of the manager as to the age of the children would be to nullify the provisions of the act in a very important point".

Beames, after this, forwarded the whole case for the consideration of the superior authorities with the comment that compulsory examination of all child workers would not only be harassing to the managers and the children themselves, but would involve some expense at the rate of 4 as per child examined. His views came to be upheld, and Wyer was rebuked. In a general circular to all commissioners, it was said that the policy of the government was to cause "the least interference with manufacturing which might be consistent with safeguarding the interests of the children employed. Inspectors by making the examination of every children compulsory would give to owners or managers of factories the maximum of trouble and to government maximum of expense without conferring any compensating benefit on the majority of children".[41]

Given this state of affairs, it was not surprising that in 1890, when the question of amending the first Factory Act came up, IJMA almost echoed the Bengal government's position. Almost point for point the same argument was put up against official interference. For instance, there was the same reference about proposed legislations assuming working conditions to be similar in England and India, and that "the feeble manufacturing industries of India" were being subordinated "to the interests of the powerful industries of England".[42]

In the mid-90s, when with the introduction of electric light the question of long hours became prominent, Bengal government again came to the defence of the employers. Against the resolution of Dundee Chamber of Commerce, the government held that not only was the inspection of factories in Bengal perfectly in order, it was in fact better than what it could have been had the inspectors been UK-trained or functioned as required under UK law. For, besides the chief inspector of factories who had his special qualification, the district magistrate and the civil surgeons, who were the other ex-officio inspectors, were definitely of a "higher" intelligence than an ordinary UK-trained inspector was likely to be.[43]

As for night work, which was the main grievance of the Dundee Chamber, it was held to be perfectly legal. For, it was in order to allow women to work by night that the words "except working in shifts approved by the local inspector" were inserted in the act of 1891. What was more, the government insisted that the labouring population actually preferred to work by night. The debate in the council on the bill was quoted to show that "the Indian idea (of night) is that it is a cool and pleasant time when all work which does not require better light than can easily and cheaply be afforded can best be done".[44] To top it, a message from the commissioner of the Patna division, the catchment area from where the substantial portion of the hands came, was tagged along to show how things differed even in the sleeping habits between English and Indian labourers. Thus, "In comparison with an English labourer, the native of India takes far less sleep by night". Again, "while in England the children of the labouring classes are sent to bed early in the evening, in this country the children staying to share the family meal seldom retire to rest until their elders do so". "It must be remembered, too", the commissioner continued, "the labouring classes—dusadhs, gowalas and dhanuks—are accustomed to extreme hard labour from a far younger age than that to which the English labourer is accustomed. In this country a boy or girl of eight or nine years is expected to earn his share towards the family expenses".[45]

In any case, it was not for this that the government of Bengal would not interfere, but because since the act was passed nothing

had happened to warrant any change in the law.[46] Yet we know that in this very case chief inspector Walsh had unearthed disturbing facts about factory conditions which came very close to confirming Dundee's allegations on sweated labour. But since Walsh felt that it would be difficult for night-shift workers to work also during day for any length of time and that it would require mills to be close to each other which was seldom, the government felt it could discount his other findings.[47] Walsh had also quoted a minute of IJMA where most members were shown to be opposed to night work. But about that, the government held that the context was not labour welfare, but the managers' or owners' point of view, and as such may not be the basis for legislation.[48]

Even at the end of another decade, we see almost the same attitude regarding factory hours. The government of India had made enquiries regarding excessive hours for adult males, adequacy of inspection, and defects in the law regarding certification of children. The Bengal government's response was as usual. Playing up certain parts of the reports received from different officials and underplaying or discounting the rest, it opined that "government should not undertake to restrict the hours of adult labour by legislation", for there were no serious abuses. Neither did the workers desire a change in the conditions of labour, and nor was any change necessary for their interest. The labour market was allegedly in such a state that any enforced limitation, if unwarranted, would do "a great deal of harm to the nascent industries of this province".[49]

It may be noted that the chief inspector was, in fact, in favour of indirectly limiting adult male hours by restricting hours of women and children. He agreed with the government that employers and operatives should themselves try to settle the hours. But, as he put it, "I am doubtful" if they could ever do it in view of the bitter competition among the mills.[50]

However, the government felt that if this suggestion was carried too far then women and children might well get ousted from the mill. It was also convinced that no case was made out for any alteration in the law for women and children. There was no systematic evasion so far as clarification was concerned and therefore certification before employment was not necessary either.[51]

The only point on which it would concede any change was in the inspection machinery which was getting palpably short-handed. The existing structure consisting of the district magistrate, the civil surgeon and the chief inspector of factories, was, therefore, to be augmented by the inclusion of an assistant to the chief inspector, and a special medical inspector.[52]

The close alliance between the government of Bengal and Bengal Chamber of Commerce was best reflected in the way the chamber continued to cite government's views to substantiate its own. In 1908, thus, when the Factory Commission brought forward recommendations to revise the Factory Act, IJMA quoted extensively the government's own official to argue why no change was required." The commission, among other points, recommended the formation of a "young person" class for 14 to 17 year olds with a 12 hour day; a six hour day (reduced from seven) for children; prohibition of employment before 5.30 a m and after 7 p m of young persons, children and women, and a compulsory interval after six hours' continuous work in place of the existing mid-day interval. IJMA's response to this was naturally adverse. It said "with as much emphasis as possible", that 90 per cent of the jute mill industry in Bengal was opposed to any alteration or amendment of the Factory Act. The citation from the evidence of H C Streatfield of the government of Bengal followed, showing how the local government had itself anticipated and supported the stand. Streatfield had said:

> It is necessary in the first place to emphasise as strongly as possible the undesirability of undue interference with factory labour in this country. The essential difference between factories in India and in the UK is generally recognised in theory, but in practice often appears to be forgotten. Yet the fact that the labour in the vast majority of factories in Bengal is non-resident and can and does leave a factory the conditions of which are not favourable, and either return to homes in the country or go to another factory, is one which at once renders unnecessary such control as is called for in UK, where operatives often have the alternative of working in the nearest factory or of starving. The habits of Indian operatives as regards the taking of holidays and of intervals in their work, and occasional returns to their homes, the great demand for an inadequate supply of labour, which renders easy terms and liberal wages a matter of course, and the extreme sensitiveness of the labour force to any interference with their settled customs, render it unnecessary and undesirable to insist on strict legal control of the working of the factories. The government of Bengal desires therefore emphatically to assert its opinion that any legislation which is proposed should be of a tentative and permissive character, except as regards matters where practice and not mere theory has shown legislative interference to be called for.

Clearly, thus, there was little change in government's stand on the issue since the days of the first Factory Act. The image of the factory hand, who needed no protection, not only because he himself resented it, but because he was actually a non-resident who did not care much for his job, had become quite stuck in the state's vocabulary. There was yet another aspect to this image, which, while having little to do with the immediate factory conditions, was certainly behind much of the official attitude. It was that of the "cooly" as an almost a lesser human being, who cared only for the direct business of living and nothing beyond that. G D O Maclear, inspector of European schools, thus referred to the ordinary mill 'cooly' as a being of "a very limited mental outlook", "an illiterate, credulous, superstitious individual" whose sole ambition was to earn as much as possible in as short a time so that he might return to his native village for a life of leisure. His children were to him only instruments to achieve this goal and so he admits them into mill work at an early age. "Education does not enter into his cosmos". Therefore, what any education provided for them should hope to achieve was "to produce a more intelligent type of cooly". And the government of Bengal could not agree more with IJMA that education for them should, in fact, remain limited to the three 'R's.[54]

The government's attitude, it is important to understand, permeated its whole hierarchy down to the local official who dealt with the factory relatively at a closer distance. It can be argued that it was first the local official who provided the basic data upon which the state's attitude came to be formulated. Yet we have seen how the higher authorities pulled up a straying official whenever he chose to take a relatively independent position.

The alignment of the local official was evident from the days of the first Factory Act. Bradbury, then sub-divisional officer of Serampore, had observed how the 'coolies' in the mills were in as good a shape as those of the same class outside the mill, if not actually better. In fact, he spoke of their "comparative luxury".[55] This can well be compared with the observations of J M Gillman, civil surgeon of Serampore in 1906, when he said that he had never heard of cases "where operatives have broken down from overwork".[56] Three years later, the incumbent of the same office would write that restriction of hours was not necessary for the condition of labour in the district was "remarkably good".[57]

In other aspects of factory working, again, the stand remained quite the same. On the question of under-age children, for instance, Çollin, the presidency commissioner, in 1906, did not find anything wrong in the fact that the under-age children of the mill hands frequent the mill premises and pick up the work. The fact was they were not employed by the mill. But in any case "there appears to be no special harm in allowing them to come into the mill and learn their work in this way".[58]

As we have noticed, there was a change in the pattern from after the war. The crucial factor was the growing militancy of the

factory worker, which was strikingly evident not only from the growing labour troubles in the mills but also in the emergence of massive political demonstrations in Calcutta with a marked presence of the cooly class. These were, no doubt, indications of more difficult days in the near future. The overwhelming concern of the state now became containment of this threat. The alliance between Bengal Chamber of Commerce and the government of Bengal, therefore, became less obvious than before and on occasion the latter had to step in to formulate, so to say, new rules of the game.

Even in September 1919, warning had come from the chief inspector of factories that conditions for the hands were worsening in the mill areas, and "that a large proportion of these workers are not receiving living wage". The bad trade conditions immediately after the end of the war had led to a four-day week in the preceding eight months, and the workers were receiving four-days' salary and an extra day's pay in the way of 'khoraki', i e, food allowance. The chief inspector foretold serious trouble if things were not soon improved.[59]

The 20s, in fact, opened with massive demonstrations in Calcutta related to the non-cooperation movement in which the participation of the mill hands drew special attention. Besides, there was the strike wave in late 20s affecting much of the industrial belt around the city. The government of Bengal's first response appears to have been the appointment of the Committee on Industrial Unrest in early March 1921. By that time the strike wave was on the wane but the situation was "still sufficiently unsettled to demand the most anxious consideration".[60]

The committee felt that while the industrial turmoil was part of a worldwide phenomenon with all kinds of causes, the most obvious, if not the most important, were the factors related to the economy:

> The increase in the cost of the food-stuffs, cloth and other necessaries of life has been followed by a rise in the wages of all classes of labour, but rise in wages has not at all times and in all industries kept pace with the increase in prices. During the intervals genuine hardship must have been caused to the labouring classes, giving rise to apprehensions as to the future and a general feeling of unrest.[61]

Besides, labour was also rapidly acquiring a political identity. "Public men of all shades of opinion have devoted themselves to the cause of labour..." Labour was "developing a new consciousness of its own solidarity and value". The "placid pathetic contentment of the masses of the people" was gone so far as the Bengal industrial world was concerned.[62]

The decision to set up a machinery for conciliation in industrial disputes, which followed upon the findings of the committee, was definitely a pointer to the changed situation.

The change was even more noticeable when the question of registering trade unions and of offering them some special privilege came. The difference between the respective stands of the government of Bengal and Bengal Chamber of Commerce here becomes specially of interest. The Bengal chamber, continuing on its own inertia, staunchly opposed the inclusion of political action within the scope of trade union function. For while workers could understand "the primary function of trade unions (e g, the regulation of wages, hours of employment and other matters relating to the conditions of work)", they had not yet reached the position "to appreciate the influence of politics on industrial matters". "Indeed, neither the workers, nor their unions, nor the industrial and political developments of the country" were sufficiently advanced to warrant political involvement of the trade unions. Political action by trade unions was recognised as the "most advanced stage of trade union activity in highly organised countries", but then those countries had behind them "the experience of generations of the compulsory education, industrial organisation and representative government". In this country, therefore, a worker may join a trade union to receive the primary benefits from it, but without any further obligation on him to subscribe to the political stand of the union".[63]

The Bengal government, on the other hand, felt that the labour had to be recognised as a political identity. The Committee on Industrial Unrest had recognised that labour discontentment was requisite to its political action.[64] The government of Bengal, following it, argued that inclusion of politics in the trade union's scope had become all the more necessary since the existing system of nominating labour representatives to legislatures could not long survive. As long as what the government of India had proposed was observed, politics by trade unions, it was thought, would be safe enough. This, we may note, took political action to imply electioneering for any public office, distribution of literature, holding meeting, etc, out of a special fund and on the specific approval of the members voting in a secret ballot. Further, members were not to be forced to contribute to the fund.[65]

Again, unlike the Bengal chamber, the government of Bengal held that registration of trade unions should not be made compulsory for the conditions of registration would necessitate minute enquiries into their purposes, organisation and financial position which many of them may not be able to answer. It would be "premature and undesirable" to try to control the activities of trade unions by law. For that "might bring the labour movement into serious conflict with the state".[66]

Subsequently, in 1925, when the question was again discussed, the government of Bengal changed its stress, on inclusion of politics, on the government of India's explanation that even if politics was kept out of trade union's reach, as it eventually was, there was nothing to stop the employees to form a union for political purposes.[67]

Behind all these we should be careful to note, operated the notion of containment. The government of Bengal was not prepared for any change than was warranted by this notion. This was clearly demonstrated in 1922 when the government of Bengal and the Bengal Chamber of Commerce agreed with the government of India that picketing should not be a recognised right of the trade unions.[68] It was again from this standpoint that the Bengal government took a firm stand with the big employers on prompt payment of wages,[69] or on observance of international labour rules.[70]

That all these did not really signify a change of heart may be seen in the question of the Workmen's Compensation Act. The echoes from a previous period about the peculiarity of Indian conditions were prominently heard when the presidency commissioner held that the need for such an act in India was not as much as it had been in the west, for here an injured workman was supported by his relatives. No poor law or anything of the sort was necessary, for the "public prefer to maintain their own poor, who live on the relatives or on public charity, rather than pay a 'poor rate' to maintain a state organisation of poor relief.."[71]

There was also the typical view that employers should not be made as generally liable as in UK in view of the fact that the Indian workmen was more negligent. "If the employer is to be held liable for any accident, there is considerable likelihood of his incurring liability for an accident which could easily have been avoided had the workman not contributed to the accident by his palpable and too often deliberate negligence".[72]

The most characteristic measures of this period, of course, had to do with arbitration in industrial disputes. For the better part of the decade, on this question the closeness between the stands of Bengal Chamber of Commerce and the government of Bengal was evident. In 1920, thus, the latter virtually echoed the Bengal chamber in turning down the idea of a legislation on the lines of the English Industrial Courts Act of 1919. For, it was held that both the capital and the labour were unorganised in the country, and that there was want of authoritative spokesmen on both sides. And, of course, labour in India remained different from that in the west.[73]

By 1925, when the question was again reviewed, there was not much of a change.

It was now conceded that committees of enquiries on disputes were an anathema to the managers. But even if such a stand was untenable, it was held that the government could not support a measure which could make the managers liable to prosecution for having refused enquiry committees.[74]

IV

In a sense what we set out to explore was quite simple. It would have been naive to expect that the colonial state established in India under British rule could have had any objective other than to serve the interests of its own. But having said that, it must also be admitted that imperialism as a historical phenomenon has become unfashionable to recognise. It is almost as if that the event of one nation taking over another was just a passing incident, an accident of history, undeserving of any serious exploration and unworthy of being a premise for any ideological position. At the most, it was a matter of two countries coming together in the normal pattern of international relations. Imperialism, as an exploitative mechanism by which the colonising country sucked the life-blood out of the colonised country for its own benefit, was a non-event. The term 'exploitation' is taken to be sentimental in its thrust, not sufficiently analytical to deserve the attention of the scientific minded academia. You have to, coldly, quantify the amount of surplus value extracted, statistically prove how native industries declined to the benefit of the Lancashire-Manchester lobby, but you may not talk of exploitation. Whatever occurred in the course of colonial rule was only the happenstance of the uninterrupted history of the colonised country, a result of the 'peculiar' nature of the mysterious Orient, or of the unfathomable magic of the Dark Continent, or, to continue with this line of thought, of the uncontrollable passions of Latin America. Time flowed unbroken and the story of colonial oppression, of exploitation, of the consequent immiserisation, was only the delusion suffered by the frustrated peoples of the colonised countries who have somehow failed to make their mark in the modern world. History, in the sense of an account of critical interruptions of time, as an explanation of the present, therefore, threatens to become quite useless.

But for the colonised it is a different story. The present is taken to be the creation of the past, and the past was repeatedly interrupted by historical occurrences. Imperialism constituted the most violent of breaks, because, for the first time, the destiny of the given country was commandeered by another for the sole purpose of exploiting it, to the benefit of the colonising nation. But how does one go about narrating it? It would be worthwhile to recall that the image of factory life which we have just reconstructed is not perhaps, barring in some details, very different, so far as the brutality of life of the factory hands is concerned, from the known image of factories in England in the early days of the industrial revolution. The only difference perhaps lay in the colonial mentality: the impunity with which a white overseer could strike at a 'cooly', or claim a comely wench for his nightly comfort, with the status of the 'huzur-ma-baap' in a sense than was ever true in this hapless country. Strictly speaking, these were extraneous to the factory system, to capitalism. But it was this structure of premises which lent strength to the system, indeed, justified it in the eyes of those who ran it. The lesser people deserved no better, and the old 'koi hais' thought that without it, it would be impossible to keep the natives in check, an attitudinal matrix which helped the system to run smoothly. There is precious little to be gained in arguing that here, in these premises, western colonialism was adjusting itself to the eastern mores, that the huzur-ma-baap syndrome was at the end native to India and not to England. This is besides the point, because adoption of or adjusting to Indian-ness, involved selection of some kind, of exercising a discretion over choices available; which, again, admittedly, would be guided by the wondrous tales of the mysterious east. Choices also involved transfixing of an order, of structuring an ideological mapping of India which would help the future innocent entrants to the maze. By the time the mills were coming up, the habits of the English gods were well set. The map was ready and the mill managers tread upon the paths that were laid down.

This factory system was the end result of all that. Notice, for instance, the report of the Patna divisional commissioner that the sleeping habits of the Indians differed from those of the Europeans, that they actually, therefore, loved to work more at night than during the day. Did it, or did it not, mean that Europeans were creatures of light whereas Indians, being just the other, were denizens of darkness? Also notice the racial arrogance in Maclear's comment, that the ordinary mill 'cooly' was a creature of only a limited mental ability, to whom his children were only tools for earning quick money. "Education does not enter into his cosmos." It was this mentality which made examination of the age of child labour a matter of formality, to be observed only at convenience. It was only later that things began to change, again because it was thought to be convenient for the masters. Colonialism itself began to undergo change. Days of rape and pillage gave way to those

in which control through persuasion and concession became more important, and force was substituted by politics.

A point which finally has to be taken note of is that the sub-, or was it the near-human, Indian cooly never appeared to be unaware of the mesh within which he functioned. Indeed, that alone can explain why invariably labour troubles transcended into violent showdowns with the forces of colonial law and order. It was not only a question of the violence which necessitated police, or even military, intervention. A more rational way of considering it would be to suggest that the roots of violence lay within the system, and the law and order machinery was there to maintain the system. The conflicts with the state implied the truth of the matter, and the labour knew it.

Notes

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Total Factor-Productivity Growth in Manufacturing Industry: A Fresh Look

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K Pushpangadan

Productivity estimates are sensitive to the measure of real value added that is adopted. One source of bias in estimation is that due to the assumption often made of constancy of the relative price of material inputs. This paper provides estimates of total factor productivity for Aggregate Manufacturing having adjusted for changes in this relative price. These results indicate that, contrary to what is believed, productivity growth in the 1980s may, actually, have been slower than in the earlier decade.

THE best known studies [Ahluwalia 1991 and Goldar 1986] of the growth of productivity in Indian industry have worked with the value added at constant prices as the measure of output. The latter is arrived at by deflating nominal value added by an index of manufacturing prices. Such a measure is valid only if the price of materials relative to the price of output is more or less constant for the period of analysis. When this relative price is changing, estimated productivity would, *ceteris paribus*, vary inversely [Bruno 1984 and Stoneman and Francis 1992]. While the problem has been recognised in at least one study [Goldar 1992], it has never been followed up, in that we are yet to see estimates of productivity in the Indian economy that have taken into account any changes in the relative price of the material input. Perhaps this is due to the enormous data requirements of such an exercise. The present paper makes an attempt to construct a standard measure of productivity for Indian industry having accounted for changes in the relative price of material inputs.

The outline of the paper is as follows. Section I deals with the relevance of the constancy of the relative price of materials to measuring total factor productivity using value added. In this section, the temporal behaviour of raw material prices in India is also examined. In Section II the method of computation of total factor productivity (TFP) is explained, and TFP is estimated from real value added arrived at by the single- as well as the double-deflation procedures. This section also discusses the implication of the results. We conclude with a statement of the limitations of the analysis and with suggestions for further research

I

We here examine how changes in the relative price of material inputs can affect the measure of real value added and thus measured productivity. Assume the case of a single output and a single material input. Value added in current prices is defined as

$$VA_t = P_tQ_t - P_{nt}N_t \qquad ...(1)$$

where 'P' is the price of output, 'Q' is output, 'P_n' is the price of the material input 'N', and 't' is the time subscript.

Real value added can be obtained from (1) in two different ways: the single-deflation method and the double-deflation method, respectively. In the signle-deflation method, both components of value added—the value of output and the value of the input—are deflated by a single price index, i e, that of output. The value added thus obtained will be denoted VASD. As per the double-deflation method, the value of output is deflated by an output price index and the value of input by an input price index. The value added thus obtained will be denoted VADD. From the above definitions, we have:

$$VA(SD)_t = \frac{P_tQ_t - P_{nt}N_t}{P_t/P_0} = P_0Q_0 - \pi_tP_0N_t \ ...(2)$$

where $\pi_n = P_n/P$, and

$$VA(DD)_t = \frac{P_tQ_t}{P_t/P_0} - \frac{P_{nt}N_t}{P_{nt}/P_{n0}} = P_0Q_t - P_{n0}N_t \qquad ...(3)$$

Setting base-period prices to one, the expressions in (2) and (3), respectively, may be re-written as follows:

$$VA(SD)_t = Q_t - \pi_tN_t \qquad ...(2)'$$

$$VA(DD)_t = Q_t - N_t \qquad ...(3)'$$

Now, it is apparent that real value added arrived at by the single-deflation method is not invariant with respect to the current level of the relative price of material inputs. Therefore, in periods of a secular change in this price, the inherent difference between these two measures will widen. In periods when the relative price increases VASD will grow at a rate slower than VADD, while during periods during which the relative price decreases VASD will grow faster than VADD.

The analysis has so far been conducted for the case of a single output and a single input. The conclusions extend to the case of an aggregate of several outputs and several inputs.

A formal expression of the relationship between changes in the relative price of materials and VASD is provided by Bruno [Bruno 1978 and 1984]. Let the aggregate production function for the manufacturing sector be given by,

$$Q = Q(L, K, N) \qquad ...(4)$$

where 'Q' is output, 'L' is labour, 'K' is capital and 'N' is the material input. Real income 'Y' is then defined as

$$Y = Q - \pi_n N \qquad ...(5)$$

TABLE 1: CORRELATION BETWEEN THE RELATIVE PRICE OF RAW MATERIALS AND TFP

Period	Correlation Coefficient
1951-65	-.48**
1959-60 to 1985-86	-.57*

Notes: * Significant at 1 per cent; ** Significant at 5 per cent. TFP is a translog index derived from VA (SD).

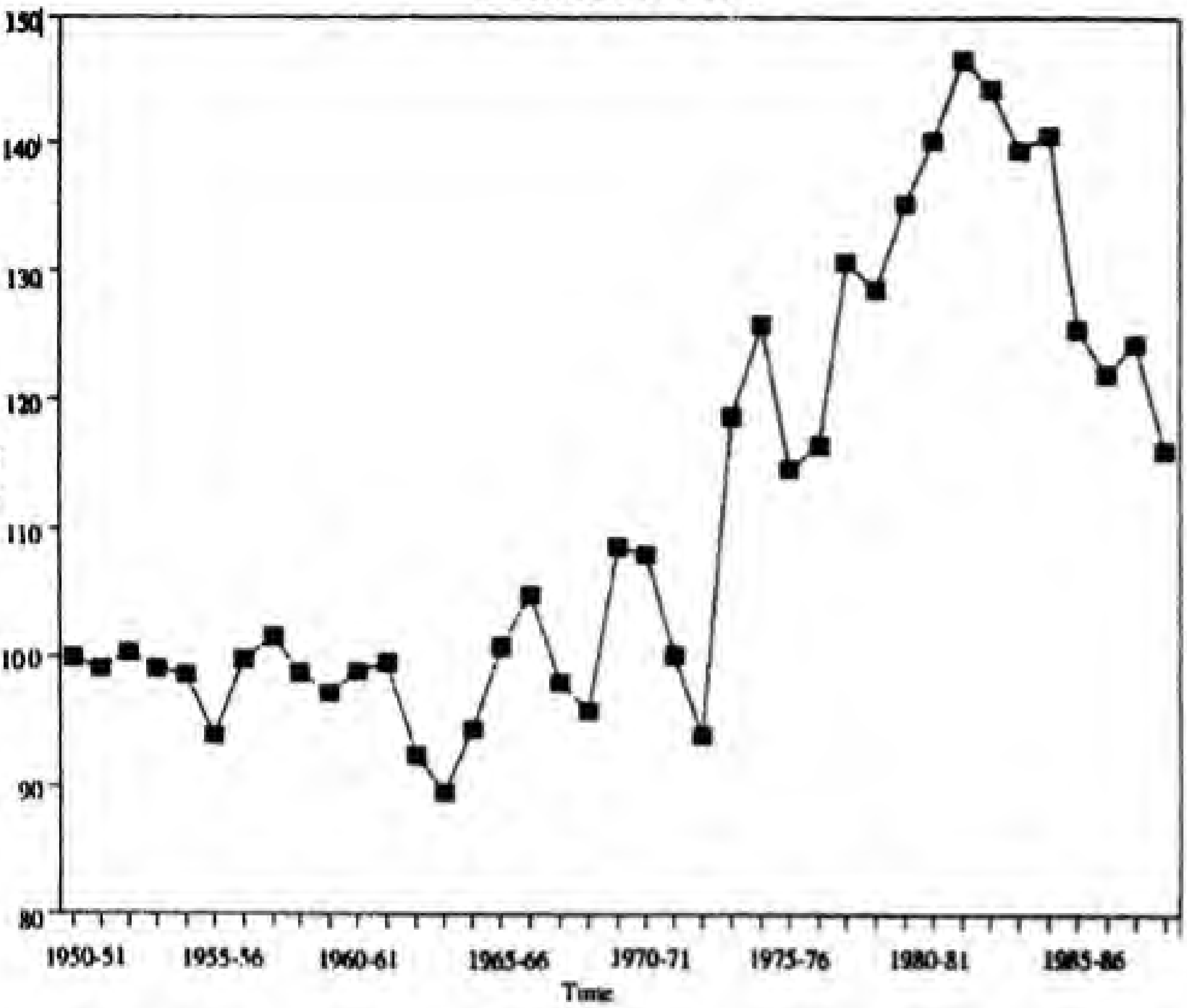
Sources: For the first period estimates by Goldar and for the second those by Ahluwalia have been used.

TABLE 2: VALUE ADDED AND TOTAL FACTOR PRODUCTIVITY

Year	VASD	TFPSD	VADD 1973-74	TFPDD 1973-74
1970-71	100.0	100.0	100.0	100.0
1971-72	99.4	95.7	84.1	79.0
1972-73	103.8	96.8	84.2	76.8
1973-74	99.8	89.9	103.1	90.0
1974-75	108.4	93.4	128.1	105.5
1975-76	110.1	90.2	124.0	96.8
1976-77	122.1	93.6	150.5	108.7
1977-78	131.1	94.8	174.0	118.1
1978-79	152.2	104.9	214.7	137.3
1979-80	146.2	93 6	220.3	131.5
1980-81	136.1	83.0	208.0	117.0
1981-82	150.1	88.3	253.5	135.3
1982-83	172.7	96.4	310.4	154.9
1983-84	189.6	103.1	309.9	148.1
1984-85	195.4	100.8	328.4	146.4
1985-86	202.4	103.4	324.9	139.9
1986-87	202.8	99.1	316.4	129.3
1987-88	221.9	99.9	343.9	128.0
1988-89	252.1	106.8	384.7	133.2

Notes and Sources: 'SD' and 'DD' denote whether the measure has been arrived at by the single- or the double-deflation methods, respectively. '1973-74' indicates that the weights used in the construction of the material-price deflator have been derived from input output statistics for this period.

FIGURE: THE RELATIVE PRICE OF RAW MATERIALS
(Index: 1950-51 = 100)



productivity increase without any increase in the efficiency of input use.

The analysis clearly shows that the productivity measure derived from VASD is biased when the relative price of material

where $\pi_n = P_n/P$ = price of materials/price of output.

Under optimising behaviour, the marginal value product of the material input must be equal to its price and real income may now be written as,

$Y = Y(L, K; \pi_n)$ ...(6)

In order to bring out the effect of a change in the relative price of the material input on value added, express (6) in growth rate form. Differentiating (6) with respect to time

$$\frac{dY}{dt} = \frac{\delta Y}{\delta L}\frac{dL}{dt} + \frac{\delta Y}{\delta K}\frac{dK}{dt} + \frac{\delta Y}{\delta \pi_n}\frac{d\pi_n}{dt} \quad ...(6a)$$

Under profit maximisation,

$$\frac{\delta Y}{\delta L} = \frac{w}{P}, \; \frac{\delta Y}{\partial K} = \frac{r}{P}, \; \frac{\delta Y}{\partial \pi_n} = -N \quad ...(6b)$$

where 'w' is the wage rate of labour and 'r' is the rental rate of capital.

Substituting the above marginal conditions in equation (6a) and expressing it in growth rate form yields (see Appendix B).

$$\dot{y} = (1-\beta)^{-1}(\alpha\dot{l} + \tau\dot{k}) - (1-\beta)^{-1}\beta\dot{\pi}_n$$
$$= (1-\beta)^{-1}(\alpha\dot{l} + \tau\dot{k}) - b \quad ...(6c)$$

where

α = share of labour input in the value of output,

τ = share of capital input in the value of output,

β = share of material input in the value of output, and

$b = (1-\beta)^{-1}\beta\dot{\pi}_n$.

Bruno refers to '$-b$' as the 'technical regress' term. The effect of the technical regress, itself a function of the change in the relative price, on total factor productivity (TFP) is seen below. The first term on the right hand side of equation (6c) is the growth rate of net output due to primary factors, labour and capital. Let it be denoted by $\dot{v}$.

Rearranging (6c)

$$\dot{v} = \dot{y} + b \quad ...(7)$$

Equation (7) brings out the impact of the relative price of materials on productivity through its effect on measured real net output.

Three such effects can be identified.

Case 1: the relative price is stable, i e, $\dot{\pi}_n = 0$. In this case, $b = 0$, both net output due to primary factors and the real income, which is VASD, are the same. Hence there is no relative-price-effect on measured productivity growth.

Case 2: the relative price increases, i e, $\dot{\pi}_n > 0$. In this situation, the net output increase due to primary factors is underestimated if VASD is used. The underestimation is proportional to the rate of change of the price of raw materials. This itself can show up *ceteris paribus* as a decline in measured productivity without there actually having been a change in the efficiency of production.

Case 3: the relative price decreases, i e, $\dot{\pi}_n < 0$. In this situation, the growth in the net output due to capital and labour is overestimated if VASD is used. In fact, the estimate needs to be adjusted downwards for the decline in relative prices. This upward bias will show up ceteric paribus as a

TABLE 3 TESTING FOR A TURNAROUND IN TFPG

	I	II	III
Constant	4 56	4 33	4.33
	(134 0)	(61.56)	(64.0)
Trend	0002	0.05	0.08
	(0.03)	(4.78)	(6.92)
D_1	–.33	0.60	1.01
	(3.23)	(2 79)	(4.89)
D_2	.02	–0 06	–0.10
	(2.82)	(3.17)	(5.50)
R^2	.50	80	.87
D-W	1 39	.1.46	1 41

Notes: The estimates are from a semi-log trend equation for TFP. T=1970-89, D_1 and D_2 are dummies that test for a change in the level ('Constant') and the rate of growth ('Trend'), respectively, for the period starting 1980. I, II and III differ in the dependent variable: TFP having been derived from different measures of real value added 'I'; TFP (SD), 'II' and 'III': TFP (DD) 'II' uses weights from the input-output for 1973-74 and 'III' from 1983-84. (T-ratios in parentheses.)

TABLE A1: PRICES OF OUTPUT AND INPUTS

Year	Index of Manufac-turing Prices	Index of Material Prices	Index of Relative Price of Raw Material
1950-51	46.9	43.2	100 0
1951-52	57.4	48.2	99.2
1952-53	47 1	46.0	100.5
1953-54	49.1	46.6	99.2
1954-55	46.0	44 7	98.7
1955-56	44.6	45.4	93.9
1956-57	49.1	49.8	99 9
1957-58	51.3	51 6	101.7
1958-59	52.0	52.4	98.8
1959-60	53.9	53.9	97.3
1960-61	58.5	58 1	99 0
1961-62	60 5	58.8	99 6
1962-63	62.7	60.1	92.4
1963-64	65.5	62.3	89.4
1964-65	69.1	67.3	94.4
1965-66	72.7	73 7	100 9
1966-67	80 8	82.5	104.8
1967-68	91.8	85 9	98.1
1968-69	92 8	88.2	95.9
1969-70	92.0	94.0	108.6
1970-71	98.0	100.0	108.0
1971-72	108 4	104.7	100.4
1972-73	119.0	113.4	93 9
1973-74	139 5	143.0	118.7
1974-75	168.8	183.0	125.8
1975-76	171.2	181 2	114 7
1976-77	175.2	191.6	116.5
1977-78	179.2	201 0	130 7
1978-79	179.5	208.7	128.5
1979-80	215.8	257.5	135 4
1980-81	257.3	304.7	140 3
1981-82	270 6	335 8	146 6
1982-83	272 1	349.6	144 3
1983-84	295.8	371.8	139 5
1984-85	319.5	404.3	140 3
1985-86	342.6	419 5	125.5
1986-87	359.4	429.5	122 0
1987-88	384 4	458.6	124.3
1988-89	414 4	492.8	116 1

inputs changes. The problem is serious only if the relative price of materials actually does fluctuate. To seek empirical evidence on this requires the construction of price index of raw materials. It is so because the price of inputs into manufacturing is some weighted average of the prices of produced inputs and of raw materials. Naturally, the relative price of the produced inputs, since they originate from 'Manufacturing', would be expected to vary much less. The price index of raw materials is defined as the weighted average of the wholesale price index of food products, non-food crops, minerals, and fuel and power. The weights are derived from the input-output table for the year 1973-74. The wholesale price index (1950-51 = 100) of manufactures published by Central Statistical Organisation (CSO) is taken as the output price index [see Appendix A]. The relative price, the ratio of the price index of raw materials to that of manufactures, is graphed in the Figure.

Notice the stability in the relative price during the 50s, the fluctuation without any trend in the 60s, the fluctuation around an increasing trend in the 70s, and the fluctuation around a decreasing trend in the 80s. There-fore, assuming constancy of the relative price of raw materials would be inappropriate. This would imply that measured productivity is affected by the relative price movement if VASD is used for measuring the output especially for the period since the 60s. If the inverse relationship is valid, then one would expect a negative correlation between the relative price of raw materials and TFP derived from VASD. A preliminary test of the hypothesis is conducted using TFP from two well known studies of productivity growth in Indian manufacturing industry. We have computed the correlation coefficient between the relative price of raw materials and the translog index of TFP given in Goldar (1986) and Ahluwalia (1991). These are presented in Table 1.

Note that the correlation coefficient is significant and of the expected sign. The relationship seems to be stronger during the second period. It is to be noted from the Figure that the fluctuation in the relative price is more during 1959-60 to 1985-86 than that during the period 1951 to 1965. These findings together suggest that productivity estimates for Indian manufacturing industry need to be adjusted for changes in the relative price of inputs.[1]

II

Conventionally, productivity is measured by the average product of a single input, usually labour, over a period of time. It has been increasingly accepted that technical progress is the result of efficiency improvements across-the-board rather than in the use of a single input. Therefore the proper measure is the average product of all inputs. This has been called total factor productivity (TFP) or multifactor productivity. By definition,

$$TFP = \frac{Q}{X} \quad ...(8)$$

where 'Q' = output and 'X' = a weighted index of all inputs.

The total factor-productivity growth (TFPG) is given by the time derivative of (8) expressed in growth rate form,

$$TFPG = \dot{q} - \dot{x} \quad ...(9)$$

$$\text{where } \dot{q} = \frac{d\ln Q}{dt} \quad \dot{x} = \frac{d\ln X}{dt}$$

In order to compute the TFPG, then, we should express the growth rate of output and the growth rate of inputs in observable quantities. This is obtained from the use of production theory and optimising behaviour. For this purpose, assume a stable relationship between output, input and time.

Table A2: Book Value of Fixed Assets in Manufacturing Industry, 1960

(in Rupees)

ASI No	Industry	Land	Building and Construction	Plant and Machinery	Other Equipment
202	Milk and milk products	1346715	9116761	14418250	4451764
205	Flour, rice and dal mills	2802440	11981380	16584699	3615018
206	Bakery products	1363294	6358437	9133179	1534976
207	Sugar and gur	19653243	151651498	453981393	44179055
208	Cocoa, chocolate, etc	1500	342246	1092912	290335
209	Miscellaneous food	23533711	227462434	273029719	36967716
211	Alcohol and spirit	646296	7298470	11885386	2258161
212	Wine	20000	168402	476212	27532
213	Soft drinks	3028857	2255108	3579837	873532
220	Tobacco	3580324	27829643	22768635	9933797
231	Textiles	89380094	529674689	1476742237	74947432
232	Knitting mills	65748	680130	2550279	400521
233	Rope and twine	632454	1055095	2063284	370987
239	Ginning, pressing, etc	6831837	15010221	18759257	2141564
241	Footwear	82118	922190	5165977	588353
251	Wood	869162	8621658	23239800	2311776
252	Wooden products	89028	216473	511565	89822
259	Wood working	96445	1194866	1747271	457443
260	Furniture and Fixture	4038924	15859591	10218179	1113841
271	Paper and paper products	17609297	138222208	317829394	15718387
280	Printing	8585779	62788537	110395908	18047263
291	Tanneries	516582	1476232	3474931	36752
300	Rubber and rubber products	3971462	31738130	62057828	7734445
311	Chemicals	27872371	198093931	499646395	63377178
312	Vegetable Oils	162942	1789029	3254696	317329
313	Paints, varnishes, etc	740668	7625879	6172037	2886632
319	Miscellaneous Pharmaceutical and Chemical products	21936967	100818923	133226575	29164736
321	Petroleum refineries	32491146	69423011	273226756	38248949
329	Miscellaneous petroleum products	309241	397172	2484706	198942
331	Bricks and tiles	7026914	35758811	61353932	10263949
332	Glass-wares	3822332	18427555	29128200	5339505
333	China clay wares	2815394	17706043	24604883	4820626
334	Cement	28491589	126145206	336814116	24739382
339	Miscellaneous Non-metallic mineral products	4748066	15480620	21506932	4337901
341	Iron and steel	120255467	205868947	1697269538	73546291
342	Non-ferrous basic metal	6721745	42673014	97411455	5109455
350	Metal products	9407437	46874219	113161141	11293841
360	Non-electrical machinery	19901849	87542280	181215570	30748241
370	Electrical machinery	16911848	101216538	144141973	19428034
381	Ships and boat buildings	5486967	21474266	28804618	12113814
382	Railway rolling stock	20880883	186735726	209952632	29528031
383	Motor vehicles	6158594	85373070	189555769	18214673
384	Repair of motor vehicles	17053964	42093564	13204788	5966955
385	Motor cycles and bicycles	2745226	21448647	52278266	11989663
389	Manufacture of aircraft	0	15353380	17181483	10595740
391	Surgical instruments	544198	2212718	4703753	1148164
392	Survey instruments	47990	111815	323731	115500
393	Watches and clocks	3347	188340	491376	57164
399	Miscellaneous	4058934	17899600	27595582	6007688

Source: Annual Survey of Industries, 1960, Vols 1-10

$$Q = Q(X, t) \qquad ...(10)$$

where 'Q' stands for output, 'X' for a vector of 'n' inputs, and 't' for time. The rate of technical progress, TFPG, is then defined as

$$TFPG = \frac{\delta \ln Q(X, t)}{\delta t} \qquad ...(11)$$

Differentiating (10) with respect to time and expressing it in growth rate form;

$$\frac{d\ln Q}{dt} = \sum_{i=1}^{n} \epsilon_i \frac{d\ln X_i}{dt} + \frac{\delta \ln Q(X, t)}{\delta t}$$

where $\epsilon_i = \frac{(\delta Q/\delta X_i)}{(Q/X_i)}$ is the elasticity of output with respect to the ith input. From the above we have:

$$TFPG = \frac{\delta \ln Q(X,t)}{\delta t} = q - \sum_{i=1}^{n} \epsilon_i \dot{x}_i \qquad ...(12)$$

where $\dot{x}_i = \frac{d\ln X_i}{dt}$

Expression (12) may be used for the measurement of TFPG only if the elasticity of output with respect to each input is known. But, under profit maximisation, the elasticity of output with respect to an input is equal to its share in value of output. That is, under profit maximisation:

$$P(\delta Q/\delta X_i) = P_i$$

Therefore, after substitution, we have:

$$\epsilon_i = \frac{(P_i/P)}{(Q/X_i)} = \frac{P_i X_i}{PQ} = s_i$$

where 's_i' is the share of the ith input in the value of output. Expression (12) can therefore be re-written as:

$$TFPG = \dot{q} - \sum_{i=1}^{n} s_i \dot{x}_i \qquad ...(13)$$

The second term in equation (13) is a Divisia index. The difficulty in using equation (13) is that it is applicable only to data generated continuously. But economic data come in discrete form. Therefore an approximation to (13) in discrete form is needed. The following approximation has been suggested for the use of discrete data [Chambers 1988: 233]

$$TFPG = (\ln Q_t - \ln Q_{t-1}) - \sum_{i=1}^{n} \tfrac{1}{2} (s_{i,t} - s_{i,t-1})(\ln X_{i,t} - \ln X_{i,t-1}) \qquad ...(14)$$

Expression (14) is referred to as the Divisia-Tornqvist approximation for the calculation

Table A3: Gross-Net Ratios (GNR) for Components of Fixed Capital, 1960

3-digit level

ASI No	Industry	Gross-Net Ratio: Building and Construction	Plant and Machinery	Other Equipment
205	Flour, rice and dal Mills	1 3781	2.6730	1.5200
206	Bakery products	1 1682	1.1620	1.3941
207	Sugar and gur	1 6555	2.2164	2.4659
208	Cocoa, chocolate, etc	1 5071	1.8693	2.0360
209	Miscellaneous food	1.3437	1.9630	1.8582
211	Alcohol and spirit	1.9483	2.4021	2.0384
212	Wine	1 6448	1.7923	1.8812
220	Tobacco	1 5380	1.9800	2.3875
231	Textiles	1 9432	2.3190	2.2413
232	Knitting mills	1 6667	2.7241	2.2500
233	Rope and twine	2 2226	2.5013	2.6493
239	Ginning, pressing, etc	1.7290	2.6647	2.1294
251	Wood	1.3951	1.5861	2.1639
252	Wooden products	1.5649	1.4751	2.0691
260	Furniture and fixture	1 0818	1.2399	1.2681
271	Paper and paper products	1 4501	1.6906	1.8135
280	Printing	1.2511	2 3460	2.1134
291	Tanneries	2.4860	2.8512	2.9528
300	Rubber and rubber products	1.3178	1 7100	1.6917
311	Chemicals	1.2760	1.5382	1.6507
312	Vegetable oils	1.6850	2.4827	1.7095
313	Paints, varnishes, etc	1 8848	2.6083	2.2842
319	Miscellaneous, pharmaceutical and chemical products	1.5043	1.8188	1.9680
321	Petroleum refineries	1 3316	1.4973	1.8458
331	Bricks and tiles	1.8957	2.2284	1.8560
332	Glass -wares	1 3443	1.5283	1.5013
333	China clay wares	1.9037	2 1617	2 1064
334	Cement	1 3256	1.7122	1.8770
339	Miscellaneous non-metal mineral products	1.6348	2.5093	2.3383
341	Iron and steel	1.3297	1.5777	1.5778
342	Non -ferrous basic metal	1 4723	1.8871	1.9982
350	Metal products	1.3290	2.0077	2.0958
360	Non-electrical machinery	1.3505	1.5564	1.5287
370	Electrical machinery	1 3386	2.0392	1.9140
381	Ships and boat buildings	1.4199	1.4676	1.8063
382	Railway rolling stock	1.4789	1.9872	1.7144
383	Motor vehicles	1.7376	1 6846	1.8238
384	Repair of motor vehicles	2.5124	2.2314	1.3776
385	Motor cycles and bicycles	1.2771	1.4159	1.4680

Source: Hashim and Dadi (1973), Table III. 1.

Table A3.1: GNR for Industries Not Covered by Hashim and Dadi

ASI No	Industries	GNR used
202-1	Milk and	Average of 205 to 209
202-2	Milk products	"
203	Cans and preservatives of fruits	"
204	Cans and preservatives of fish	"
213	Breweries	Average of 211 and 212
241	Manufacture of footwear	Double the book value
259-1	General wood working	Average of 251 and 252
259-2	Cork and wood products	"
329	Miscellaneous petroleum products	Same as for 321
386	Manufacture of aircraft	Same as for 389
391-1	Surgical instruments	Same as for 399
391-2.1 and 391-2 2	Measuring devices	"
391-3	Scientific instruments	"
391-4	Mathematical survey, drawing instruments	"
392-4	Photographic instruments	"
393	Watches, clocks	"
394-1	Jewellery	"
394-2	Mints	"
399-3	Pencil and pencil making	"
399-4	Fountain pen	"
399-5	Button making	"
399-6	Ice making	"
399-7	Plastic moulded goods	"
399-8	Celluloid articles	"
399-10	Brooms and brushes	"
399-11	Games and sports goods	"
399-12	Toy manufacturing	"
399-14	Wrapping items	"
399-15	Bone crushing	"
399-16	Slate and slate products	"

of TFPG. All the variables in equation (14) are observable and thus TFPG can be calculated.

The focus of this study is the importance of correcting for changes in input prices when computing TFP. As was stated earlier, when we are concerned with Aggregate Manufacturing the crucial relative price would be that of raw materials. However, the data on the manufacturing sector in the Indian economy (ASI) provides only the value of material inputs as a whole. Hence for the empirical exercises that follow we have used a price deflator that combines the price of all inputs, produced inputs and raw materials.

Total factor productivity growth for alternative definitions of the aggregate value added in Indian manufacturing industry has been computed using (14). From the results of this exercise index numbers of TFP are derived and presented, along with the two measures of value added, in Table 2.

Since this study is motivated by the argument that appropriate measurement of productivity requires commencement from estimates of value added adjusted for changes in the relative price of material inputs, we focus on the difference in estimated productivity arrived at by the single-deflation and the double-deflation methods, respectively. In particular, these estimates have a bearing on an hypothesis propounded in a widely-received recent study of the growth of productivity in Indian manufacturing industry. Ahluwalia has argued that there has been a turnaround in total factor-productivity growth since 1980. We quote: "As the rising fiscal deficits in the eighties created resurgent demand conditions, the reorientation of the policy framework and the toning-up of the infrastructure sectors enabled a supply response to the rising demands through productivity improvements" [Ahluwalia 1991: 137]. The evidence presented in this study provides for a plausible explanation of the observed phenomenon. That is, we are able to confirm a "turnaround" in productivity growth when we focus on the estimates of TFP derived from the VASD series. In this sense we are able to replicate Ahluwalia's finding. The point, however, is that what we consider to be a more appropriate measure of real value added yields a quite different account for productivity growth. It is interesting that such a possibility had been raised [see Lahiri: 1992]. It is confirmed by the statistical exercise reported in Table 3. This exercise involved a statistical test for a change in TFP growth since 1980 using the two measures of TFP reported in Table 2. The procedure, based on the use of dummy variables to test for a shift in the slope of the trend equation, is identical to that used by Ahluwalia. Note that these results indicate a higher growth of TFP since 1980 when VASD is used but not so when VADD is used.

The input-price deflator used to arrive at VADD is based on input-output coefficients for the manufacturing sector of the Indian economy. In Table 2 the estimates of VADD, and therefore TFP (DD), uses coefficients drawn from the transactions table for 1973-74. The sensitivity of the estimates of value added to the input-output coefficients used as weights in the construction of the input-price deflator, using the input-output coefficients drawn from the input-output table for 1983-84, was now examined. The findings, with regard to both VADD and the growth of TFP, remained unchanged. So the figures are not reported in the text. However, the estimated TFP was used in the statistical exercise reported in Table 3. The finding with regard to the absence of an increase in the growth rate of TFP when VADD is used is confirmed.

We do not take the view that the measure of total factor-productivity growth in Indian industry that has been adopted here is ideal. While it makes a distinct improvement over those measures that have been provided so far, it does in turn require correction for capacity utilisation and the existence of a mark-up over marginal cost. These considerations constitute the next item on our research agenda.

Appendix A

(1) *The Period of Study*

The period of this study was chosen on the basis of the following considerations: the data availability and the behaviour of the relative price of raw materials. The relative price of raw materials, plotted in the Figure, is more or less stable during the period till the late 1960s. Therefore, the period of study is restricted to 1970-71 to 1988-89. The ASI has not published its annual survey for the year 1972-73. For continuity, the values of 1972-73 were estimated as a simple average of figures for 1971-72 and 1973-74.

(2) *Value Added*

Gross value added has been used. In the case of VASD this figure has been deflated by the index of the price of output. In the case of VADD, the value of inputs is deflated by the price of inputs and the resulting value deducted from real output (nominal output deflated by the price of output). Thus the computation of VADD requires two price indices, those for the price of output and the price of material inputs, respectively. The wholesale price index of manufactures (1970-71 = 100) is treated as the price of output. The material price index is a weighted index of the wholesale prices of major input groups, the weights having been calculated from the matrix of input-output transactions published by the Central Statistical Organisation. Inputs were grouped according to the availability of wholesale price indices that could be used to represent them most closely. The implied weights were now used to construct a weighted average input price. The weights assigned to the wholesale price index for the input groups were as follows:

Input Group	Per Cent Share 1973-74	Per Cent Share 1983-84
'Food articles' (01)	1.16	1.09
'Non-food articles' (02-04)	32.45	18.31
'Egg, fish and meat' (05 and 07)	3.47	3.02
'Logs and timber' (06)	1.48	2.49
'Coal mining' (08)	0.93	2.22
'Minerals' (09-11)	5.78	10 64
'Food products' (12-13)	4.19	4.01
'Beverages and tobacco' (14-15)	0.55	0.42
'Textiles' (16-18)	7.78	9.84
'Wood and wood products' (20)	1.58	0 80
'Paper and paper products' (22)	2.65	2.81
'Leather and leather products' (24)	0.85	0.55
'Rubber and rubber products' (25)	1.53	1.68
'Mineral oils' (26)	1.14	4 58
'Chemicals and chemicals products' (28-32)	9 59	11.58
'Non-metallic min products' (33-34)	0 96	1 37
'Basic metals, alloys and metal products' (35-37)	20 60	18 24
'Other misc manufacturing industries' (44)	0.27	1.06
'Electricity' (46)	3.03	5 30
	100 00	100 00

Notes Figures in parentheses denote the commodity groups in the input-output transactions table. The materials-price index, base 1973-74, is entered in Table A 1. The price index, base 1983-84, is available from the authors

TABLE A4. AGE COMPOSITION OF GROSS FIXED ASSETS IN 1960

(At current prices)

Year of Purchase	Gross Fixed Assets (Rs Lakh)	Percentage Share	Current-to-Purchase Price Ratio
1901-45	6479052	28.01	2 814
1946	833586	3.60	1 658
1947	769140	3.33	1.513
1948	679592	2.94	1.235
1949	848529	3.67	1.222
1950	854359	3.69	1.210
1951	577631	2.50	1.017
1952	866502	3.75	1.163
1953	837383	3 62	1.222
1954	926128	4.00	1.210
1955	1154408	4.99	1.222
1956	1347734	5.83	1.152
1957	1603320	6.93	1 120
1958	1733809	7.50	1.120
1959	1911713	8.27	1.100
1960	1704368	7.37	1.000
Total	23127254	100	

Source: Hashim and Dadi (1973), Table III.4

Table A5: Industries Included under Each 3-Digit Classification

ASI No	Industry	ASI Nos
205	Flour, rice and dal mills	205-1, 205-2, 205-3
206	Bakery products	206
207	Sugar and gur	207-1, 207-2
208	Coca, chocolate, etc	208
209	Miscellaneous food	209-1 to 209-10
211	Alcohol and spirit	211
212	Wine	212
220	Tobacco	220-1 to 220-6
231	Textiles	231-1 to 231-9
232	Knitting mills	232
233	Rope and twine	233
239	Ginning, pressing, etc	239-1 to 239-9
251	Wood	251-1, 251-2
252	Wooden products	252
260	Furniture and fixture	260-1, 260-2, 260-3
271	Paper and paper products	271-1 to 271-7
280	Printing	280-1, 280-2
291	Tanneries	291
300	Rubber and rubber products	300-1 to 300-4
311	Chemicals	311-1.1, 311-1.3, 311-2.1, 311-2.2, 311-3 to 311.10
312	Vegetable oils	312-1
313	Paints, varnishes, etc	313
319	Miscellaneous pharmaceutical and chemical products	319-1 to 319-12
321	Petroleum refineries	321
331	Bricks and tiles	331-1 to 331-4
332	Glass-wares	332-1 to 332-5
333	China clay wares	333-1 to 333-3
334	Cement	334
339	Miscellaneous non-metallic mineral products	339-1, 339-2 339-5 to 339-8
341	Iron and steel	341-1 to 341-5
342	Non-ferrous basic metal	342
350	Metal products	350-1 to 350-14
360	Non-electrical machinery	360-1, 360-3, 360-7 360-9, 360-10, 360-12, 360-13 360-4.1 to 4.9 360-4 12 to 4.14 360-5 1, 360-5.2, 360-5.4, 360-5.6, 360-5 8 360-5 10 to 5.14 360-6 1, 6.2, 360-8 1, 8.2 360-11 1 to 11.3, 11.5, 11.6
370	Electrical machinery	370-1.1 to 1.4, 370-1.6 370-1.9 to 1 11 370-2.1 to 2 4 370-4
381	Ships and boat buildings	381-1, 381-2
382	Railway rolling stock	382-1 to 382-3
383	Motor vehicles	383
384	Repair of motor vehicles	384
385	Motor cycles and bicycles	385

Table A6

Year	Fixed Capital (Book Value) 'B'	Depreciation 'D'	Investment (Current Prices)	WPI of Machines and Machine Tools (1960=100) 'R'	Investment (Constant Prices) 'I'	Capital Stock (At 1960 Prices) 'K'
1960	12,800,794,983	1089721150		100.00		30,399,995,711
1961	14,955,859,162	1359753526	3514817705	103.13	3408308078	33,808,303,789
1962	20,779,713,628	1896760413	7720614879	107.81	7161150033	40,969,453,821
1963	22,376,463,064	2035557976	3632307412	111.56	3255849781	44,225,303,602
1964	27,385,775,086	2403213315	7412525337	116.41	6367807001	50,593,110,603
1965	31,336,906,468	2788717282	6739848664	122.50	5501917277	56,095,027,880
1966	37,961,825,296	3279746698	9904665526	130.94	7564422359	63,659,450,239
1967	42,019,489,000	3692237000	7749900704	136.41	5681485052	69,340,935,291
1968	44,808,004,210	4072480106	6860995316	137.50	4989814775	74,330,750,066
1969	47,874,200,000	4598800000	7664995790	141.25	5426545692	79,757,295,758
1970	51,701,720,000	5081022000	8908542000	156.25	5701466800	85,458,762,638
1971	51,610,200,000	5067300000	4975780000	163.28	3047367656	88,506,130,294
1972	53,254,700,000	5549500000	7194000000	172.81	4162893309	92,669,023,603
1973	56,069,150,000	5977000000	8791450000	190.94	4604360065	97,273,383,668
1974	58,883,600,000	6404500000	9218950000	244.06	3777290653	101,050,674,321
1975	66,575,700,000	6904400000	14596500000	270.63	5393625866	106,444,300,187
1976	86,138,600,000	7681400000	27244300000	266.88	10208637002	116,652,937,190
1977	96,111,500,000	9717700000	18690600000	270.00	6922444444	123,575,381,634
1978	107,685,900,000	9758400000	21332800000	285.78	7464730454	131,040,112,088
1979	126,279,200,000	11878200000	30471500000	330.31	9225052034	140,265,164,122
1980	150,951,200,000	13823000000	38495000000	361.88	10637651123	150,902,815,245
1981	167,704,600,000	16284000000	33037400000	397.81	8304766693	159,207,581,938
1982	195,725,700,000	17639300000	45660400000	418.13	10920275037	170,127,856,975
1983	227,270,800,000	20117300000	51662400000	443.44	11650435518	181,778,292,493
1984	280,178,300,000	28387700000	81295200000	463.91	17524057932	199,302,350,425
1985	310,857,400,000	34071700000	64750800000	510.31	12688460502	211,990,810,927
1986	347,455,400,000	37376700000	73974700000	538.28	13742759942	225,733,570,869
1987	440,800,000,000	52830000000	146174600000	560.00	26102607143	251,836,178,012
1988	526,900,000,000	60610000000	146710000000	605.91	24212982474	276,049,160,486

The value of output and the value of input is taken from the following sources: 'Wages and Productivity in the Organised Manufacturing Sector, 1960-61 to 1976-77', Central Statistical Organisation (1979), and *Annual Survey of Industry*, various issues.

The relevant prices are presented in Table A1. Other variables used in the construction of value added, by single- and double-deflation methods, are presented in Table A7. Value added is presented in Table 2.

(3) *Capital Stock*

The estimation of the capital stock is a controversial issue both in theory and in practice. The issues are very familiar; therefore, we do not enter into a discussion.[2] We follow the standard practice of the perpetual inventory method for the generation of a capital stock and assume, as is widely done, that the services of capital are proportional to its stock. The perpetual-inventory method requires an estimate of the capital stock for a bench-mark year and estimates of investment in the subsequent periods. As was done in the earlier studies, especially that of Goldar and Ahluwalia, we too have selected 1960 as the bench-mark year for the estimation of the replacement cost of fixed capital. This is solely due to the availability of data on the book value of fixed capital in 1960 for most of the industries for which Hashim and Dadi (1973) provide the ratio of purchase value to book value (referred to as gross-net ratios) of capital. Hashim and Dadi have estimated these gross-net ratios for fixed capital after analysing the balance sheets of about 1,000 firms covered in ASI. For our analysis, total fixed capital (excluding the intangible assets) were grouped into the following: (1) land and improvement of land, (2) building and construction, (3) plant and machinery, and (4) transport and other fixed assets. The gross-net ratio for the land is assumed to be unity. For the other three groups the GNR is taken from Hashim and Dadi (1973, Table III.1). Where the gross-net ratio is not given by Hashim and Dadi, we have taken it to be twice the book value of fixed capital.[3] After estimating the gross value of the fixed capital at purchase price for the factory[4] sector in 1960, the following adjustment was made to account for the age structure of the assets. Hashim and Dadi provide the gross value of capital purchased during the period 1901-1945 and in each remaining year until 1960. This proportion is applied to the gross value of fixed capital in 1960 to obtain the yearwise value of fixed capital bought in the past. To adjust for age-structure, the estimate for each year is then inflated using the current-to-purchase price ratios given in Table A4 to obtain the gross value of fixed capital at replacement cost in 1960 prices.

The investment figures were obtained using the formula:

$$I_t = (B_t - B_{t-1} + D_t) / R_t$$

where 'B' is the book value of the fixed capital, 'D' is depreciation, and 'R' is an appropriate deflator for fixed capital. For 'R' we have used the wholesale price index of machines and machine tools (base 1960-61=100). The capital stock at any year is then calculated as follows:

$$K_t = K_0 + \sum_{t=1}^{T} I_t$$

where 'I_t' is investment in year 't' in 1960 prices and 'K_0' is the capital stock in the bench-mark year in 1960 prices.

However, there was a problem of calculating the capital stock in the manufacturing sector *per se*. Recall that 'manufacturing' is 'all industries' minus 'electricity, gas and steam'. Given our choice of the bench-mark year as 1960, in order to arrive at the capital stock in 1970, we require data on the value of fixed capital in 'electricity, gas and steam' for the period 1960-61 to 1969-70. This information is available for the Census sector but not the Sample sector. Therefore the fixed capital in the manufacturing sector during the period includes the fixed capital of the firms in the 'electricity, gas and steam' segment of the Sample sector. There is hardly any firm producing electricity in Sample sector. But there exist firms in the Sample sector producing gas and steam. As a result, our estimate of investment in the manufacturing sector during the period 1960-61 to 1969-70 would be an overestimate. However, we do not consider this to be a serious problem.

Data used at various stages in the calculation of the capital stock series are presented in Table A2 to A6.

Sources:

Book Value of Capital: *'Wages and Productivity in the Organised Manufacturing Sector, 1960-61 to 1976-77'*, Central Statistical Organisation (1979), and *Annual Survey of Industry*, various issues; 'Index of the Price of Machinery and Machine Tools'—*India Data Base* and 'Index Numbers of Wholesale Prices' Ministry of Industry.

(4) *Labour*

Total employment is used. The data is presented in Table A7.

Sources: 'Wages and Productivity in the Organised Manufacturing Sector, 1960-61 to 1976-77', Central Statistical Organisation (1979), and *Annual Survey of Industry*, various issues.

(5) *Factor Shares*

Note that the use of (14), the Divisia-Tornqvist approximation to total factor productivity growth, requires knowledge of the share of each primary factor in the value added. For VASD, the share of total emoluments in the value added is taken as the share of wages. But for VADD, the share is defined as the ratio of real emoluments to VADD. Assuming constant returns to scale, the capital share is got as one minus the share of wages.

TABLE A 7

Year	Value of Output (Rs Lakh)	Material Inputs (Rs Lakh)	Emoluments (Rs Lakh)	No of Employees	Capital Stocks (Rs Lakh)
1970-71	1302632	968776	155387	4803554	854588
1971-72	1449061	1081837	174542	4996336	885061
1972-73	1637475	1216719	198203	5071072	926690
1973-74	1825888	1351601	221864	5145807	972734
1974-75	2448358	1824969	270708	5412872	1010507
1975-76	2769203	2127180	302761	5667666	1064443
1976-77	3144162	2415150	314606	5871150	1166529
1977-78	3588004	2787639	357585	6227813	1235754
1978-79	4067250	3136337	394662	6373477	1310401
1979-80	4832928	3758016	466888	6816864	1402652
1980-81	5616303	4423569	523344	6811204	1509028
1981-82	6717250	5333348	577781	6864347	1592076
1982-83	7849696	6249109	685477	7042930	1701279
1983-84	8399371	6488792	783192	6791375	1817783
1984-85	9604910	7478506	899039	6771638	1993024
1985-86	10930676	8568656	925113	6393475	2119908
1986-87	11894210	9410586	996984	6432633	2257336
1987-88	13770200	10864200	1157700	6708000	2518362
1988-89	16666700	13108200	1280900	6730000	2760492

Appendix B

$$\frac{dY/dt}{Y} = \frac{wL}{PY}\frac{dL/dt}{L} + \frac{rK}{PY}\frac{dK/dt}{K} - \frac{\pi_a N}{PY}\frac{d\pi_a/dt}{\pi_a}$$

$$\dot{y} = \frac{wL}{PY}\dot{l} + \left(\frac{rK}{PY}\right)\dot{k} - \left(\frac{\pi_a N}{PY}\right)\dot{\pi}_a$$

where:

$$\frac{wL}{PY} = \frac{wL}{P(Q - \pi_a N)}$$

$$= \frac{wL}{(PQ - P_a N)}$$

$$= \frac{(w.L / PQ)}{(1 - P_a N / PQ)}$$

$$= \frac{\alpha}{(1-\beta)}$$

where α = share of labour in the value of output and

β = share of material inputs in the value of output.

Similarly, we can show that

$$\frac{rK}{PY} = \frac{\tau}{(1-\beta)} \text{ and } \frac{\pi_a N}{PY} = \frac{\beta}{(1-\beta)}$$

where τ is the share of capital in the value of output.

Notes

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1 Goldar discusses this bias in the single-deflation method, but does not proceed with double deflation. See Goldar (1992), p 15.

2 An excellent survey of the literature is given in Goldar (1986) and in Hashim and Dadi (1973).

3 Goldar (1986) provides some evidence why this would be a reasonable conversion factor.

4 All the preceding exercises were undertaken only for the census sector since the breakdown of assets (according to categories such as land, building, etc) in the sample sector was not available to us. The ratio of the value of fixed capital at replacement cost to its book value in 1960 (2.42) was used to arrive at an estimate of fixed capital at replacement cost in this sector. The figures for the census and sample sectors were aggregated to arrive at the figure for the factory sector.

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Theories of the Soviet System

A Retrospective Critique

Mangesh Kulkarni

This article examines the larger political implications of the Soviet disintegration through a retrospective analysis of the various theories of the system.

"The owl of Minerva takes flight as darkness falls".

—G W F Hegel

THE disintegration of the Soviet Union in December 1991 was an event of truly epochal significance. It represented not merely the fall of a regime, but the collapse of a unique socio-economic and political system, which had for long nursed the ambition of refashioning the world in its own image. For this reason alone, a retrospective examination of various theories of the system would be of considerable historical interest. Political scientists, however, have additional reasons for conducting such an exercise. One of them is to understand how 'ideology' and 'science' interact to create different constructs of a political phenomenon. Another, is to gauge the larger political implications of the event through a better grasp of *what* collapsed in the Soviet Union. This paper seeks to pursue both these kinds of inquiry, with the advantage of hindsight—the first at considerable length, and the second very briefly towards the end.

During its life-span of nearly seven and a half decades, the Soviet Union attracted a host of theorists, driven by scientific ambitions as well as ideological predilections. The massive literature generated through their endeavours may be broadly divided into two categories, (a) Sovietological perspectives, and (b) Left perspectives. The first of these emanated from the academic study of the Soviet Union in the west, while the second prevailed among Marxist intellectuals and communist circles. It may be noted that the Indian debate on the nature of the Soviet system has occurred largely in terms of these perspectives, but cannot be said to have thrown up major theoretical insights. Let me close these introductory remarks by explaining the sense in which the term 'theory' is used in this paper. A theory of the Soviet system, in this sense, is an intellectual construct facilitating a proper understanding of the structure and functioning of the system and directing attention to the sources and possibilities of systemic change.

Sovietological Perspectives

Sovietology was taken to encompass "...the study of all matters that help us to understand the meaning of current, politically significant Soviet-communist behaviour and to forecast its future course" [Adams 1970, p 38]. It was no coincidence that as an academic discipline, Sovietology was most thoroughly institutionalised in the US, which led the anti-Soviet coalition in the post-second world war era. As such, it also formed part of a larger, hegemonic social science discourse. A critique of Sovietology can thus yield insights into the global relations of power/knowledge prevailing in this period. (This section presents a modified version of Kulkarni 1993.)

The first significant and influential Sovietological theory was formulated in the mid-1950s by Carl Friedrich and Zbigniew Brzezinski (1965, p 22). They described the Soviet Union as a totalitarian system. The term 'totalitarianism' had already been used by scholars like George Sabine and Hannah Arendt to highlight the historical novelty and similarity of Nazism and Soviet communism [Schapiro 1972, pp 13-15]. Friedrich and Brzezinski spelt it out in terms of the following features: a comprehensive official ideology bent upon world conquest, a single mass party led by a dictator, institutional terror, a monopoly of information, and a centrally controlled economy.

A highly schematic depiction of the Stalinist regime, the totalitarian construct ironically gained popularity at a juncture when this regime was undergoing a major transformation in the direction of deregimentation. However, Sovietologists soon realised that the theory was too wooden to serve as an analytical tool for explanation and prediction. It ignored several major contradictions within the system: centralised co-ordination of social transformation generates disorder, total congruence between the interests of the leadership and the party does not obtain for long, no system of governance, howsoever rational and elaborate, can ever exhaust or permanently control social reality. The theory failed to capture the system's dormant and incipient pluralism, its shift from arbitrary terror to the institutionalisation of norms, and the growing complexity of the policy process. Consequently, it could not anticipate the imminent Khrushchevian thaw [Hough and Fainsod 1979, pp 519-23].

Thus, by the end of the 1950s the totalitarian construct had lost its pre-eminent position in Sovietological discourse. But it was not completely discarded. It survived alongside and often underpinned the new theories that came to be advanced (for a recent revival of the theory see, Malia 1992, pp 89-106). Among these were theories which viewed the Soviet Union as a 'directed society' controlled from above by a self-appointed bureaucracy [Hough and Fainsod 1979, p 523]. They modified the totalitarian construct by incorporating in their schema certain obvious changes in the Soviet system, such as greater rationality, less rigidity, and less reliance on terror. As such, they offered only a slight improvement over their prototype, in terms of descriptive adequacy.

Theories viewing the Soviet Union from a developmental angle constituted a further departure from the totalitarian construct [Cornell 1970, pp 16-22]. One strand placed the USSR in the category of 'developing societies' of the third world, by emphasising shared concerns such as the need to achieve rapid economic growth, nation-building in the face of great diversity, the spread of education, and scientific/technological modernisation. Another strand located the Soviet Union in the spectrum of 'industrial societies' exemplified by the developed western countries. These apparently antithetical systems were seen to be converging along the following dimensions: increasing diffusion of power, greater equality of opportunity and social mobility, primacy of pragmatism over utopian ideology, institutionalisation of legal norms, bureaucratisation, urbanisation, and inter-ventionist government.

While the earlier theories had stressed the uniqueness of the Soviet system, the developmental theories highlighted the similarities between a certain set of non-communist societies and the Soviet society in terms of significant socio-economic and political indices. Though this was an advance, a one-sided accent on commonalities tended to obscure the specificities of the Soviet system. Moreover, very often the comparisons were dubious and misleading, not to say inconsistent, as is evident in the radical divergence between the above-mentioned strands.

Efforts to provide finely textured accounts of what was seen as an increasingly complex, rule-governed and stable Soviet system, resulted in the popularity of pluralist theories in the post-1970 period [Hough 1977, pp 10-12, 22-24]. They drew attention to the relative autonomy of major groups in the system, such as the specialised ministerial-party-scientific complexes, the discussion of a wide range of policy alternatives in the press, interest representation by specialised figures within a broadly defined 'leadership echelon', and

the spread of a bargaining mentality among the political and administrative actors.

The pluralist theories were extensions of theoretical frameworks originally intended to explain the distribution of power and the nature of policy-making in the American political system. They were predicated upon an advanced market economy, an open and sophisticated civil society and a liberal democratic polity. Consequently, while the pluralist theories did shed light on certain aspects of Soviet governance, and pointed out interesting parallels between communist and capitalist polities, they were not able to capture adequately the laws of motion of the Soviet system. It is no wonder that they were unable to forecast or explain the imminent collapse of the system. This is also true of the eclectic theories which came to characterise Sovietology in the 1980s [Lane 1985, pp 313-14].

We may now turn to a consideration of how Sovietological theorisation was enmeshed in the international and domestic politics of the US. Like the larger social science discourse from which it derived, Sovietology too was driven by the two-fold ambition of attaining 'global' validity and providing inputs to the policy elites. The former resulted in clumsy attempts to stretch homegrown theories like pluralism to fit the Soviet system, while the latter led to complicity in the ideological predilections and political designs of the establishment.

Sovietological theories constituted a rich repertoire which the American ruling elite could use for ideologically fine-tuning the necessary modulations of the US-Soviet 'controlled conflict'. Thus, at the height of the cold war in the 1950s, the Soviet Union could be maligned as a totalitarian monstrosity. During detente, when it was necessary to grant a certain legitimacy to the Soviet system, the pluralist construct could be invoked. The continued usefulness of the totalitarian construct lay in the fact that it came handy for distancing the Soviet Union, and even more, for damning it, as during Reagan's first term.

Sovietology also indirectly bolstered US policy towards the third world. A version of the developmental theory treated the Soviet Union as a 'developing country'. One function of this theory was to warn the third world countries of the perils of embarking upon a non-capitalist path of development—along this path lurked the danger of totalitarianism. It also sought to alert the American policy elites to the conditions under which a developing country might turn to communism, and to the need for pre-emptive measures.

Jean Kirkpatrick, political scientist, conservative ideologue and former US ambassador to the UN, argued that only pro-capitalist, authoritarian regimes could keep communism at bay in the third world. Moreover, these were morally superior to and more amenable to eventual democratisation than their totalitarian, read communist counterparts [Kirkpatrick 1979]. This was an ingenious and elegant theoretical justification of the American policy of supporting friendly third world dictators, in the name of making the world safe for democracy.

Sovietology as demonology also entered into the official American legitimating ideology. Any radical questioning of the capitalist system was blocked by projecting the inequalities and alienation generated by the system as the inevitable costs of political freedom and of an open society—the only alternative being a Soviet-type totalitarian society. Ironically, the US itself has been castigated by critics like Herbert Marcuse as a totalitarian society for its proclivity to the suppression of all challenges to the status quo [Schapiro 1972, p 106].

Left Perspectives

What left-wing theories have in common is a certain attachment to the project of socialism and a recourse to Marxism as a source of theoretical insights. But even these apparent commonalities have given rise to a great deal of divergence as socialism and Marxism have been variously interpreted from different theoretical standpoints. Unlike Sovietology, these theories cannot be situated within a single political terrain as their links with specific states have been variable, tenuous or in some cases simply non-existent. This is because many of them have emanated from dissident intellectuals and marginal political groups. We can, however, arrange them in a spectrum in terms of their distance from the theoretical self-description of the former Soviet Union.

The pre-Gorbachev Soviet state viewed itself as an embodiment of 'developed socialism'—a stage in socialist construction between the revolution and full-fledged communism. The Soviet Union was claimed to have entered this stage in the 1960s, and the Constitution of 1977 proclaimed that a developed socialist society had been built in the USSR [Klementyev and Vassilyeva 1986, pp 50-55]. The mode of production was said to be fully socialist, being based on social ownership and management of the means of production. Rational, need-based planning and high productivity, as also, distribution of the social product in proportion to the work contributed, were cited as significant achievements on the economic plane. It was declared that the well-being of the people was constantly rising, and increasingly favourable conditions were being provided for the all-round development of the individual.

The Soviet Union had purportedly created a new historical community by drawing together all classes and social strata, and further, by safeguarding the juridical and factual equality of all its nations and nationalities which maintained fraternal co-operation. The Soviet society was described as one characterised by high organisational capacity, ideological commitment, and true democracy. The democratic character of the society, it was claimed, found expression in a political system which ensured effective management of all public affairs, ever more active participation of the working people in running the state, and the combining of citizens' real rights and freedoms with their obligations and responsibility to society. The chief goal of the leadership was to secure a steady and all-round improvement of socialism, further to advance Soviet society towards communism on the basis of accelerated socio-economic development of the country.

The flaws in this self-congratulatory account were so obvious and glaring even before the collapse of the Soviet Union, that even in the Left camp, none except the most uncritical admirers of the USSR honestly and fully subscribed to it. The economic claims made in this account were seen to be exaggerated in view of the chronic shortage of consumer goods, dependence on agricultural imports and a considerable technological lag which in fact plagued the Soviet economy. Similarly the socio-political claims were belied by the prevalence of widespread, multifarious inequalities among various strata and regions, denial of civil liberties, and the dictatorship of the communist party.

Many Left intellectuals were, however, willing to grant the Soviet Union its title to socialism, with the proviso that it be viewed as an imperfect realisation of the socialist ideal. The well known East German dissident Rudolph Bahro expressed such a view in a widely debated book *The Alternative in Eastern Europe* (1978). Bahro held that Stalinism was both inevitable and progressive. A strong, even dictatorial leadership was required to drive the Soviet masses into industrialisation so as to create the material pre-conditions of socialism. After this task was achieved, the Stalinist politbureaucracies, having outlived their role, became an obstacle in the fuller development of socialism.

Bahro called for a 'cultural revolution' to break the Soviet impasse. The revolution would be led by a league of communists articulating the emancipatory interests of all people in all social strata. If successful, it would result in the setting up of a federative, decentralised society of the sort envisioned by Marx. Bahro's glib justification of the Soviet regime's Stalinist past, his failure to question its socialist pretensions, and his inability to perceive the deep-rooted socio-economic contradictions besetting the system, reveal the shallowness of his analysis. This seems particularly damning as deeper critiques of the system were available when Bahro wrote his treatise.

Among the earliest of such critiques was Leon Trotsky's *The Revolution Betrayed*, originally published in 1937, after his disagreement with and subsequent expulsion by Stalin. Trotsky described the Soviet state as a 'degenerated workers' state'. Some basic

gains of the Revolution, such as socialisation of the means of production, had survived. But a parasitic bureaucracy had emerged and taken hold of the state apparatus. It had become a privileged caste with a disproportionate share of power, status and material rewards. He viewed the Soviet order under Stalin as an unstable, transitional formation, between capitalism and socialism. It could regress into capitalism. A forward march to socialism would require revolutions in the advanced capitalist countries as also a political but not social revolution in the Soviet Union to restore a genuinely proletarian regime.

Despite the brilliance of Trotsky's critique, it must be seen as being inadequate. The political revolution it envisaged was restricted to the reintroduction of inner-party democracy within the Soviet communist party. There was no thoroughgoing interrogation of the basic institutional structure installed by Lenin which then gave rise to Stalinism. Thus, Trotsky did not question the dictatorship of party over society as a whole. While many Trotskyites continued to adhere to the master's analysis of the Soviet system, others sought to extend and modify this theory. Bruno Rizzi, an Italian Marxist, falls into the latter category.

Rizzi (1939) went beyond Trotsky's characterisation of Soviet bureaucracy as a mere parasitical excrescence and described it as a new ruling class based on a mode of production which involved a form of exploitation of the sort prevailing in slave societies. The Soviet system was seen as a manifestation of 'bureaucratic collectivism': an attempt to modernise and industrialise the feudo-capitalist Russia of the Tsars under the tutelage of a bureaucratic ruling class using authoritarian and collectivist methods, bolstered by a pseudo-socialist ideological rhetoric. The Yugoslavian dissident Milovan Djilas (1957) provided a detailed account of the nature of this class and traced the source of its power to the monopolistic control it exercised over the forces of production.

Other critics, such as Tony Cliff (1974) and Charles Bettelheim (1978), described the Soviet ruling class as a state bourgeoisie, and the Soviet system as a form of 'state capitalism'. This theory was also upheld by the Chinese communists after 1968 and by their Maoist followers elsewhere in the world. They argued that in the Soviet Union, under state planning, the bureaucracy had become a personification of capital, aiming only at the increasing accumulation of capital. Hence it sought to rid itself of all forms of worker's control, atomised the working class, and instituted a coercive labour process. Thus, as in capitalism, in the Soviet Union, the workers were separated from the means of production and suffered exploitation at the hands of a bourgeoisie which dominated the state apparatus.

Critics who analysed the Soviet system in terms of bureaucratic collectivism and state capitalism argued that the USSR could move towards socialism only through a full-fledged social revolution. The Maoists, for example, called for as radical a proletarian revolution in the USSR as was needed in the capitalist countries of the west. They were right to expose the deeply exploitative and unfree character of the Soviet system, and to emphasise the need for thoroughgoing change. However, they were arguably vulnerable to some of Trotsky's strictures against the tendency to view the Soviet bureaucracy as a new class [McLellan 1983, p 175]. The bureaucracy was recruited and lacked independent roots in the socio-economic structure. Unlike capitalists, the bureaucrats neither owned the means of production nor did they pass on their wealth. The twin theories also failed to grapple with the political dynamics of the Soviet system—a defect they shared with most other Left critiques.

What Collapsed?

We have seen how theories of the Soviet system emanating from mainstream Sovietology and from the Marxist Left have turned out to be ideologically blinkered and cognitively flawed. While the former frequently tended to overemphasise politics the latter fell prey to the error of economism. A more adequate theoretical framework would, therefore, have to adopt an integrated and holistic perspective. It is my contention that the best place to look for a framework of this kind is post-Marxist theorisation which combines the Marxian emphasis on a dialectical grasp of the social totality with insights derived from various other major theoretical traditions. Paul Piccone and his confreres have been engaged in a project congenial to such theorisation, which they promote through their journal *Telos*.

Piccone (1990) sees the Soviet system as "...an intrinsically unstable dictatorship constantly in need to recreate the basis of its own legitimacy as an exceptional regime (which) generated an equally exceptional mode of industrialisation: one predicated on a state of exemption in general and military production in particular" (p 19). The society which this system created was a heavily bureaucratised one, with strong traditional residues. A major contradiction within the system lay in its bifurcated mode of production. The link between the consumer goods sector and the production goods sector was sundered as the latter was colonialised by military imperatives, while the former stagnated. Together with the gross inefficiency resulting from state ownership and central planning, as also the failure to develop new technologies, this contradiction generated an economic crisis of major proportions during Brezhnev's tenure.

The political dynamics of the system can be understood in terms of Carl Schmitt's typology of dictatorships. He pointed out that dictatorships are basically of two kinds: a commissarial and a sovereign variety. The former is based on a 'pouvoir constitue' and merely seeks to steer a system through an exceptionally difficult period. It re-establishes the constitutional order after the danger is past. The latter rests on a pouvoir constituant and is intended to bring about a qualitatively novel social order. It presumably disappears after accomplishing this task. Bolshevik Party rule began as a sovereign dictatorship over the proletariat, pledged to bring about a classless society.

In the 1930s, in the wake of failures on all fronts, Stalin sought to uphold the Leninist ideology by blaming his political opponents for the failures. He launched a reign of terror to restore the conditions conducive to the completion of the original project, thereby instituting a commissarial dictatorship. He also consolidated the power of the Party and created a bureaucratic ruling elite. It was this elite which became the new pouvoir constitue and successfully opposed Khrushchev's attempt to reinstall a sovereign dictatorship as it feared the loss of its 'nomenklatura' privileges by merely becoming a pouvoir constituant. Brezhnev's counter-revolution could neither revert to a sovereign dictatorship, nor could it champion the now discredited Stalinist commissarial dictatorship. It degenerated into a cynical and corrupt despotism which maintained the status quo by resorting to a social compromise with the state-dependent working class which was promised basic amenities and rising living standards.

Brezhnev's regime could maintain this compromise in spite of declining productivity by super-exploiting the country's natural resources and through windfall profits reaped from the export of oil during the oil crises of the 1970s. The economic exhaustion of the Soviet system had become a stark reality by the time Gorbachev came to power. The Afghanistan misadventure had not only contributed to this exhaustion, it had eroded the legitimacy of the system. The failure to maintain the social compromise caused a full-blown crisis of legitimacy, making it impossible to justify either a commissarial or a sovereign dictatorship. Gorbachev was thus compelled to recast the system—an attempt that led to the disintegration of the system as it was based on an underestimation of the society's internal involution.

Let us briefly examine the larger political implications of the Soviet disintegration. The predominant political conflict of the post-second world war era was the struggle for hegemony between capitalism and socialism—the former represented chiefly by the American bloc, and the latter by the Soviet bloc, but also to a significant extent by various regimes, parties, movements and intellectual currents elsewhere in the world. The champions of capitalism have greeted the collapse of 'actually existing socialism' in the Soviet Union and Eastern Europe as the ultimate victory of their creed [Fukuyama

1992]. Though this is a proposition of dubious validity, it reflects the current mood of triumphalism on the Right and pessimism on the Left.

As we have seen, the Soviet system was a travesty of the socialist ideal which envisions a radically democratic polity, a highly productive and rationally managed economy, and an egalitarian social order. In this perspective, the demise of the pseudo-socialist Soviet regime could be seen as a blessing in disguise. However, the matter is a good deal more complicated than that. A large number of socialists who had no illusions about the Soviet Union, nevertheless, viewed it as a strategically significant entity: "The Soviet Union needed to be there as a defective model so that, with one eye on it, we could construct a better one. It created a non-capitalist space in which to think about socialism" [Cohen 1992, p 5]. It is the loss of a viable alternative to capitalism, however inadequate it might have been, which induces pessimism.

However, the battle against capitalism, and for a better order is not lost. Indeed, it could be said to have truly begun, now that capitalism has attained global reach in the real sense. The socialist critique of capitalism, in terms of the alienation, inequality and economic irrationality it generates, has lost none of its sharpness [Worsley 1982, pp 108-10; Amin 1990]. It will be further bolstered as its contentions are vindicated at the global level. This is not to say that socialists have nothing to learn from the Soviet experience. A major lesson is the need to develop a more nuanced view of the market so that it can be put to the service of a socialist economy [Miller 1989; Bowles 1991]. The centrality of participatory forms of organisation at the level of the state and of civil society, to the socialist project, is another [Laclau and Mouffe 1985].

A rejuvenated socialism would also have to come to terms with the ecological crisis by giving up the goal of material affluence in favour of a socially just model of sustainable development. It must similarly redefine its agenda in terms of gender equality. The progressive currents within the green and feminist movements would be the natural allies of socialism, providing it with both political space and theoretical inputs [Stauffer 1990; Frank and Fuentes 1987]. The importance of developing a socialist theory of culture to meet the twin challenges of the culture industry and various forms of retrograde cultural politics such as religious fundamentalism and ethnic chauvinism can hardly be gainsaid [Williams 1981; Gordon 1993]. If the socialist diaspora urgently and energetically addresses itself to these tasks, it can still snatch a victory from the jaws of the Soviet defeat.

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DISCUSSION

Agricultural Growth in West Bengal

Anamitra Saha

Madhura Swaminathan

S DATTA RAY's comments on our paper 'Agricultural Growth in West Bengal in the 1980s', *EPW*, March 26, are welcome. His comments on the quality of data published by the Bureau of Applied Economics and Statistics (BAES) are informed by his experience as director of the BAES. Datta Ray's main message is that the data on agricultural production, area and yields in West Bengal for the 1980s are unreliable and not to be used. The following, according to him, are the main sources of error in the data. First, the data on crop area are collected by the land and land revenue department and a new sampling design was introduced in 1985-86. This design required that 20 per cent of revenue 'mouzas' be enumerated each year. According to Datta Ray, about 15 per cent of mouzas are covered annually. In addition to the problem of low coverage, there is no check on the quality of the data collected.

Secondly, estimates of crop yields, based on independent crop-cutting experiments, are prepared separately by the department of agriculture and the BAES. The final estimate of yield for a crop in a specific block is an unweighted average of estimates from these two agencies. Both sets of experiments, however, use information on plots that is collected and sent by the 'amins' of the land revenue department. Datta Ray states that the information on plots required for the crop-cutting experiments is invariably behind schedule and the experiments are delayed. This delay distorts the estimates obtained from the experiments (for example, if the selected plot is harvested an alternative plot is chosen for the experiment). This problem in the estimation of crop yields affects both the department of agriculture and the BAES. We infer, then, that the yield estimates from both agencies are incorrect or biased.

Our entire analysis was based on published sources of data, and, in particular, the *Statistical Abstract, West Bengal, 1978 to 1989* published by BAES (1990) and different issues of *Economic Review* published by the government of West Bengal. On the methodology adopted, we relied on the information given in these publications (see BAES, 1990, pp 142-43). From Datta Ray's comments, it is clear that yield estimates are not obtained by experiments jointly conducted by the BAES

and the department of agriculture, and this is a useful correction to our text.

In our paper, we concluded that the growth of agricultural output in West Bengal was high in the 1980s, higher than West Bengal's own record of the previous 15 years, and one of the highest among the major states of India. We found that the rate of growth of output was high in almost all districts and for all major crops other than wheat. Our computations indicated that this high growth was not because of unduly good weather conditions and that the period of high growth was not associated with high instability in production. Lastly, we attributed the growth in output primarily to increases in yields per acre. Datta Ray implies that our conclusions are incorrect.

In order to refute our conclusions, first, it needs to be shown that the bias in the estimates of area and yield was similar in all agro-economic regions and districts of the state. Secondly, it needs to be shown that a similar bias (in terms of direction) occurred in the estimation of all crops (the example given in Datta Raya's comments applies only to 'aman' and 'aus' rice). Thirdly, it needs to be shown that the size of the bias was significant for each crop and region. Datta Ray's note does none of these.

On the size and direction of bias in the estimates of yield, Datta Ray says that: (a) for most crops, there are significant differences between estimates of yields obtained by the department of agriculture and BAES; and (b) for rice, the yield estimates are likely to be upwardly biased to an unacceptable degree. The basis for the assertion of upward bias in the estimate of rice yields is that delays in experimentation lead to an over-sampling of late-harvested plots. Datta Ray states that the late-harvested plots tend to be better irrigated, low land, high-yielding variety (HYV)—using plots in relation to the early-harvested plots (we assume this applies only to aman and aus rice as 'boro' rice is almost entirely sown with HYV seeds). Intuitively, since high-yielding variety seeds are of relatively short duration, it would appear that they are harvested relatively early. In fact, in the early 1970s, the department of agriculture did criticise the estimates of rice yields prepared by BAES on the ground that "in the case of aman, the earlier maturity of HYVs made them likely to be missed in the BAES crop cuts" [Boyce 1987, p 62]. Boyce states that "HYV aman is typically harvested from late October through November, but I know of no definitive evidence on this [early or late harvest] question" (ibid, p 83). We need field-based evidence on the timing of harvest of HYV versus traditional varieties of aman rice and the timing of the crop-cutting experiments to assess the nature of bias in yield estimates of aman rice. From the current evidence, it is quite possible that the bias is not in the direction that Datta Ray alleges, but in exactly the other direction.

Lastly, to deny West Bengal's positive comparative performance in the 1980s, it needs to be shown that the quality of data on agricultural output, area and yield in West Bengal is significantly worse than in all other states of India, and has deteriorated sharply over the 1980s. There is some evidence that for an earlier period, data on cereal production in West Bengal were relatively better than from other states [Boyce 1987]. Boyce writes, "independent estimates of cereals output by the National Sample Survey Organisation from 1957 to 1969 suggest that, compared with other Indian states, the West Bengal data are of relatively high quality" (ibid, p 60).

None of this is to deny that there may be serious problems in methods of data collection, of statistical aggregation and of the presentation of data from official sources in West Bengal and other states. Users of official data, scholars and others, need to monitor—for instance, by means of micro-studies—the quality of these data.

Postscript: At the time of writing our paper, we were unaware of the study by Badal Mukherjee and Swapna Mukhopadhyay (1994) that addresses the issue of the impact of institutional change in rural Bengal on increase in production. Using a variable trans-log cost function, Mukherjee and Mukhopadhyay estimate total factor productivity in rice production and find a significant increase in total factor productivity in the period after the introduction of panchayats. They conclude that "institutional factors have played a major role in raising production and productivity in the post-panchayat years" (p 14).

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Mukherjee, Badal and Swapna Mukhopadhyay, 'Impact of Institutional Change on Productivity in a Small-Farm Economy: The Case of Rural West Bengal', paper presented at a seminar on Agricultural Development in Eastern India, Nabakrushna Choudhury Centre for Development Studies, Bhubaneshwar, January 1994.

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ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication Rs 12.00 Vol XXIX No 32 August 6, 199

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BALANCE SHEET (ABRIDGED) AS AT 31st MARCH 1994

(Rs in lakhs)

LIABILITIES	31-03-94	31-03-93	ASSETS	31-03-94	31-03-93
Capital	11,09.79	5,05 00	Cash and balances with		
Reserves & Surplus	57,51 31	19,45 66	Reserve Bank of India	470,21 80	331,20 74
Deposits	2433,08 70	1717,82 77	Balances with banks and		
Borrowings	54,29 12	122,14 86	money at call & short notice	87,63 31	44,18 36
Other Liabilities & Provisions	156,11 15	87,71 75	Investments	807,46 60	628,21 68
			Advances	1197,34.43	847,88 91
			Fixed Assets	9,68 40	8,32 23
			Other Assets	139,75.53	92,38 12
TOTAL	**2712,10.07**	1952,20 04	TOTAL	**2712,10.07**	1952,20 04

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31-03-1994

(Rs in lakhs)

EXPENDITURE	31-03-94	31-02-93	INCOME	31-03-94	31-03-93
Interest Expended	158,74.59	135,27 38	Interest earned	233,10.75	178,63 95
Operating Expenses	52,37.73	44,23 78	Other Income	20,69.75	21,25 04
Provisions & Contigencies	24,81 76	12,11.03			
Net profit	17,86.42	8,26 80			
TOTAL	**253,80.50**	199,88 99	TOTAL	**253,80.50**	199,88 99

Chairman **M.P.K. Nair**

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Vol XXIX No 32 August 6, 1994

Trade Restriction and Public Interest

Following the New Industrial Policy of 1991, the MRTP Act was amended and it was announced that the emphasis would hereafter shift to controlling and regulating monopolistic, restrictive and unfair trade practices. A basic change in the approach to the control of restrictive trade practices, from rule-of-reason to *per se*, has also been advocated. Does an examination of the restrictive trade practice cases actually disposed of by the MRTP Commission during the period 1972-1991 support the arguments for a policy change in the above direction? **2081**

The 'Defence of India'

The Supreme Court's judgment in the Kartar Singh vs State of Punjab case has set the judicial seal on TADA. The Defence of India, evidently, is a very demanding cause, but quite thoroughly out of tune with what is best about the Constitution of India. One should be pardoned for expecting the judges of the highest court of the land to understand that the defence of India includes the defence of the Constitution of India; that the defence of India is the defence of India as a democracy. Unfortunately, they have set these concepts one against the other and ended up looking at the defence of India the way a K P S Gill would. **2054**

By his *ex cathedra* pronouncements on the relative responsibility of the militants and the security forces for human rights violations in Kashmir, Ranganath Mishra has confirmed the apprehensions expressed when the National Human Rights Commission was set up and his own appointment as its chairman was announced. **2053**

Eroding Heritage

India is one of the world's top 12 megadiversity countries, with a rich tradition of, as well as a vigorous modern effort at, conservation of biodiversity. Yet the country's heritage of biodiversity is being rapidly eroded, thanks to a number of deficiencies in the current system of utilisation and conservation of biological resources that have resulted in a weakening of the traditions of prudent use of biomass and conservation of biodiversity, while failing to erect in their place effective alternatives. **2103**

Co-opting Feminism

Through its recently announced women policy, the Maharashtra government is attempting to incorporate certain elements of feminist ideology and neutralise its antagonistic potential. **2063**

Rural Employment

While most ministries have suffered major cuts in 1994-95 budget outlays, the allocation for the ministry of rural development has gone up by 40 per cent, with the lion's share of the increase going to the Jawahar Rojgar Yojana and its sub-schemes for rural employment creation. However, to ensure that this windfall is used effectively, the supporting delivery system needs to be shored up. **2065**

Return to Electoral Politics

The dynamics of electoral politics revealed in the by-elections from the assembly constituencies of Nakodar and Ajnala have far-reaching implications for Punjab. **2095**

Financing Education

The report of the Justice Punnayya Committee appointed by the UGC makes a strong case for rethinking the attitude to financing higher education which has emerged in the wake of economic liberalisation. **2060**

Cultural Imperialism

One of the great deceptions of our times is the notion of 'internationalisation' of ideas, markets and movements under whose guise the US and Europe have become dominant exporters of cultural forms most conducive to depoliticising and trivialising everyday existence. **2070**

Post-Cold War Realities

The Kantian vision of the brave new post-cold war world, globalised and deideologised, has had to contend with international realities that refuse to fit into any teleological scheme. **2067**

Extending Reservations

RECENT events in Karnataka have rendered my note (July 9) outdated and my attitude too sanguine. The state government has diluted its earlier G O by bringing the entire veerasaiva (lingayat) and vokkaliga communities within the ambit of reservations. It will be recalled that the first G O had treated only the rural sections of these two communities as backward. This is not all. Lingayats and vokkaligas were placed in separate categories so that there can be no risk of competition between them. The new G O effectively puts the state's reservation 'policy' (*sic*) back to the situation which has prevailed from 1986 onwards.

That this dilution is done with an eye to the coming elections needs no elaboration. The immediate provocation appears to have been the mass rally of the Vokkaligara Sangha and its threat of an agitation against the community's exclusion from reservation. Despite the announcement of the new G O on July 24, the Vokkaligara Sangha went ahead with its largely attended rally. The chief minister continues to claim that all this is in the interest of justice. The truth is that the latest volte face has made a total mockery of reservation and the appointment of the permanent Backward Classes Commission redundant.

V K NATRAJ

Mysore

Ghettoising Gender

WITH reference to Neera Desai's comments (July 9) on my article (May 7) I would like to make the following two clarifications: (1) The comments are well taken. Dhanagare's 'Report on Sociology in the Western Region', which I quote, does have a separate section on sociology in SNDT University. I did not refer to it in my brief comment, only because the focus was on 'mainstream' (to be read 'malestream') sociology syllabi. A department that introduced a paper on 'Women and Society' in the mid-60s and opened its doors to non-elite women and sought to vocationalise its courses and make them socially relevant cannot possibly be a malestream department. I do sincerely regret that the pioneering efforts of the SNDT University were not mentioned. The intention was not to marginalise the role of SNDT or the RCWS which has been a source of inspiration for my generation of feminists but to focus on 'what was not being done' in mainstream/malestream departments.

(2) In a more detailed analysis of sociology syllabi, in my doctoral work, the documents and reports of Curricula Development Workshops that Desai mentions in her letter have been referred to. The efforts of the SNDT sociology department, in offering courses on 'Women and Society' at a time when there was no acceptability from the mainstream have been path-breaking. At the present stage what bothers many of us is the very 'acceptability' from the 'mainstream' which ghettoises 'gender' into single courses on 'Women and Society', leaving core courses on Indian society and social theory undisturbed. This is true of both 'malestream' and 'non-malestream' departments of sociology. In fact we look forward to 'non-malestream' departments such as the one in SNDT to take the pioneering step in taking 'gender' out of its seclusion in 'Women and Society' courses and granting it its rightful place as a perspective in all the core courses.

SHARMILA REGE

Pune

Assessing Gorbachev

THE contribution of Bhupinder Brar (June 11) is an excellent as well as enlightening exposition of the aspirations and ideals, achievements and failures of Gorbachev. His admirable attempt to be objective in the evaluation of the Russian leader's thoughts and activities is highly commendable. At the same time, Brar could have pointed out that Gorbachev was a child of the contemporary era, noted for the stimulating and salutary sway of the spirit of the scientific and altruistic humanism with which he earnestly endeavoured to identify himself. One other than a Russian felt that a person known for courage and conviction was uncharitably isolated by his fellowmen.

T M GNANAPRAGASAM

Madurai

Teaching Aids Needed

A friend of mine, Fajruddin Khan, has just started a school of girls—the Bibi Fatima Kanya Vidyalaya—in Haryana's backward Mewat region. This area is inhabited largely by the Meo community, an extremely impoverished people. The female literacy rate among the Meos is, according to a printed appeal brought by Fajruddin, a mere 0.018 per cent. Hence, his school is really a pioneering effort. The school's fledgling library is badly in need of books and teaching aids for the students. Readers who wish to help a noble cause could send such suitable reading material to the following address: Fajruddin Khan, Sarpanch, Village: Duha, Tehsil: Ferozepur-Jhirka, District: Gurgaon, Haryana.

YOGINDER SIKAND

Bangalore

ECONOMIC AND POLITICAL

So What Else Is New?

ADDRESSING the consultative committee of parliament attached to his ministry last month, finance minister Manmohan Singh once again drew attention to the country's "very strong" balance of payments position, with foreign exchange reserves now exceeding $ 17 billion, and reiterated that the rise in reserves had not been the result of inflows of volatile foreign capital or an increase in external debt. Interestingly, precisely because of the apparent improvement in the balance of payments and the impressive level of the government's foreign exchange assets, the country's commercial borrowings have also begun to go up once again and, what is most relevant, much of such borrowing is evidently for relatively short periods of two and three years. Certainly, the situation today is vastly different from what it was in 1990-91, but it still bears remembering that the servicing commitments on very short-term commercial loans, allowed to be raised with thoughtless abandon in the last years of Rajiv Gandhi's government, had been a decisive factor in the payments crisis which then drove the country to the portals of the IMF.

From a level of $ 2.2 billion in 1990-91, net commercial borrowing had dropped to a negative figure of $ 451 million in 1992-93. But with the Indian economy securely under Fund-Bank tutelage and the government's growing foreign exchange kitty, the multinational banks are once more licking their chops and getting into position to grab their share of some easy pickings. And so India's net commercial borrowings, which are estimated to have picked up to the level of $ 625 million in 1993-94, are officially expected to more than double this year. In 1993-94 the limit of $ 2.5 billion which the government had set for approval of commercial loan proposals for the year was fully used up and it has to be seen whether combined pressure from international lenders and intending Indian borrowers will persuade the government to relax the ceiling, set at the same figure, for the current year.

The readiness of international bankers to extend commercial loans to Indian borrowers has been, altogether expectedly, interpreted in official and sympathetic quarters in this country as yet another emphatic vote of confidence from abroad in the government's economic liberalisation policies and the wonders they have supposedly done for the country's economy. In this context surprise is being expressed that Moody's and Standard and Poor's, the two leading international rating agencies, should continue to baulk at elevating India's credit rating by at least a notch or two. But, no matter, we seem to be doing just as well without the benediction of these agencies—just look at the queue of international bankers eager to stuff money into our pockets, seems to be the official attitude.

Things are not quite that simple, unfortunately. A slightly closer look at the supposed rush of loan offers from foreign lenders brings out that what are on offer are mostly short-term loans for two and three years. Lenders are apparently not prepared to risk even five-year loans and when they are, the spread over the LIBOR that is demanded is near-extortionate. So much then for the vote of confidence. The fact is that the international banks have, on the basis of India's current level of foreign exchange reserves and the likely trends in different items of the balance of payments, come to the conclusion that it should be more or less safe to extend loans repayable over two-three years to Indian borrowers. Such calculation together with the fact of slack demand for their funds from borrowers in the developed countries, still at various stages of emerging from their respective recessions, explains their seemingly eager search for Indian borrowers.

What calls for closer scrutiny is really the rush abroad of Indian companies anxious to raise short-term funds on the terms on which they are being offered. The sizeable difference between domestic interest rates and those on which commercial loans abroad can be had is, of course, an obvious consideration. On the other hand, the short period for which alone these loans are available make it clear that in seeking them the Indian borrowers do not have in mind financing of industrial investment essentially. Clearly, the money is being raised with other uses in mind. Even with long-term moneys, raised through GDR issues for instance, the government has dismally failed to exercise any control over the funds' end use. In large part these funds have been used, apart from for retiring higher cost domestic debt, for a variety of speculative investments, in the stock market and in real estate for instance, which have been crowding out, to use an expression so favoured by the liberalisers, productive investment in the economy. This is not unknown to the finance ministry which, despite liberalisation, has retained with itself the authority to approve proposals for raising commercial loans abroad. Are these powers being used for any higher purpose than dispensing patronage as was the case in the bad old licence-permit-raj days?

PERSONAL LAWS

Pandering to Orthodoxy

IF we are to accept the recent statement of the union minister of state for law, H R Bharadwaj, in the Rajya Sabha on August 3 as the official stand of the government, we understand that the centre is not considering the enactment of a uniform civil code for all citizens, since such an enactment would involve changes in the personal laws of the minority communities. The government does not want to interfere in the personal laws of these communities unless the initiative for change comes from the communities themselves, according to the minister.

Fine sentiments. But how does the centre respond to initiatives for changes from within the minority communities? We have already seen how the ruling party at the centre under Rajiv Gandhi thwarted the efforts of the Muslim reformist elements, and reinforced the position of the orthodox 'mullahs' of the community in the Shah Bano case. We now come across another instance of the centre's reluctance to interfere in the personal laws of another minority community, in spite of a well organised campaign from within the community to change its personal laws.

Christian women activists in different parts of India had been waging all these years a struggle to reform their religious laws regarding marriage, divorce, inheritance of property, etc. To their persistent demands for state intervention in changing these outmoded laws, the government at the centre had always advised them to first seek a consensus of the various Indian Christian establishments on the changes that these activists and reformers were proposing.

It took 10 years to get all the leaders of the numerous Christian sects—their growth as prolific as that of their counterparts among Hindus and Muslims in India—to agree to changes in the proposed Christian Marriage Bill, drafted by the Joint Women's Programme, a voluntary organisation. Since the Christian religion does not advocate divorce and professes the sanctity and indissolubility of all marriages, in order to get around it, the draft defines 'divorce' as the 'termination of civil effects of marriage'—a clever device to make the clergy accept an uncomfortable ground reality! But now, after all these years of hair-splitting arguments over Biblical interpretations and patient and gentle persuasive attempts to bring around the clergy of the different Christian sects, when a draft bill (based on a consensus) has been submitted to the centre, the latter is sitting tight on it. Meanwhile, in Kerala, the Congress-run state government is introducing legislation aimed at curbing the Kerala Christian women's right of inheritance to parental property.

It is quite evident that the ruling powers at the centre, irrespective of their political hue, can never dare to bring about state intervention to abolish obnoxious provisions of personal laws—whether of the majority Hindus or the minority communities—as long as they decide to placate the orthodox religious leaders of these communities with the hope of capturing their respective vote-banks. Religious and social reformers among the Hindu and minority communities today can, therefore, hardly expect the 'secular' Indian state to be their ally in their struggle to bring about changes in the discriminatory and oppressive laws and practices still being imposed on the disadvantaged sections of their communities.

PANCHAYAT RAJ

Task for Finance Commission

THE 73rd amendment to the Constitution went out of the way to provide that the national level Finance Commission would consider "the measures needed to supplement the Consolidated Fund of a state to supplement the resources of the panchayats in the state on the basis of the recommendations made by the finance commission of the state". The 74th amendment has a similar provision relating to the municipal bodies.

The whole purpose of this provision could have been to assure the state governments that if, as a result of the decentralisation of various functions and responsibilities to local bodies and the need to transfer adequate funds for the purpose, they fell short of funds for their own purposes at the state level, the Finance Commission at the national level would consider their requirements and make recommendations with regard to "the measures needed to supplement" the states' resources. This presumably was the centre's way of providing an incentive to the states to decentralise.

However, K C Pant, chairman of the Tenth Finance Commission, has reportedly disavowed any intention of going into the question of supplementing the states' finances to enable them to meet their requirements in pursuance of the implementation of the two constitutional amendments on decentralisation. Could this stance of Pant be because the state finance commissions will take long to come up with their reviews and recommendations, whereas the Tenth Finance Commission's own term is due to expire soon? If this were the explanation, the right thing to do would be to extend the term of the commission, of course, for this particular purpose only and, at the same time, set a deadline for the state finance commissions to report. The main report of the Finance Commission need not be held up, even though its subsequent consideration of this additional item would necessarily mean some modification of the main award on centre-state transfers. Otherwise, if consideration of the states' requirements for additional funds to finance decentralisation is postponed to the next national level Finance Commission, this in itself could act as a strong deterrent to decentralisation of functions by the state governments. No state government can be expected to take on additional financial burdens in order to fulfil the commitments which the centre is keen to make but *not* underwrite.

KARNATAKA

Unjustified Dilution

THE Karnataka government's backtracking on the issue of implementing the Chinappa Reddy recommendations on reservations is yet another illustration that little can be achieved in terms of affirmative action unless the politically powerful among those who benefit by such action approve of the measures. The government's recent decision to increase the reserved quota from 73 per cent to 80 per cent, overruling the opinion of the law secretary and circumventing the permanent Backward Classes Commission which it had set up only a few months before is clearly a consequence of the political and financial power wielded by the dominant vokkaliga and lingayat communities. The increased 7 per cent benefits these two communities, the marathas and the bunts. The new order does away with the rural criteria for vokkaligas to access these benefits. Professionals like doctors, lawyers, engineers, etc, who were in the earlier order excluded can now avail of reservation benefits. The new order thus dilutes the concept of the creamy layer though income tax assessees other than these professionals still do not benefit.

Ever since the earlier order on the reservations the vokkaligas have been mounting protests which have made their presence felt in the cabinet, the ruling party and in public. This protest culminated in a rally called by the Vokkaligara Sangha. In an attempt to diffuse the impact of the rally the government announced the new order. Interestingly, the Sangha went ahead with the rally with a massive show of its political influence in terms of the huge vote bank. The panoply of big names who graced the rally included film stars, commercial and landed interests and intellectuals. With the assembly elections slated for November, it is not surprising that the Veerappa Moily government has decided to mollify the powerful backward community.

Significantly, while the opposition has expectedly criticised the new order in the general terms of it having diluted the reservation provisions for the backward

classes, nothing like a consistent opposition to the order has emerged or is likely to. The only sharp and uncompromising reaction appears to have come from a cabinet member, the forest minister H Vishwanath who is from a backward community and protested the cabinet decision (taken at a meeting he could not attend) to promulgate the new order. While Vishwanath's stand, which is generally taken to be the opinion of the backward community, will cause some ripples, it will hardly change Moily's stand especially given that another cabinet colleague S M Krishna, a long time chief minister-in-waiting is an influential leader of the vokkaliga community.

All this comes against the background of Congress defeats in the recent mayoral elections in Gulbarga and Hubli-Dharwar, which showed that the dissent within the party continues to be active, making for cross-voting which eventually led to the victory of the opposition candidates. With the nuisance value of S Bangarappa's Karnataka Congress Party and the upbeat mood in the state Janata Dal, it is not surprising that Moily should see the need to create the opportunity to consolidate his vote banks later in the year.

CHINA AND INDIA

Old Attitudes

WHATEVER comforting and convenient interpretation our foreign office bureaucrats might give to the utterances of the Chinese vice-premier and foreign minister Qian Qichen during his recent visit to New Delhi, it is clear that they had not managed to squeeze out any concessions from Beijing.

While harping on the worn-out diplomatic rhetoric about the need for bilateral talks on Kashmir, Qichen reiterated at the same time his government's policy to continue arms sale to Pakistan—the same arms which Pakistan uses to equip its mercenaries in Kashmir. It is true that Chinese arms aid to Pakistan constitutes a tiny portion of the total Pak arsenal, which is mainly filled by the US and the west. But before advising India and Pakistan to "ease the situation" on Kashmir, Qichen should have remembered that his government is also no less responsible—maybe on a minor scale compared to the western military sources—for aggravating the situation in the Indo-Pak subcontinent by its arms aid. Significantly, Qichen never bothered to pay even lip-service to the announced wishes of the Kashmiri people when recommending bilateral talks, as if it was a matter to be settled over their heads by New Delhi and Islamabad. Yet it was his government which in 1965 signed a communique with Pakistan (the Chou-Ayub communique, which said that "the Kashmir dispute could be resolved in accordance with the wishes of the people of Kashmir..."). Whether it was one of the usual homilies of Beijing—devoid of any ideological commitment—or not, it is obvious that even at the level of diplomatic rhetoric today Beijing has travelled a long way from the 1960s.

As for Sikkim (which featured in the recent New Delhi talks), the way Indira Gandhi annexed it in 1974 drew the ire of Beijing as well as other democratic-minded people elsewhere (including a few inside India). But, during the last 20 years, there has been no manifestation of any Sikkimese popular protest against Indian overlordship (unlike in Tibet, where China continues to face sporadic explosions of discontent and quite often even organised dissent). Given this ground reality, one wonders what China gains by sticking to its old position of refusing to recognise Sikkim's annexation. If it is a matter of principle, China had shown little respect for such principle in its own dealings with Tibet. If it is a matter of scoring a point over India by counterposing (New Delhi's annexation of) Sikkim to (Beijing's forcible seizure of) Tibet, China is clearly in a rather disadvantageous position. New Delhi can claim to have brought the Sikkimese into the Indian national mainstream of political skulduggery. Unlike the Tibetan political opponents of Beijing (who are fighting for independence), the Sikkimese politicians during the last two decades have been trained by the Indian political system in the skills necessary to survive as wheeler-dealers—as evident from the present goings-on in Gangtok, what with the Bhandari-Limbu conflict—within the Indian Union. China could have learnt a few tricks from India as to how to co-opt its Tibetan dissidents. But it may be too late now.

To demystify the Chinese position, whether on Kashmir or on Sikkim, it is necessary to remember that Beijing's policies on these issues were shaped by the politics of an era which is no longer relevant. Both on the Kasmir issue in the mid-1960s, and the Sikkim issue in the mid-1970s, Beijing's politics was shaped not by any democratic concern for the people of Kashmir and Sikkim, but mainly by its anti-Soviet policies of those days—which it extended to India, since New Delhi at that time was an ally of Moscow's. The convergence of Soviet and Indian interests demonstrated during the 1962 Sino-Indian border war and later during the 1971 Indo-Pak war over what is today Bangladesh, pushed China—purely from national and territorial interests—towards a closer alliance with Pakistan.

But today, with the collapse of the Soviet Union, much of the rationale of Beijing's old policies in the Indian sub-continent may appear anachronistic. Since it has already shed its past commitments to building a communist society in China—notwithstanding the hackneyed Maoist slogans—and opened up its economy to the capitalist west, it might as well revise its India policy and give up the old trick of playing off Islamabad against New Delhi. The latter in any case cannot dislodge Beijing from Aksai Chin, and in spite of all the patriotic bombast, the Indian government has virtually accepted the Line of Actual Control as a *fait accompli*. Why then should China continue to regard India as a threat? Is India that powerful as to warrant China's arming Pakistan and propping it up as a military buffer state?

BANGLADESH

Rule of Law?

THE ongoing tussle between Taslima Nasreen and the Khaleda Zia government is both a symptom and a consequence of the three-year-old government's inability to come to grips with the administration of the country. The ruling Bangladesh National Party (BNP) has also, it would seem, been unable to set itself a political or economic agenda. As a result, virtually every issue which has come up before the government is being decided either in the streets or in the courts of law.

Take the case of Golam Azam. The recent appellate court judgment restores Bangladeshi citizenship to Azam overturning the Zia government's decision to declare him a foreigner and thus make it impossible for him to function as the leader of the Jammat i Islami. The decision also goes against the large and vocal demand by a large section to declare him a war criminal for his collaboration with the Pakistani forces during the liberation war. In fact the anti-communalist rally last month, defending Taslima and aiming to counter the call of the fundamentalists, had as one of its demands the Azam issue.

In the case of Taslima the government filed a case under an archaic penal code accusing her of hurting religious sentiments by calling for a review of the Koran. (The author has subsequently explained that she had, in fact, asked for a review of the Shariat, not the Koran.) But when fundamentalists called for her blood and the situation was getting out of hand, the Bangladeshi government, under pressure from the US and other western countries, has so far at least categorically refused to enact a blasphemy law as has been done in some other Muslim countries, and has sought to explain away its action against Taslima.

The BNP, after it lost the support of the Jamaat when it declared Azam a foreigner, has been trying to make up with fundamentalist groups. There are also forces within the party which are forcing it in the other direction. All this has meant that it has been able to pay little attention to the tasks of governance. Currently it is facing an

opposition demand that a caretaker government be installed before the elections to ensure free and fair elections. The entire opposition including the government's erstwhile supporter, the Jamaat, has boycotted the current session of the parliament. Interestingly, in a recent by-elections in northern Bangladesh, with all the main opposition parties, that is the Awami League, the Jatiya Party and the Jamaat, having refused to participate in protest against the government's refusal to pass an amendment providing for a caretaker government, the BNP won without opposition adding to its numbers in parliament. The government has, however, offered to pass an amendment strengthening the Election Commission's role in the conduct of the elections.

The opposition's demand is based on the assumption that the BNP government or any government in power would not be neutral. While such has been the case in the past, the demand, if it is conceded, would go against the grain of established democratic practice. And one may well ask if the better way of ensuring fair elections is not to empower the people, which would mean working at the grass roots. However, it is also true that Bangladesh's legal structure has seen little change after the end of colonial rule and sticking to the law in a land where for such a long time, under Ershad, the legal system had served the government's interest is not seen as democratic practice by the people.

SOUTH AFRICA

A Different Budget

Kamaroopi writes:

CERTAIN features of the functioning of the parliament in South Africa appear to differ so fundamentally from what one is accustomed to in India (even if from a great distance and second hand by reading newspapers) that they deserve to be noted.

The South African system of government underwent several transitions after the country was expelled from the Commonwealth. (Till then parliamentary practice, always remembering how little the institution was representative, broadly corresponded to the Westminster model.) When South Africa became a republic and later adopted the model of an executive presidency, the importance, indeed the very relevance, of parliament was greatly reduced. The recent elections and the obviously more representative character of the new parliament do not appear to have made any difference. Parliament continues to be quite marginal to the actual conduct of government and politics in South Africa.

On the face of it, the fact that the seat of parliament, Cape Town, is over a thousand miles away from the administrative capital, Pretoria, may suggest that the law-makers of the country were so sensitive to administrative and bureaucratic interference in matters essentially political that they physically removed themselves as far as they could from the seat of government, indeed almost to the southern tip of the country and the continent. But in reality the distance underlines the marginality of Cape Town; even the city structures outside parliament are indifferent, if not hostile, to the honour of having the law-makers descend upon their city periodically

Perhaps the most striking demonstration of the marginality of parliament in South Africa is the substance and manner of the presentation of the annual budget. On June 22, the budget for 1994-95 was presented to parliament in Cape Town by the finance minister, Derek Keys (who has since resigned, ostensibly on 'personal grounds'). That morning the resident local and foreign correspondents were asked to assemble at the parliament buildings around 9 a m. (Incidentally, unlike in India, access to the premises was a routine affair; one did not have to procure passes or similar clearances.) Half an hour later, the assembled reporters were all given the finance minister's budget speech, the 'Budget Review', a substantial document which summarised the budget and also had elements corresponding to the pre-budget *Economic Survey* in India, as well as the detailed budget papers. We were allowed an hour or so to study the papers. Around half past ten the finance minister along with his deputy and three other senior officials of the finance ministry addressed the press, explaining the salient features of the budget proposals and also answered questions.

The amazing thing (for an Indian reporter) about the whole exercise was that the actual reading of the budget speech in parliament was to begin only at 2.15 p m. Quite simply, the reporters had all the papers hours before the honourable members of parliament had a chance to know what these contained. Of course, the reporters were confined—though egress from the premises was not difficult—till 2.15 p m to that floor of the parliament annexe where they had been given the budget papers and later briefed; and they were also enjoined not to communicate with anyone from outside. However, they were allowed to begin to write their reports; only, they could not file their reports till the embargo was lifted. Nobody seemed to consider the possibility of access to the outside world by telephones, including the ubiquitous cellular telephones which everyone seems to carry. Of course, one should also bear in mind that the provisions of the budget were such that the apparent openness was perhaps justified. For not merely the form of the exercise, but even the content of the proposals appeared to be quite peripheral to the actual functioning of the government, not to speak of specific economic policies.

TWENTY YEARS AGO

EPW, August 3, 1974

A supposedly basic tenet of the legal system that we pride ourselves on in this country is that an accused cannot be made to give evidence against himself. Following from this,, confessions made by accused persons are not admissible as evidence in courts of law. That is the law; the practice is, of course, very different. It is well known that virtually every single police investigation proceeds on the basis of information extracted from suspects in the course of so-called 'interrogation'. That the 'interrogation' really consists of the use of physical torture in varying degrees is equally well known. The police are helped in this by the practice of the courts of remanding suspects to police custody for long periods as a matter of routine and refusing bail even where the alleged offences are relatively trivial and bailable. Of course, in a large number of cases, the suspects are too poor and too ignorant to engage lawyers and to assert their legal rights. This very greatly simplifies matters for the police.

The beating up of suspects in police stations is thus a routine matter and normally attracts no attention, much less any protest. Once in a while, things do get a bit out of hand. The torture is particularly severe or the suspect is rather less hardy and he dies of injuries sustained during the police 'interrogation'. By the letter and spirit of the law this is murder. Yet police functionaries know that they can belabour suspects without any fear of the consequences; they have to fear only if they do not manage to extract enough information.

Sometimes when a person dies as a result of police torture, the event merits a cautious, often garbled, report in the newspapers. That way the last one week has been rather unusual; during this period Bombay papers have reported the cases of four persons, all of whom died in circumstances which give rise to reasonable suspicion that their deaths might have been the result of the treatment meted out to them while in police custody. Of the four, three died while in police custody and one within two days of being released from such custody.

Micro Energy

MICRO ENERGY (INDIA) plans to manufacture switch mode power supplies (SMPS) and high density SMPS (HDSMPS) in technical-cum-financial collaboration with Micro Energy Inc and Power Sensors Inc of the US. Micro Energy and Power Sensors have both agreed to buy back $ 5 million and $ 0.3 million worth of products respectively in the first few years. Originally set up by A Umamaheswaran and S Venkataramani in 1986 for manufacturing power supplies, the company was taken over by M Jayaram and associates for a consideration of Rs 16 lakh as it could not implement the project due to ill health of the original promoters. SMPS are used as a source of DC power in almost all electronic products due to their efficiency and lower heat dissipation. In addition to catering to the telecommunication sector, the company also plans to supply its products to the computer industry as Power Sensors has established its name internationally in notebook computers field and has clientele like Hewlett Packard and Tektroniks. To part finance its project the company is entering the capital market on August 9 with a public issue of equity shares at par. The issue will be lead managed by Bank of Baroda and Times Guaranty.

Pudumjee Agro

Formerly a subsidiary of Pudumjee Pulp and Paper Mills, Pudumjee Agro Industries (PAI) was taken over by S M Jatia in February 1987. Initially engaged in the manufacture of various grades of paper, including some categories of speciality paper, PAI acquired a sick solvent extraction unit with an installed capacity of 40,000 mtpa in 1990 and currently both divisions contribute equally to its turnover. The company now plans to add 5,000 tpa to its existing capacity of 20,000 tpa for manufacturing paper in addition to setting up a 50 tpd refinery, at a total cost of Rs 9 crore. The expansion-cum-diversification project is expected to be completed sometime in August next year. To finance its project the company is entering the capital market with a public issue of equity shares of Rs 10 each which will be offered at a premium of Rs 90 per share. The issue will open for subscription on August 9 and will be lead managed by Kotak Mahindra Finance.

Rajoo Engineers

Rajoo Engineers, which is engaged in the manufacture of plastic processing machinery such as pre- and post-extrusion plants and thermoplastic extrusion plants, is now increasing its capacity and adding manufacturing facilities for mono- and multi-layer film plants. Though commercial production has been delayed by six months and is now expected to commence in this October, the project has not suffered any cost overrun. The company's products will cater to the plastic industry which is expected to grow at a decent rate in the future. For the year ended March 1994 the company earned a net profit of Rs 27 lakh on a sale of Rs 1.9 crore. To part finance its project the company is entering the capital market on August 9 with a public issue of equity shares at par.

Trans Techno

Trans Techno Foods is setting up an oyster mushrooms project in technical collaboration with the US-based World Discoveries Inc. The foreign collaborator will also buy back 100 per cent of the company's output for a period of five years. Though Trans Techno Foods is the sixth mushroom manufacturer to go public in the last two years, unlike the others who have opted for button mushrooms, the company is going in for oyster mushrooms which command better price realisation because of their high quality in addition to having a faster market growth rate than the former. To part finance the project the company is entering the capital market with a public issue of equity shares at par. The issue which will open for subscription on August 9 will be lead managed by KMF.

B Nanji Enterprises

B Nanji Enterprises, which is engaged in construction and land development is now setting up an aluminium rolling mill and an extrusion plant to manufacture aluminium collapsible tubes, slugs and circles with a capacity of 6,000 tpa. Aluminium collapsible tubes find application in the pharmaceutical and cosmetic industries while slugs are used for making cans, bottles, and in 'ceasefire' equipment. Aluminium circles are used in the manufacture of pressure cookers and other utensils. To part finance its project the company is entering the capital market with a public issue of equity shares at par on August 9.

Dhara Packaging

Dhara Packaging is entering the capital market with a public issue of equity shares at par on August 10 to part finance its modernisation-cum-diversification project. The company which presently manufactures release papers and self-adhesive label stock is diversifying into the manufacture of BOPP tapes and speciality papers and also modernising its existing facilities at a total cost of Rs 3.4 crore. Production which was initially expected to commence in July this year has now been rescheduled to October due to delay in project implementation. For the year ended March 1994 the company earned a net profit of Rs 13 lakh on a total income of Rs 2.4 crore.

Global Foods

Global Foods (GF), which has been promoted by R S Kholi, is setting up a 100 per cent export-oriented unit to process 6,000 tpa of frozen meat (beef and mutton). To part finance the project the company is entering the capital market on August 9 with a public issue of equity shares at par. The promoter, who will have a 31.7 per cent stake in the post-issue equity capital of the company, has been in this business for the last 12 years and has been exporting meat and mutton through a partnership concern called Premraj Cold Storage (PCS) which processed 500 tpa of meat in two leased plants. PCS will now provide GF with technical know-how and has given the company marketing rights for its brand 'Top' in addition to giving assurance to export GF's entire production for a royalty of Rs 2.5 lakh per annum.

Indo Amines

The Techno group which has been engaged in the oleochemicals for more than a decade is entering the capital market through Indo Amines, a company incorporated in 1992. The group's present capacity utilisation is above 100 per cent and in order to cater to the growing demand Indo Amines is setting up a project with a capacity to manufacture 1,200 mtpa of fatty amines, 200 mtpa of short chain fatty amines, 1,000 mtpa of quaternary ammonium compound and 2,000 mtpa of EO condensates. Commercial production is expected to commence in July 1994. To part finance the project the company is entering the capital market with a public issue of 46,50,000 equity shares of Rs 10 each at par. The issue which opened for subscription on July 27 was lead managed by Market Creators.

CURRENT STATISTICS

EPW **Research Foundation**

Monetary data for the first quarter of the financial year show a sharp reining in of the government's monetised deficit. Nevertheless, the growth of reserve money has been phenomenal (Rs 8,966 crore against Rs 2,562 crore in the first quarter of last year), reflecting the burgeoning foreign exchange reserves. Further, the rise in net bank credit to the centre, at 6.5 per cent, shows that the compression of net RBI credit to the government has been possible only because, in the absence of growth of bank credit to the commercial sector, the commercial banks have had the funds to pour down the fiscal hole.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	July 16, 1994	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	267.8	1.1	10.3	7.1	3.7	4.1	10.8	7.0	13.6	12.1
Primary Articles	32.3	276.1	2.3	12.3	3.5	6.6	5.9	11.5	3.0	15.3	17.1
Food Articles	17.4	307.7	3.2	9.3	2.8	9.7	4.8	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	286.0	1.3	20.7	1.7	2.1	5.6	24.9	–1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	279.1	–0.4	9.8	18.8	0.4	3.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	261.0	0.7	9.3	7.1	2.7	3.2	9.9	7.9	12.6	8.9
Food Products	10.1	271.7	0.9	11.4	7.4	7.8	8.7	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	294.5	2.4	10.0	4.3	9.1	6.1	7.0	5.8	17.2	16.8
All Commodities (Average Basis) (April-July 16, 1994)	100.0	264.5	-	9.6	8.1	11.1	6.9	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	272[5]	1.1	10.6	5.1	1.9	1.2	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85)	222[2]	0.5	8.3	7.3	–	8.3	–	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1175[5]	0.9	13.2	–1.9	–	–1.4	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	July 8, 1994	Variation					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M3)	458779	1444 (0.3)	25213 (5.8)	21810 (5.9)	65827 (17.9)	49344 (15.5)	51653 (19.4)
Currency with Public	91238	–1849 (–2.0)	9040 (11.0)	7153 (10.5)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	363233	681 (0.2)	14393 (4.1)	9883 (3.3)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	220250	4127 (1.9)	16464 (8.1)	19880 (11.3)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	238755	615 (0.3)	1552 (0.7)	2980 (1.4)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Reserve Money	148680	1851 (1.3)	10058 (7.3)	12691 (11.5)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	102061	3763 (3.8)	5278 (5.5)	18889 (19.6)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	328861	6 (–)	15047 (4.8)	9602 (3.6)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	166518	627 (0.4)	2896 (1.8)	4042 (2.7)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food Advances	154247	432 (0.3)	1532 (1.0)	1035 (0.7)	7476 (5.1)	24317 (20.1)	120922 (8.4)
Investments	144998	229 (0.2)	12605 (9.5)	2463 (2.3)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	March 1994	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages						
			1993-94	1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	263.8	225.4 (3.0)	218.9 (2.3)	2.3	–0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	307.0	229.2 (2.5)	223.7 (0.5)	0.5	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	248.3	215.3 (2.2)	210.6 (2.1)	2.1	–1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	325.1	289.7 (7.3)	269.9 (5.0)	5.0	8.5	7.8	10.8	9.5	7.7	10.3

Capital Market	Aug 5, 1994	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	4302 (80.6)	4102	2382 (–9.4)	3600	4333	2037	4286	3779 (65.7)	2281 (–46.8)	4285 (266.9)
National Index (1983-84=100)	2039 (82.1)	1941	1120 (–5.8)	1765	2041	934	2055	1830 (79.2)	1021 (–48.1)	1968 (234.1)

Foreign Trade	May 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
		1994-95	1993-94				
Exports: Rs crore	5661	11898 (9.8)	10832 (41.4)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1805	3793 (9.7)	3459 (29.7)	22173 (20.4)	18421 (3.1)	17866 (–1.5)	18143 (9.1)
Imports: Rs crore	6037	12181 (12.2)	10852 (4.6)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)
US $ mn	1924	3883 (12.1)	3465 (–4.1)	23212 (6.8)	21726 (11.9)	19411 (–19.4)	24073 (13.2)
Non-POL US $ mn	–	–	–	17559 (14.6)	15319 (9.1)	14047 (–22.2)	18045 (3.1)
Balance of Trade: Rs crore	–376	–283	–21	–3259	–9572	–3809	–10640
US $ mn	–119	–90	–6	–1039	–3305	–1545	–5930

Foreign Exchange Reserves	July 22, 1994	Year Ago	Mar 31, 1994	Mar 31, 1993	Variation Over						
					Month	Year	Fiscal Year So Far		1993-94	1992-93	1991-92
							1994-95	1993-94			
Rs crore	54547	22143	47626	20196	3738	32404	6921	1947	27430	5385	10223
US $ mn	17354	7065	15176	6452	1013	10289	2178	613	8724	731	3383

Money and Banking

Money Stock (Rs crore)	Outstanding as on Jun 24, 1994	Quarterly Variations Apr-June 94	Jan-Mar 94	Oct-Dec 93	July-Sep 93	Apr-June 93	Jan-Mar 93	Oct-Dec 92	July-Sept 92	Apr-June 92	Financial Year Variation 1993-94	1992-93
Money Supply (M_3)	456185	22619	25153	17679	6004	17905	12876	11868	5148	19884	66741	49776
		(5.2)	(6.2)	(4.5)	(1.6)	(4.9)	(3.6)	(3.5)	(1.5)	(6.3)	(18.2)	(15.7)
Currency with the public	90689	8491	4004	5266	–1469	6124	3688	2822	–2098	2763	13925	7175
		(10.3)	(5.1)	(7.2)	(–2.0)	(9.0)	(5.7)	(4.6)	(–3.3)	(4.5)	(20.4)	(11.7)
Deposits with banks	361344	12504	20263	16676	4718	9944	8572	14452	7027	12122	51601	42173
		(3.6)	(6.2)	(5.3)	(1.5)	(3.3)	(3.0)	(5.3)	(2.6)	(4.8)	(17.4)	(16.5)
Net bank credit to government	217056	13270	6504	–1562	8512	14094	5520	1580	4433	6442	27548	17975
		(6.5)	(3.3)	(–0.8)	(4.5)	(8.0)	(3.2)	(0.9)	(2.7)	(4.2)	(15.6)	(11.4)
Bank credit to commercial sector	236755	–448	10235	8666	–3502	1669	11273	10048	2009	8811	17068	32141
		(–0.2)	(4.5)	(4.0)	(–1.6)	(0.8)	(5.4)	(5.1)	(1.0)	(4.7)	(7.8)	(17.1)
Net foreign exchange assets of the banking sector	60584	6857	18369	6302	3452	652	6510	–2857	–1422	1495	28775	3726
		(12.8)	(52.0)	(21.7)	(13.5)	(2.6)	(35.3)	(–13.4)	(–6.3)	(7.0)	(115.3)	(17.6)
Reserve Money RM	147588	8966	11872	5020	8389	2562	6722	–1085	–431	6068	27843	11274
		(6.5)	(9.4)	(4.1)	(7.4)	(2.3)	(6.5)	(–1.0)	(–0.4)	(6.1)	(25.1)	(11.3)
Bankers deposits with RBI	49421	–1330	6701	3984	7420	–5494	2045	1540	1672	–1999	12611	3258
		(–2.6)	(15.2)	(9.9)	(22.7)	(–14.4)	(5.7)	(4.5)	(5.1)	(–5.7)	(33.1)	(9.3)
Net RBI credit to government	98631	–669	–5866	–3628	3042	7303	4210	–3613	1516	2320	851	4433
		(–0.7)	(–5.6)	(–3.3)	(2.9)	(7.4)	(4.5)	(–3.7)	(1.6)	(2.5)	(0.9)	(4.7)
Net RBI credit to centre	98490	1707	–7977	–3880	2917	9200	2807	–4063	1600	3913	260	4257
		(1.8)	(–7.6)	(–3.6)	(2.8)	(9.5)	(3.0)	(–4.2)	(1.7)	(4.2)	(0.3)	(4.6)
RBI credit to commercial sector	6483	38	131	12	–97	–1399	1801	–30	–1326	93	225	–1040
		(0.6)	(2.1)	(0.2)	(–1.5)	(17.9)	(30.0)	(–0.5)	(–18.0)	(1.3)	(3.6)	(–14.3)
RBI credit to banks (including NABARD)	6191	640	209	923	148	–5611	1617	2939	–343	570	–4334	4783
		(11.5)	(3.9)	(20.9)	(3.5)	(–56.8)	(19.6)	(55.2)	(–6.0)	(11.2)	(–43.8)	(93.7)
Net forex assets of RBI	58279	6857	1843	6302	3390	652	6572	–2857	–785	849	28775	3809
		(13.3)	(55.9)	(23.6)	(14.5)	(2.9)	(40.9)	(–15.1)	(–3.8)	(4.5)	(127.1)	(20.2)
Net non-monetary liabilities of RBI	23986	–2048	1092	–1383	–1918	–3	5932	–2442	–454	–2205	–2212	831
		(–7.9)	(4.4)	(–5.3)	(–6.8)	(neg)	(26.6)	(–9.9)	(–1.8)	(–8.0)	(–7.8)	(3.0)

Monetary Ratios	Apr-June 94	Jan-Mar 94	Oct-Dec 93	July-Sept 93	Apr-June 93	Jan-Mar 93	Oct-Dec 92	July-Sept 92	Apr-June 92	1993-94	1992-93	1991-92	1990-91
End Period-Outstanding													
Currency/Aggregate Deposits	25.1	23.6	23.8	23.4	24.3	23.0	22.4	22.5	23.9	23.6	23.0	24.0	25.0
Currency/M_3	19.9	19.0	19.1	18.7	19.3	18.6	18.2	18.1	19.0	19.0	18.6	19.3	20.0
Aggregate Deposits/M_3	79.2	80.5	80.5	79.8	79.8	81.0	81.6	80.2	79.3	80.5	81.0	80.5	79.8
Domestic credit to govt/credit to comm sector	91.7	85.9	86.9	91.1	85.8	80.1	81.7	85.1	83.7	85.9	80.1	84.2	81.6
Money Multiplier RM/M_3	32.4	32.0	31.0	31.2	29.5	30.2	29.4	30.7	31.3	32.0	30.2	31.4	33.0
Incremental													
Currency/Aggregate Deposits	67.9	19.8	31.6	..	61.6	43.0	19.5	..	22.8	27.0	17.0	18.7	24.1
Currency/M_3	37.5	15.9	29.8	..	34.2	28.6	23.8	..	13.9	20.9	14.4	15.7	19.3
Aggregate Deposits/M_3	55.3	80.6	94.3	78.6	55.5	66.6	121.8	136.5	61.0	77.3	84.7	83.9	80.4
Domestic credit to govt/credit to comm sector	..	63.5	..	..	844.5	49.0	15.7	220.7	73.1	161.4	55.9	111.4	114.8
Money multiplier	39.6	47.2	28.4	139.7	14.3	52.2	..	..	30.5	41.7	22.6	22.9	29.2

Scheduled Commercial Banks	Outstanding as on Jun 24, 1994	Quarterly Variations Apr-June 94	Jan-Mar 94	Oct-Dec 93	July-Sept 93	Apr-June 93	Jan-Mar 93	Oct-Dec 92	July-Sept 92	Apr-June 92	Financial Year Variation 1993-94	1992-93
Aggregate deposits	327179	13365	13938	13791	7696	9817	5963	13594	6001	12256	45242	37814
		(4.3)	(4.6)	(4.8)	(2.8)	(3.7)	(2.3)	(5.5)	(2.5)	(5.3)	(16.8)	(16.4)
Demand deposits	58722	2610	6283	4642	–1695	421	2016	2054	–2856	159	9651	1373
		(4.7)	(12.6)	(10.3)	(–3.6)	(0.9)	(4.5)	(4.8)	(–6.3)	(0.4)	(20.8)	(3.0)
Time deposits	268457	10754	7656	9149	9391	9396	3947	11540	8857	12097	35592	36441
		(4.2)	(3.1)	(3.8)	(4.1)	(4.2)	(1.8)	(5.6)	(4.5)	(6.5)	(16.0)	(19.6)
Total advances	164584	961	5283	6400	–2745	2703	8603	7758	1977	8052	11640	26390
		(0.6)	(3.3)	(4.2)	(–1.8)	(1.8)	(6.0)	(5.7)	(1.5)	(6.4)	(7.7)	(21.0)
Food credit	12146	1239	399	1809	–877	2833	1589	1443	–1390	431	4164	2073
		(11.4)	(3.8)	(20.8)	(–9.2)	(42.0)	(30.8)	(38.9)	(–27.2)	(9.2)	(61.8)	(44.4)
Non-food credit	152438	–278	4884	4591	–1868	–130	7014	6315	3367	7621	7476	24317
		(–0.2)	(3.3)	(3.2)	(–1.3)	(0.1)	(5.1)	(4.8)	(2.6)	(6.3)	(5.1)	(20.1)
Investment	145350	12957	12376	1888	5929	6544	–17953	25314	3808	4291	26737	15460
		(9.8)	(10.3)	(1.6)	(5.3)	(6.2)	(–14.5)	(25.8)	(4.0)	(4.8)	(25.3)	(17.1)
C/D Ratio: End Period		50.3	52.1	52.8	53.1	55.6	56.6	54.6	54.5	55.0	52.1	56.6
Incremental		7.2	37.9	46.4	..	27.5	144.3	57.1	32.9	65.7	25.7	69.8
Investment/Deposit Ratio: End Period		44.4	42.2	40.0	41.3	40.3	39.3	47.1	39.5	38.9	42.2	39.3
Incremental		96.9	88.8	13.7	77.0	66.7	..	186.2	63.5	35.0	59.1	40.9

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript [7] stands for July. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. (iii) — means not available; .. Not relevant.

AMAR DYE-CHEM

Towards Recovery

A 40-YEAR OLD company, Amar Dye-Chem, which seemed to be coming back into the black since 1989-90 after reporting losses for six years in succession, plunged into the red once again in 1992-93, adding a hefty Rs 21 crore to its accumulated losses. The company has two factories at Kalyan in Maharashtra and Vapi in Gujarat where it manufactures synthetic organic dyestuffs/pigments and dyes intermediates. While the company's sales were lower by 5.5 per cent over the previous year, operating profit fell by 177 per cent. Poor offtake due to bad conditions in the user industry, competition from the un-organised sector, which is a major drawback for the industry and the rising interest burden seems to have affected the company's operations. While production of synthetic organic dyestuffs and pigments during the year was higher at 645.4 mt as compared to 616.6 mt in 1991-92, that of intermediates and chemicals fell drastically from 4,590.2 mt to 3,851.3 mt. Sale of synthetic organic dyestuffs and pigments was also lower at 544.5 mt as compared to 559.1 in the previous year while that of intermediates and chemicals was also lower at 1,524.8 mt as against 1,868.8 mt in 1991-92.

Meanwhile with the Mardia group taking over the management of the company, Amar Dye-Chem has shown improved performance for the year 1993-94. The BIFR scheme envisaged a capital expenditure of Rs 750 lakh and a one-time payment of Rs 15.3 crore against the dues of institution/banks. Further the Mardia group has been allotted equity shares of the face value of Rs 15.5 crore (as partly paid-up). The company's interest burden is expected to come down with the reduction in outstanding loans. For the year ended March 1994 the company posted a net profit of Rs 1.1 crore on a net sales of Rs 60.3 crore. More importantly, a major part of this profit, i e, up to Rs 1.0 crore, was earned in the second half of the year.

BIHAR CAUSTIC

Improved Performance

Bihar Caustic, a joint venture promoted by Bihar State Industrial Development Corporation, Gwalior Rayon Silk Manufacturing and Weaving Company, Hindustan Aluminium Corporation and Pilani Investment and Industries Corporation, has achieved a dramatic turnaround in 1992-93. After an erratic performance in the last decade the company saw a 19 per cent rise in net sales and a 57 per cent rise in operating profit. An 8.0 per cent fall in interest charges coupled with a 25.7 per cent fall in depreciation provision over the previous year further led to a sharp rise in profitability. Though production of the company's main product, caustic soda, was marginally lower during the year at 37,226 mt (37,692 mt) due to the power crisis in Bihar in May 1992, that of liquid chlorine and hydrochloric acid (100 per cent) was higher at 12,873 mt (10,319 mt) and 46,611 mt (35,523 mt), respectively. Better sale realisation on caustic soda despite a fall in sale volume from 37,375 mt last year to 35,954 mt coupled with higher offtake of chlorine hydrochloric acid and diluted sulphuric acid led to a better financial performance by the company.

With the refusal of the Bihar State Electricity Board to deliver a second-hand 15 mw captive power plant to the company as per the rehabilitation scheme, the company was unable to implement the rehabilitation project. With power and fuel expenses accounting to up to 41 per cent of net sales, the implementation of a captive power plant could prove to be a boon for the company's profitability in the future.

Meanwhile for the year 1993-94 the company has further consolidated its performance by posting a net profit of Rs 6.4 crore on a net sales of Rs 46.7 crore. The company achieved an operating profit margin of 27.1 per cent and a gross profit margin of 22.1 per cent for the year. Encouraged by its performance it has declared a dividend of 15 per cent for 1993-94.

TATA-YODOGAWA

Growing Sales

Jointly promoted by the Tata Iron and Steel Company (Tisco), Yodogawa Steel Works and Nissha Company of Japan in 1968, Tata-Yodogawa is engaged in the manufacture of steel mill rolls of all grades and types, cast gear wheels, rope drums, cast steel grinding media, etc. Despite the adverse conditions in the steel industry, the company managed to improve its net sales by 3.9 per cent in 1992-93 and its operating profit by 70.1 per cent. The company achieved a record capacity utilisation of 102.8 per cent by producing 8,018 mt of rolls as against 7,611 mt produced last year. Despite lower offtake of rolls in volume terms (down to 7,253 mt as against 7,631 mt in the previous year) higher price realisation led to improved margins. Production of concast billets fell from 14,054 mt last year to 9,467 mt and sale falling from 8,476 mt to 3,326 mt. The company exported only 391 mt of rolls valued at Rs 0.9 lakh as against 941 mt valued at Rs 2.0 crore exported last year.

The company's centrifugal casting machine was set up in the latter part of the year with technical collaboration from Eisenwerk Salzau-Werfen of Austria and centrifugally cast rolls produced with the new technology were delivered to the Tisco, Bokaro and Rourkela steel plants. With the conversion of 29,73,450 partly convertible debentures (PCDs) of Rs 30 each into equity shares of Rs 10 each at a premium of Rs 20 per share in July 1993, the company's equity capital stands increased to Rs 5.5 crore.

For the year ended March 1994 the company's net sales rose to Rs 67.8 crore though net profit was maintained at Rs 2.5 crore. Production of rolls was lower at 7,519 mt as against 8,018 mt produced in the previous year and the company produced hi-chrome rolls for the first time. Further the company exported rolls worth Rs 91.7 lakh in 1993-94.

TVS ELECTRONICS

New Products

TVS Electronics (TVSE), a company promoted by Sundaram Clayton, is engaged in the manufacture of switch mode power supplies, uninterruptible power supplies, computer peripherals, computer equipment, electronic power conditioners and micro-processor-based controller cards. The devaluation of the rupee (71.3 per cent of the company's raw material is imported) coupled with the market-driven restrictions resulted in lower margins on almost all the products of the company. Consequently while the company's net sales increased by 17.6 per cent in 1992-93, its operating profit rose by a mere 3.5 per cent and net profit fell by 4.8 per cent over the previous year. The company claims that it has been able to maintain its premier position in the market despite competition from imported products following the opening up of the Indian economy. Expanding its product range, the company introduced laser printers and a model of heavy duty printer which were reportedly well received in the market.

Though the company has not commenced direct exports (present exports are mainly through computer original equipment manufacturers), many prospective buyers have evinced keen interest in its products. The company has plans to introduce new models of printers for both office automation and heavy duty applications in order to further extend its range of printers. It also proposes to introduce new tape drives with higher capacity in different storage formats to strengthen its leadership in this segment in addition to new models of power supplies to complement its current models. With the

The Week's Companies

(Rs lakh)

Financial Indicators	Amar Dye-Chem March 1993	Amar Dye-Chem March 1992	Bihar Caustic March 1993	Bihar Caustic March 1992	Tata-Yodogawa March 1993	Tata-Yodogawa March 1992	TVS Electronics May 1993	TVS Electronics May 1992	Wartsila Diesel Dec 1993	Wartsila Diesel Dec 1992*
Income/appropriations										
1 Net sales	4544	4809	4282	3598	4580	4409	5273	4485	5038	5477
2 Value of production	4344	4891	4382	3630	5056	4543	5517	4575	6766	9341
3 *Total income*	4667	5264	4440	3685	5093	4605	5601	4658	6888	9438
4 Raw materials/stores and spares consumed	2729	2765	758	752	2406	2576	3517	2814	2738	3568
5 Other manufacturing expenses	927	936	1782	1615	680	608	144	154	2829	4696
6 Remuneration to employees	663	590	171	158	723	537	310	285	186	132
7 Other expenses	691	526	133	144	283	297	771	575	787	585
8 *Operating profit*	-343	445	1596	1016	1001	587	859	830	348	457
9 Interest	517	400	250	272	362	255	612	600	377	329
10 *Gross profit*	-2020	124	1253	315	639	386	247	245	228	270
11 Depreciation	75	78	249	335	231	138	188	183	145	116
12 *Profit before tax*	-2095	46	1004	-20	408	248	59	62	83	154
13 Tax provision	0	0	0	0	150	106	0	0	1	23
14 *Profit after tax*	-2095	46	1004	-20	258	142	59	62	82	131
15 Dividends	0	0	0	0	118	62	0	0	150	100
16 Retained profit	-2095	46	1004	-20	140	80	59	62	-68	31
Liabilities/assets										
17 Paid-up capital	678	678	780	780	547	250	1430	1430	1000	1000
18 Reserves and surplus	-2785	-642	86	-920	1154	717	-462	-522	647	716
19 Long term loans	2416	2470	2409	2652	1237	1578	2373	2548	1767	2197
20 Short term loans	1257	1110	0	33	850	643	23	21	188	771
21 Of which bank borrowings	1257	1110	0	33	469	381	0	0	0	0
22 Gross fixed assets	4607	4609	3283	3211	4429	3340	2237	2196	2012	1873
23 Accumulated depreciation	3357	2533	2566	2026	1530	1304	844	657	623	481
24 Inventories	973	1292	347	280	1685	1092	1128	923	2388	3353
25 Total assets/liabilities	3301	4861	3685	2874	5514	4167	4843	4699	7312	7861
Miscellaneous items										
26 Excise duty	501	550	585	551	495	402	0	0	0	0
27 Gross value added	-2091	1077	1540	281	1707	1183	1225	1189	1155	883
28 Total foreign exchange income	758	779	0	0	88	169	88	108	2147	33
29 Total foreign exchange outgo	171	181	4	5	654	532	1455	1117	1999	2700
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	137.7	98.9	116.2	125.2	83.1	105.8	108.9	95.4	68.9	69.7
31 Sales to total net assets (%)	290.2	133.0	130.7	141.4	120.9	138.3	156.7	129.0	139.9	116.9
32 Gross value added to gross fixed assets (%)	-45.4	23.4	46.9	8.8	38.5	35.4	54.8	54.1	57.4	47.1
33 Return on investment (gross profit to total assets) (%)	-61.2	2.6	34.0	11.0	11.6	9.3	5.1	5.2	3.1	3.4
34 Gross profit to sales (gross margin) (%)	-44.5	2.6	29.3	8.8	14.0	8.8	4.7	5.5	4.5	4.9
35 Operating profit to sales (%)	-7.5	9.3	37.3	28.2	21.9	13.3	16.3	18.5	6.9	8.3
36 Profit before tax to sales (%)	-46.1	1.0	23.4	-0.6	8.9	5.8	1.1	1.4	1.6	2.8
37 Tax provision to profit before tax (%)	0.0	0.0	0.0	0.0	36.8	42.7	0.0	0.0	1.2	14.9
38 Profit after tax to net worth (return on equity) (%)	99.4	127.8	115.9	14.3	15.2	14.7	6.1	6.8	5.0	7.6
39 Dividend (%)	0.0	0.0	0.0	0.0	25.0	25.0	0.0	0.0	15.0	10.0
40 Earning per share (Rs)	-155.19	3.41	12.87	0.26	4.72	5.68	0.41	0.43	0.82	1.31
41 Book value per share (Rs)	-214.74	-59.41	11.10	-1.79	31.10	38.68	6.77	6.35	16.47	17.16
42 P/E ratio (based on latest and corresponding last year's price)	-0.8	42.6	5.2	-253.5	17.0	12.8	139.4	36.9	219.5	56.3
43 Debt-equity ratio (adjusted for revaluation) (%)	-83.4	-309.1	278.2	-1894.3	72.7	163.2	245.1	280.6	107.3	128.0
44 Short term bank borrowings to inventories (%)	129.2	85.9	0.0	11.8	27.8	34.9	0.0	0.0	0.0	0.0
45 Sundry creditors to sundry debtors (%)	148.0	138.8	176.8	119.8	197.8	114.8	84.7	68.0	73.6	104.2
46 Total remuneration to employees to gross value added (%)	-31.7	54.8	11.1	56.2	42.4	45.4	25.3	24.0	16.1	14.9
47 Total remuneration to employees to value of production (%)	15.3	12.1	3.9	4.4	14.3	11.8	5.6	6.2	2.7	1.4
48 Gross fixed assets formation (%)	-	-	2.2	6.7	32.6	54.1	1.9	0.1	7.4	3.8
49 Growth in inventories (%)	-24.7	1.3	23.9	40.0	54.3	-13.5	22.2	-12.6	-28.8	11.0

* 9 months.

introduction of its new products the company will have the most comprehensive printer range amongst all the printer manufacturers in the country. TVSE has signed a technical assistance agreement with Oki Electric Industry Company, a Fortune 500 company, for the manufacture of high speed dot matrix printers in India to be manufactured at the company's Tumkur plant, and marketed as the 'HD series'. Meanwhile, for the first six months of 1993-94, the company suffered a net loss of Rs 0.8 crore on a net sale of Rs 21.2 crore.

WARTSILA DIESEL

Hit by Recession

Incorporated in 1986, Wartsila Diesel has been promoted by Oy Wartsila Ab of Finland (in equity participation with Finnish Fund for Industrial Development Corporation), Shapoorji Pallonji and Company and Banaras House and is engaged in the manufacture of high power diesel generating sets (DG sets)/ engines in the range of 500 KW to 7,500 KW. With industrial recession continuing through most of 1992-93, process industries such as cement, fertilisers and chemicals were the worst affected. With these industries accounting for up to 72 per cent of Wartsila Diesel's installed base of captive power, the company's performance suffered in 1992-93. While net sales fell by 8.0 per cent over the previous year, operating profit fell drastically by 23.9 per cent and with a 14.6 per cent rise in interest charges coupled with a 25 per cent rise in depreciation provision, net profit fell by 37.4 per cent. Despite the fall in net profit the company has raised its dividend rate from 10 per cent last year to 15 per cent.

The company produced and sold 10 DG sets/engines in the range of 500 KW to 7500 KW during the year as against six produced in the previous period. The company would have been further affected but for the timely 32 MW export order to the Philippines received from its collaborator, Wartsila Diesel International. Though order intake improved in the latter part of the year when projects valued at about Rs 60 crore were contracted for, only a part of them could be converted into sales. The reduced industrial production and consequent reduction in running of the captive power plants also affected the performance of the services division.

Meanwhile the company began the year 1994 with an order backlog of Rs 50 crore and a number of new projects were under negotiation. With the expected growth in industrial output, power requirement is bound to increase substantially and the company expects the installed base of Wartsila Diesel captive power plants to cross 550 MW during the year (including a project for the Nuclear Power Corporation and others involving the large Vasa 46 engines).

Kashmir and A Farcical Human Rights Commission

A G Noorani

By his* ex cathedra *pronouncements on the relative responsibility of the militants and the security forces for human rights violations in Kashmir, Ranganath Mishra has confirmed the apprehensions expressed when the National Human Rights Commission was set up and his own appointment as its chairman was announced.

"MILITANTS are more responsible than the security forces for the human rights violations in Kashmir. The media is responsible for not focusing on the militant atrocities as much as they should be doing." This blanket exoneration of the security forces and sweeping attack on the media have come not from a politician belonging to the ruling party, the Congress(I), or the BJP but from one who is supposed to be chairman of a quasi-judicial body set up by law.

Ranganath Mishra has lost little time in confirming the suspicions widely expressed at the time when the National Human Rights Commission was set up and the fears voiced freely when his own appointment as its chairman was announced. His shoddy record as the Commission of Inquiry into the Delhi riots of 1984 was only one of the reasons for the fears. On what basis does he deliver this *ex cathedra* pronouncement? Has he or the commission conducted an investigation in Kashmir of a range and depth, both in point of time and area, which justifies expression of any opinion of so general a character? Another question which one hopes civil liberties bodies will press him and the commission to answer is whether it represents the commission's verdict or his own personal opinion.

The remarks were made in an interview to the weekly *Sunday* of July 3. Preceding the part quoted above were these observations by Mishra. Asked specifically about Kashmir, he declaimed: "It is a sensitive issue. There is a national aspect." These are standard euphemisms used by politicians in power and journalists close to them to suggest that it is unpatriotic to criticise the government's policies or the misdeeds of the security forces. Mishra continued: "The admitted position internationally is that Pakistan has a hand in it. We talked to 100 arrested militants in Kashmir and came across 21 militants in detention. There were Afghans, one Palestinian and one Jordanian. They come, pick up people, train them for three to four weeks in POK. Crossing the line of control usually takes place at night, when they can escape attention. It becomes difficult for the BSF to actually see what is happening."

Granted that the statute confers on the HRC jurisdiction in respect of *specific* violations of human rights by terrorists. But it gives no jurisdiction to deliver such a general verdict, however true it may be. What is Mishra's source of knowledge? And the means of investigation? The BSF in a conducted tour, no doubt.

The interview was published on July 3. Exactly a fortnight later on July 17, *The Hindu* published a despatch by its correspondent in New Delhi, Amit Baruah, which quoted Ranganath Mishra as saying that "Mr Shankar Sen, an officer holding the rank of DGP, would be visiting Jammu and Kashmir to investigate the complaints received by the commission during its recent visit to the state". What is the worth of this official's probe when the commission's chairman has already pronounced his opinion? Incidentally, will the other members of the commission pull him up for this? It is hardly likely.

But, of course, there is a purpose behind the Sen mission. It is to find material to refute Amnesty. Amit Baruah's despatch continues: "Also, Mr Sen would hold an independent (*sic*) inquiry into some of the cases quoted by Amnesty in its India section [of its Annual Report] alleging violations in Kashmir, Mr Justice Mishra maintained."

The cat is out of the bag. Why does Mishra pick only on the Kashmir portion in the India section of Amnesty's Annual Report when there is ample material also on the other parts of India? Is it because Kashmir has a 'national aspect' and the commission's exoneration of the security forces will help the 'national' cause?

No one was fooled when the commission announced *suo motu* that it would look into the Bijbehara outrages or when it published its findings. The exercise was necessary in the larger interest of the commission's credibility when it exonerates the government. As Ravi Nair of the South Asia Human Rights Documentation Centre noted: "A close reading will show that it [the commission] has done precious little beyond the internal BSF enquiry and the magisterial probe. It is nothing but a post office function" (*Sunday*, July 3).

The commission spent a mere two days in the Kashmir valley on June 5 and 6. It received "nearly 20 complaints of human rights abuses including custodial killings and reports of missing persons" according to Mishra as reported by the UNI (*The Times of India*, June 7).

The report continues: "He said the most common complaint related to the people whose whereabouts were not known *after they were picked up by the security forces during search operations and raids*. All such cases would be sent to the state authorities to ascertain their viewpoints before conducting detailed investigations, he added" (emphasis added). This was said on June 6. Three weeks later Mishra speaks to *Sunday* exonerating the security forces and his interview appears on July 3. What is *his* credibility now?

The UNI's report in *The Times of India* continued "Mr Mishra and other members of the commission expressed ignorance when asked if they had received complaints of dozens of custodial deaths in Char-e-Sharief, Pulwana, Kupwara and Anantnag. However, they urged media persons to provide full details about these killings for a thorough probing by the commission." Three weeks later, as we noted, Mishra attacked the media. On June 6, Mishra himself characterised the human rights situation in Kashmir as "serious".

Exactly a week later, on June 13, once back in New Delhi, Mishra declared: "In Jammu and Kashmir, instances of violations [of human rights] are more by the militants than by the security forces. *The other problem is that once the security forces pick up someone it is difficult at the time to find out whether the person is innocent or involved in militancy* (*The Hindu*, June 19, emphasis ours). The implications of the italicised words are as obvious as they are shocking. No wonder the man exonerates the security forces. The outlook reflected in the italicised words would lead to that conclusion.

Words apart, Ranganath Mishra's conduct itself reveals him in a sorry light. *The Statesman* twice criticised him for asking the chief minister of Punjab for a grant for a college. In its editorial of July 17 it referred to him as "eminently famous for his belief that the 'woman's place is in the home' and for his role in the inglorious Delhi Riots Commission" and drew attention to his asking "Mr Beant Singh to grant Rs 65 lakhs for a Sanskrit College in Bhatinda by virtue of his being the chairman of the Central Sanskrit Board."

On July 21 Doordarshan showed Mishra on the platform with Salman Khurshid, minister of state for external affairs, at a conference on 'Human Rights and Terrorism' and quoted both Khurshid and Mishra. Oddly enough press reports the next day omitted Mishra's remarks in condemnation of terrorism. The question remains: What was he, chairman of a quasi-judicial body, the National Human Rights Commission, which is charged with the duty of holding the scales even between the state and even the most wrong-headed of citizens doing at such a function? Do you blame the Kashmir Bar Association for boycotting the commission when it visited the state and calling it a "joke"?

In Defence of India

Supreme Court and Terrorism

K Balagopal

The Supreme Court's judgment on TADA in the Kartar Singh vs State of Punjab case has taken the law back to the pre-1978 days, though, to be fair, this is not the only occasion when the Supreme Court has set the calendar back.

JUSTICE Ratnavel Pandian's judgment (on behalf of the majority) in Kartar Singh vs State of Punjab has set the Constitutional seal on TADA. It is a poorly written judgment, poor in language—because it is poor in judicial philosophy and not merely because of the judge's poor command of English—poor in logic and poor for its unwillingness to follow the path opened up by the Supreme Court in 1978 in Maneka Gandhi vs Union of India. Justice Sahai, in his dissenting judgment, says of the Additional Solicitor General's arguments in defence of TADA that "if they are accepted, that will result in taking the law back to A K Gopalan", i e, the Supreme Court's view in A K Gopalan vs State of Madras, 1950. The judge is too polite to say the same of the reasoning of 'brother Pandian' whose erudition (of which there is really little trace in the judgment) he praises copiously. But his comment applies equally to the majority judgment, with which he too is in significant measure in agreement. Without at any point saying so, it takes the law back to the pre-1978 days, though, to be fair, this is not the only occasion when the Supreme Court has set the calendar back.

Terrorism is a reality, and just such a reality as the union home ministry says it is, and none other; a special law for terrorism is therefore based on a reasonable classification. That takes care of Article 14. The procedure and substance of the new law is 'just and fair' as required by the Maneka Gandhi judgment, for no reason other than that a parliament competent to enact the special legislation for the special circumstances has enacted it, and once the reasonableness of the classification of the special situation is accepted, you cannot complain that the special procedure denies rights that you had under ordinary procedure. (That the special procedure can be questioned not for being special but for being arbitrary and unreasonable is a distinction emphasised by the Maneka Gandhi judgment, which Justice Pandian does not recognise.) And as nobody who argued the case has contended that TADA violates Article 19 or any other fundamental right, there is nothing left to be vindicated. This about sums up the Constitution Bench judgment on TADA.

Two judges out of the five have dissented, and have crafted evidently better argued—though excessively cautious—judgments. If the composition of the Bench had been slightly different then it is possible that at least some of the more obnoxious provisions of TADA, such as the admissibility of confessions made to policemen of rank SP or above (sec 15), the conferment of certain judicial powers on executive magistrates (secs 20(3) and 20(4)), and the oppressive prerequisites for the granting of bail (sec 20(8)), would have been struck down by the majority. Nevertheless, TADA is now a fact of life for the people of this country, for as long as the government of India wishes to extend its life, which could well be indefinitely. I say 'people of this country' rather than 'terrorists of this country' advisedly, not only because TADA is being extensively misused, but also because even if it is properly used, the 'terrorists' who are its victims are not some specially vicious subspecies of Indians, but the very citizens that justice has to specially protect: the people peripheral to the mainstream of social, political, ethnic and economic life of this country, no matter that they may be misguided, misled or wilfully mischievous.

A court that does not possess a social understanding of the ugly thing called terrorism cannot possibly look critically at the provisions of TADA. A court that understands terrorism the same way as the union home ministry (as Justice Pandian and his brotherhood unabashedly do) cannot look at TADA in the spirit of the best values expressed by the Indian Supreme Court in the past. A court that does not begin to make sense of the striking fact that the terrorists and extremists of India—Sikhs in Punjab, Muslims in Kashmir, tribal people in the north-east, the wretched of rural Bharat in Bihar and Andhra Pradesh, expatriate Jaffna Tamils in Tamil Nadu, and in recent days disillusioned Muslim youth in various urban centres—are all from the political, social, ethnic and economic periphery of Indian society, cannot begin to see what it means if suspects in 'terrorist' crimes are denied rights that mainstream criminals possess. Democracy in the best sense has always meant justice for the dissident, the abnormal, the peripheral, notwithstanding that their proclivities may be held morally unjustifiable and politically unsupportable by the mainstream, or even a majority of the periphery too. Only a court that values such a justice can look properly at TADA. A court that thinks justice is another name for the securing of public order cannot.

Heinous crimes have no doubt been committed by the armed groups espousing these causes, especially but not only in Punjab. Bus passengers and train commuters have been killed, passers-by have been massacred in the streets in random firing, and in every part of the country armed groups have killed 'peoples enemies' and 'police informers' without any procedural justice or substantive norms. Whatever the pros and cons of the need to resort to armed struggle in certain situations, the armed groups operating in India certainly need to learn basic lessons in fairness and justice.

Images of Terrorism

But the discussion of terrorism cannot begin and end there. Nor can it end up with foreign conspiracies to dismember the nation, a particularly unconvincing explanation of the phenomenon that the state propagates ceaselessly. Justice Pandian's recital of the "background and circumstances" attending the enactment of TADA is startling for more serious reasons than the judge's very indifferent prose. Terrorism and disruption are "a world-wide phenomenon and India is no exception". The country "in the recent past has fallen in the firm grip of spiralling terrorists violence and is caught between the deadly pangs of disruptive activities". Having begun in Punjab, "at present they have outstretched their activities by spreading their wings far and wide almost bringing the major part of the country under the extreme violence and terrorism by letting loose unprecedented and unprovoked repression and disruption unmindful of the security of the nation, personal liberty and rights inclusive of the right to live with human dignity of innocent citizens of this country and destroying the image of many glitzy cities like Chandigarh, Srinagar, Delhi and Bombay by strangulating the normal life of the citizens... there were countless serious and horrendous events engulfing many cities with bloodbath, firing, looting, mad-killing even without sparing women and children and reducing those area into a graveyard which brutal atrocities have rocked and shocked the nation". These "stark facts and naked truths" cannot be denied by adopting an "ostrich-like attitude completely ignoring the impending danger". This is the Supreme Court speaking, not K P S Gill.

It was in these circumstances, the judge says, that parliament "has been compelled to bring forth" special anti-terrorist laws to "sternly deal with many groups lurking beneath the murky surface aiding, abetting, nourishing and fomenting the terrorists". The rhetoric is truly torrential, and would do the home ministry proud. The "totality of the speeches made by the ministers and members of parliament during the debate in parliament, the Statement of Objects and Reasons, and the submissions made by the learned Additional Solicitor General of India" (it is a quaint fact that the Additional Solicitor General is always referred to as 'learned' in the judgment, but the opposing counsel are frequently plain 'Mr', devoid of the traditional epithet) are accepted uncritically by Justice Pandian and his judicial brothers as "facts of common knowledge and authenticated report" which the courts can take into consideration "to sustain the presumption of constitutionality of a legislative measure", though in fact you soon discover that they do not just sustain the presumption but fully establish the constitutionality of TADA in Justice Pandian's eyes. He says that the "Court can take into consideration matters of common knowledge, matters of common report, the history of the times" and also can (if you can make sense of this) "assume every state of facts which can be conceived existing at the time of the legislation" as (quotes he approvingly) the High Court of Punjab and Haryana said in a full Bench judgment in 1987. One does not have to be a post-structuralist to find this celebration of "matters of common knowledge", "history of the times" and "existing facts" alarming. Granting the epistemological legitimacy of the notion of a fact, its actually and knowability, and granting also that taking into account facts of common knowledge in arriving at judicial conclusions is neither a novel idea nor an unreasonable one, one may nevertheless object to the notion that 'facts' about terrorism are what the home ministry and the Additional Solicitor General (however learned) say they are.

The 81-page judgment therefore ends on page 8 where all the "facts" and the "matters of common knowledge and report" are set out, down to the last sharpened claw and spread out wing of terrorism. For these uncontroverted facts constitute a special situation, and a parliament competent to legislate specially for well-defined special situations has in its wisdom produced TADA, and that is that. But the edifice of the judgment has nevertheless to be fully built. That is a professional requirement, and so the rest of the judgment needs to be written. The blame cannot however be wholly put at the door of Justice Pandian and his judicial brothers. It appears (I would like to be corrected if I am wrong) that the lawyers who contested the vires of the statute did not challenge the "history of the times" and "the matters of common knowledge". They seem to have conceded the terrain of history and sociology to the Additional Solicitor General, and fought their case with arguments about parliament's lack of legislative competence; the unreasonableness of the classification of terrorist and disruptive offences; and the unfairness of the procedure prescribed for charging and trying these offences. This self-imposed restriction is partly reflected in the surprising fact that TADA has been challenged only for violating Articles 14 and 21, whereas in its very fundamentals it violates the political freedoms guaranteed in Article 19. Indeed, it violates the very crux of a democratic Constitution which is premised on freedom of political choice as a matter of right, a freedom that is certainly part of the basic structure of the Indian Constitution as much as parliamentary democracy or an independent judiciary.

The voluntary imposition of this restriction—which should no doubt be put down to the caution that these difficult times appear to mandate even to the most courageous—does not make the effort altogether worthless, as witness the dissenting judgments of Justices Ramaswamy and Sahai. But Justice Pandian has a few more arguments up his sleeve. He first defends the legislative competence of parliament to enact TADA with the contrived argument that it concerns neither "law and order" nor "public order", but the defence of India, which is a subject within the legislative competence of parliament. But in that case it is difficult to see why everybody who commits a crime to overawe the government or to alienate any section of the population should be called a terrorist, as does section 3 of the act, for such a person may be entirely patriotic and full of zeal to defend the country's borders against all external intruders. The court cannot get away with the argument that what is relevant for deciding the legislative competence is the "pith and substance" of the act and not the whole of it, for sec 3 is very much central to the "pith and substance" of TADA. But in truth, the notion that TADA is concerned with the Defence of India has nothing to do with the actual text of the statute, but is an ideological presentation of the act, in tune with the general ideological representation of 'terrorism' as a foreign-inspired disease. It is sad that the Supreme Court should voluntarily become part of this ideological campaign of the Indian state.

Next Justice Pandian defends the reasonableness of the classification of offences made by TADA on the ground of the "matters of common report" and the "history of the times" that have been conceded by both parties. As we shall see below, once we question TADA in the light of the freedom of political choice (implicit in Article 19) and in the course of that effort look critically at the "history of the times" as stated by the home ministry, the reasonableness starts looking shaky. And finally, Justice Pandian defends the new procedure laid down by TADA as just and fair on the ground that it meets the stated aims of the legislature. He quotes approvingly a 1952 judgment of the Supreme Court upholding the validity of an impugned section of the Bombay Police Act: "It is true that a procedure different from what is laid down under the ordinary law has been provided for a particular class of persons... but the discrimination if any is based upon a reasonable classification which is within the competence of the legislature to make. Having regard to the objective which the legislation has in view and the policy underlying it, a departure from the ordinary procedure can certainly be justified as the best means of giving effect to the object of the legislature". He also quotes a 1951 judgment of the Supreme Court which said that "the presumption is always in favour of the constitutionality of an enactment since it must be assumed that the legislature understands and correctly appreciates the needs of its own people and its laws are directed to problems made manifest by experience and its discriminations are based on adequate grounds". But granting the reasonableness of the classification of a new category of offences, and also the need to depart from normal procedure to that end, the test of "just and fair" procedure cannot be answered by the argument that the procedure is best suited to give effect to the object of the legislation, and parliament knows best how to make adequate laws. That would defeat the whole logic of the Maneka Gandhi judgment. Bhagwati said quite explicitly in that judgment that the equal protection of the laws guaranteed by Article 14 cannot be merely reduced to the requirement that any legal classification of persons or situations must be based on reasonable grounds. Legal equality, he said, is a guarantee against arbitrariness. In his oft-quoted words, "the principle of reasonableness... which is an essential element of equality or non-arbitrariness pervades Article 14 like a brooding omnipresence". And any procedure by which a person is deprived of life or personal liberty must stand the test of this reasonableness or non-arbitrariness required by Article 14.

It is true that the Supreme Court has on occasion reverted to a traditional mode of interpretation of the right to life and liberty in post-Maneka Gandhi cases such as A K Roy vs Union of India, 1982. But if (as Justice Pandian thinks) that logic is sufficient to answer the requirement of Article 21, then the least the Supreme Court could do is to stop quoting the Maneka Gandhi judgment and overrule it once for all, for that at least would make it clear to the people where their rights stand in the eyes of the highest court of the land. That logic, however, goes entirely against the ratio of not only the Maneka Gandhi judgment but also that of a number

of judgments given by the same court in the 80s concerning many matters, such as for instance prisoners' rights. That a prisoner cannot enjoy the same rights as a free person, and that a sensibly distinguished high-security prisoner cannot enjoy the same rights as an ordinary prisoner are reasonable propositions, but yet the court refused to accept that therefore any procedure lawfully enacted to confine prisoners securely is a "just and fair" procedure merely because whichever legislative or administrative body has in its competence made the rules knows how best to achieve the purpose for which the rules are intended.

Suppose for the moment that terrorist and disruptive activities constitute a sensibly distinguished class of offences. Does it necessarily follow that there can be nothing arbitrary, oppressive and fanciful about prescribing a maximum of one year as against the normal 90 days as the period up to which the prisoner's remand can be continuously extended by the Designated Court? Why one year? What is it in the definition of TADA offences that makes it reasonable to multiply the required period of investigation by a factor of four? The Supreme Court may not permit itself to weigh each and every difference in procedure, however minute, to see whether the deviation is justified. But certainly the court is entitled to take note of departures from normal procedure that are beyond reasonable explanation, that are fanciful or exaggerated? Or the institution of a new procedure that violates natural justice, and is unjust or unfair? This much is surely implied in the dictum of the Maneka Gandhi judgment, supposedly accepted ever since by the Supreme Court, that the law referred to in Article 21 must be a reasonable law, and not "any enacted piece", in V R Krishna Iyer's words? It can certainly be argued that reasonableness entails not merely reasonableness of the categorisation of the new class of offences, but also reasonableness in the deviation of the new procedure from the procedure applicable to the normal offenders, and also inherent reasonableness and fairness of the new procedure? It would have been good if the Supreme Court had considered this view explicitly and decided against it, instead of rejecting it implicitly.

What, similarly, is the rationale for allowing certain hitherto unknown judicial functions to executive magistrates? It cannot be in the interest of speed as claimed by the government, for (and this is truly a matter of common knowledge and report) in all states of India, every seat of a judicial magistrate is also the seat of an executive magistrate and vice versa. The one is not unavailable where the other is available. So there is no convenience of speed in allowing executive magistrates to do judicial jobs. On the other hand, the innovation can be suspected to hide the mala fide intention of in fact bypassing judicial scrutiny, for executive magistrates are notoriously (and this too is a matter of common knowledge) much more amenable to executive interference than judicial magistrates, and indeed increasingly there are many instances where police officers themselves possess powers of an executive magistrate. Special executive magistrates too can be appointed at will by the government without judicial consultation. Does not the procedural innovation then suffer from harmful and oppressive possibilities?

Justice Pandian's answer is that the separation of the judiciary and executive is not absolute in the Indian state, though Article 50 of the Constitution (a Directive Principle of State Policy) says that the state should endeavour to separate the two. He quotes various provisions of the Cr PC under which executive magistrates have been performing judicial functions. But what does this mean? It only means that the Indian government has made no serious effort to give effect to Article 50. That being only a directive principle, the courts cannot force the government to implement it, but surely the courts can prevent the government from moving farther away from the directive principles? If it is not mandatory to legislate the directive principles, is it not nevertheless impermissible to legislate contrary to them? Especially when procedural fairness and justice in criminal investigation and trial which impinge upon the fundamental right to life and personal liberty are involved?

Bail Provisions

The argument in defence of the bail provisions of TADA is the most shoddy part of the Kartar Singh judgment. The notion that a person accused of a crime is to be treated as innocent until the guilt is proved is built into the Criminal Procedure Code. While a magistrate's power to release a prisoner on bail is curtailed in cases where the punishment is death or life imprisonment, there is no such curtailment of the authority of the sessions court or high court, to which the accused can always have recourse if the lower court rejects the bail application. Under TADA, the designated court is to release the accused on bail only if there is reasonable ground to believe that he is not guilty, and also that he will not again commit a similar crime if released on bail. And there is no higher court which has unfettered power to release the accused on bail. What Justice Pandian does is to justify the restriction placed upon the bail-granting power of the designated court by saying that it is similar to the restriction placed by the Cr PC in normal cases upon the bail-granting power of the courts lower than the sessions court, ignoring the crucial fact that such a restriction is compensated by the unfettered power of higher courts under the Cr PC, whereas under TADA there is no higher court whose power to grant bail is unrestricted. This is plain enough from the statute, and was made explicit six years ago by the Supreme Court in Usmanbhai Dawoodbhai Memon vs State of Gujarat, 1988, with which opinion Justice Pandian says "we are in full agreement".

The judge further says that the provision in Cr PC which says that while granting bail the sessions court or high court may impose conditions on the prisoner with a view to ensure that he or she will not commit a similar offence is a provision of the same nature as the restriction in TADA that bail should not be given unless there is reasonable certainty that the accused will not commit a similar offence again. The judge must be charged with extremely loose thinking. The provision in Cr PC is a restriction imposed upon the liberty of the accused (such as that the accused shall not visit the place of occurrence of the offence without the court's permission) after the prisoner's liberty from prison has been granted, whereas the provision in TADA is a pre-condition for the granting of liberty. There is a whole world's difference between the two, which the Additional Solicitor General has described and the Supreme Court has accepted as being similar in nature. Way back in 1988, in Bimal Kaur vs Union of India the Punjab and Haryana High Court had described as obnoxious the condition that bail should not be granted without reasonable certainty that the prisoner will not repeat a similar offence, and had declared that bit of TADA ultra vires. The Supreme Court has now restored it to constitutional status with this entirely specious analogy.

But apart from the speciousness of the Supreme Court's logic there is another reason for regarding the bail provisions of TADA unconstitutional. To say that a person who is not yet convicted of an offence should be denied bail on the ground that he or she may commit a similar offence if released amounts to putting that person in preventive detention. The bail provisions of TADA therefore effectively make it a preventive detention law as well as a penal and procedural law. But under the Constitution a preventive detention law must necessarily follow the procedure mandated in Article 22, which TADA does not follow. There is no provision for an Advisory Board and a review by it of the detention in TADA. The bail provision of TADA thus is a violation of Article 22.

This is not just a technical argument. It goes to the heart of the oppressive character of TADA in one aspect. The police have been using TADA essentially as a preventive detention law, which is not what it is supposed to be, and which it cannot be, in view of Article 22. It is a common complaint of the Indian police that courts are too lenient in granting bail (which is not uniformly true) and therefore there is no adequate deterrence to crime (it is this deterrence rather than investigative convenience that they habitually link their complaints about bail with). 'We

catch hold of hardcore criminals with great difficulty, and the Courts release them on bail in much less time than it takes us to catch them', is a frequently heard grouse. They would like to see that suspects, once apprehended by them, stay in jail until the case is decided, which eventuality can be postponed indefinitely, by filing multiple cases against each such suspect, implicating large numbers of (preferably inaccessible and underground) associates in each case, and thereby dragging the trial (or rather, the complex of trials) endlessly. The police are perfectly adept at keeping people in endless preventive detention under purportedly punitive laws provided only bail is difficult to get. If the Supreme Court does not know this, it knows nothing of the task of the judiciary in India. It is not enough to know the "facts of common knowledge and report" about the terrorists. There are such equally authenticated facts about the police, which too the courts should be aware of and take into consideration while judging the vires of penal procedures.

Now that the police have a law after their hearts in TADA they are happily putting people behind bars to stay there for long periods without any offence being proved. And given the political nature of TADA offences (TADA is essentially a criminal law for the newly-defined category of political offences, a fact that should have been, but unfortunately has not been, the starting point for the arguments of the lawyers challenging the act), the political establishment too is more interested in shutting up the suspects and putting society out of their harm's reach, rather than trying them and punishing them for each individual crime. If one were not burdened by a philosophical suspicion of post-structuralist excesses, one would describe the whole structure of TADA and its designated courts as an elaborate political game coded in penal and judicial language. But that way of looking at it is of little help in salvaging the valuable principles of natural justice and substantive and procedural fairness that are not part of any cognitive code, but are real legacies of past struggles for democracy, equality and justice.

Confessions as Evidence

As far as procedure goes, the most obnoxious provision of TADA is sec 15(1) which says that confessions made by an accused to a police officer of rank SP or above are admissible in evidence in the designated court. Justice Pandian's reasoning for reagrding this provision as not violative of Articles 20(3) and 21 is typical of his entire mode of reasoning. He confesses that he too was at first tempted to "share the view of the learned counsel that it would be dangerous to make a statement given to a police officer admissible", but he has overcome the temptation in view of the "legal competence of the legislature to make a law prescribing a different mode of proof, the meaningful purpose and object of the legislation, the gravity of terrorism unleashed by the terrorists and the disruptionists endangering not only the sovereignty and integrity of the country but also the normal life of the citizens, and the reluctance of even the victims as well as the public in coming forward, at the risk of their lives, to give evidence", and therefore holds the relevant section of TADA perfectly constitutional. In other words there is a special situation prevalent in the country whose nature is undisputed and a matter of common knowledge, and a parliament competent to make the required law has made such a law to serve the required purpose, which is a meaningful purpose, and that is all there is to its constitutionality. It is a matter of minor redemption that both Justice Sahai and Justice Ramaswamy, in their dissenting judgments, have held this provision unconstitutional, and in doing so have made an elaborate discussion of the problem of police torture, which should in truth be central to any consideration of statutory provisions such as 15(1) of TADA. The view of the majority however is an expression of a barely concealed cynicism: 'because these terrorists will not allow witnesses to depose against them, the only way out is to beat them up and extract confessions and treat that as evidence'. Such a cynicism is unworthy of the highest judicial body of the land. As for armed groups not allowing anyone to depose against them, this is a general problem faced by criminal courts whenever powerful persons are involved, except that nobody sees it as a problem when the source of the power is a dominant position in society. It is only when the power stems from a rebel's gun that it is seen as a problem. But when society has reached a stage where social and political rebels of whichever variety take so easily to guns—a stage that Indian society has certainly reached—the problem of effective conduct of criminal trials cannot be divorced from basic problems of justice in the socio-economic order, and cannot be solved by a facile recourse to an implicit sanction of police torture.

At the other end of the spectrum is this seemingly miserable little right for the accused defended by some of the lawyers challenging TADA: that when a case is transferred from one designated court to another, whether within the same state or outside, the objections if any of the accused must be mandatorily taken into account before the transfer is effected. It seems a harmless enough right to ask for, but the Supreme Court is not moved. Section 11(2) of TADA as it stands says that the transfer is to be effected with the concurrence of the Chief Justice of India, and Justice Pandian leaves it to the Chief Justice to decide from case to case whether he wants to hear the accused. It is interesting to hear the weighty arguments employed by the Additional Solicitor General and silently allowed to pass by the court to obstruct the simple plea. The Additional Solicitor General says that under certain circumstances "the parliament is fully empowered to exclude the invocation of the rule of natural justice... having regard to the fact that the entertainment of any objection would only frustrate the proceedings and paralyse the meaningful purpose of the provision". This weighty argument (whatever its intrinsic worth) is evidently uncalled for in this simple situation where all that is being asked for is that when the Attorney General applies to the Chief Justice of India for permission to transfer a case, the accused concerned should also have a right to express their views, which views should be taken into account by the Chief Justice in arriving at a decision. Nothing need be 'paralysed' by this. But Justice Pandian does not confront the proposition that rules of natural justice can be set aside so cavalierly as this. Instead he argues that the very fact that the concurrence for the transfer is to be given by none other than the highest judicial officer in the land who gives his opinion by "drawing the requisite subjective satisfaction on the reasons given in the application or any material placed before him explaining the exigencies of the situation" is sufficient to prove the bona fides of the lawmakers and to protect the rights of the accused. But what would be lost if the materials from which the Chief Justice is to draw subjective satisfaction include whatever reasoned objections the accused may have? As for the power to set aside natural justice, Justice Pandian says nothing about its applicability to this—or any—situation, but adds magnanimously that notwithstanding such a power that parliament may have, the Chief Justice may, from case to case, allow the accused to express objections, a discretion that is in any case not excluded by the act itself. Such a miserly attitude towards civil liberties is unusual, to say the least. It has been customary for Indian courts that whenever they deny major rights or substantial relief, they add the spiritual balm of subsidiary minor relief, but the majority in Kartar Singh vs State of Punjab is implacable in its resolve not to allow the sharpened claws and outstretched wings of the terrorists any quarter whatsoever. It is a pity that Justice Pandian and his brothers have never seen, and do not possess the imagination to visualise, who these terrorists are whom they have so ruthlessly put outside the protection of the Indian Constitution.

In arguing the case for the constitutionality of TADA, the state has frequently resorted to—and the court has at more than one point approved—a mode of argument that proves one apprehension that has often been raised and discussed in the civil liberties movement. There are many special statutes dealing with socially oppressive and morally obnoxious

offences. These are statutes dealing with smugglers, bootleggers, with crimes against women, crimes against scheduled castes and tribes, and crimes against public morality. Most such statutes include provisions that contravene some principle or other of natural justice. And the courts as well as democratic public opinion has allowed them to pass keeping in view the exceptional nature of such crimes. The apprehension of the civil rights movement has been that once an undesirable principle is laid down in the name of a desirable object, there is no stopping its extension to more ambiguous or plainly undesirable ends, especially since the discretion lies with the increasingly lumpenised legislatures and insensitive bureaucracies. The TADA case has proved the apprehensions true, and with a vengeance. TADA cripples the right of the accused to cross-examine witnesses by allowing the Designated Court to keep the identity of the witnesses secret, if it so wishes. This is certainly a violation of natural justice. But the Supreme Court in a 1973 case had said that rules of natural justice cannot remain the same in all conditions, and had justified the examination of witnesses outside the presence of the accused, and the denial of the right of cross-examination to the accused. But what was that case? It was a case where some men had entered and misbehaved in a women's hostel, and in the ensuing enquiry the institution's authorities had understandably decided not to allow the accused to be present when the women inmates were examined by the enquiry committee. The Supreme Court, with perfect good sense, had justified the procedure, and in the process laid down the principle that has now come in use to Justice Pandian to uphold the vires of the provision of TADA that takes the accused blindfolded through the trial.

Similarly, *in camera* trial as provided for in 16(1) of TADA is justified by Justice Pandian with the argument that such a provision is already there in the CrPC in the case of the offence of rape. About anticipatory bail too, the judge could have said that the SC and ST (Prevention of Atrocities) Act also excludes the right of anticipatory bail to upper caste persons accused of crimes against scheduled castes or tribes. But Justice Pandian finds an easier substitute in a strange argument: anticipatory bail is a new right introduced into the CrPC only in 1973, and therefore removing this right cannot be called a violation of personal liberty. He also relies, it is true, on an argument proffered by the Punjab and Haryana High Court in Bimal Kaur vs State of Punjab, that "persons accused of terrorist offences are members of a well-organised secret movement whom the enforcing agencies find it difficult to lay their hands on", and therefore it is all right to exclude the right of anticipatory bail for TADA offences. But this is an arbitrary reading of "facts of common report and knowledge" into the statute, whereas TADA itself says nowhere that to be guilty of a terrorist offence, one has to be a member of a "well organised secret movement". The assumption that all TADA *detenus* are such persons is one of the common images of terrorism that haunt judicial minds and mask the fact that the definition of a terrorist offence in the statute does not conform to what is imagined, and further also the fact that the majority of TADA *detenus* are not members of any secret movement at all, whether well or ill organised. After all, while granting anticipatory bail, the court is supposed to principally consider whether the applicant needs to go through the rigmarole of arrest and remand, or can be allowed at liberty without affecting the interests of justice while the investigation is going on. This discretion is essential to the provision of anticipatory bail, and is by its very nature a consideration that is applied from case to case. There is no logic in assuming beforehand that all persons accused of TADA offences are necessarily going to be underground activists—or slippery gangsters—whereas no such explicit presumption is present in the statute as a prerequisite for an offence to be a TADA offence.

Aside of that, the generalisation of principles of procedure that are violative of natural justice, from offences that are anti-social and immoral in character to a statute such as TADA that is pre-eminently aimed at dissenting politics, is an eventuality—as said above—apprehended by the civil liberties movement, and yet an eventuality that is difficult to avoid or evade and can only be lived with. It is evidently a consequence of the nature of law as an institution of the bourgeois state: its notion of fairness and equitability can only be formal and notional, and therefore insensitive to social hierarchies and unequal social and economic relations. To say this is not to pretend that there is an easy solution to the problem here posed: to conceptualise and institutionalise law in such a way that it will possess the bourgeois virtue of avoiding arbitrariness and unreasonable selectivity, and will at the same time be supple and flexible enough to be sensitive to the iniquities in social and economic relations; in other words to create a legal system that will be attuned to the requirements of social change but at the same time somehow be free from the possibility of unfair discrimination and partisan misuse. The post-revolutionary societies ruled by communist parties uniformly failed to solve this problem, and instead created monstrous legal systems in which the problem is by-passed and the law is made a handmaid of the party in power. Leave alone law and legal systems, any substantive—as distinct from formal or procedural—perfection in the arrangement of human affairs will perhaps long be an elusive ideal (whatever the utopian dreams of Marx) because the perfectibility of the human subject has inherent limitations. As a value and as a vision, one should of course go on dreaming with Marx in his more extreme moods that not only law, but philosophy, morality and all such objectified norms of human conduct will be abolished because they will coalesce with life and become part of the lived reality of human life, for it is such visions that make possible whatever degree of perfection is given to us.

Anti-Democratic Essence

We finally come to what is undoubtedly the anti-democratic essence of TADA: the fact that its classification of the new category of terrorist and disruptive offences includes politics as a defining element. In discussing this, we will perforce have to go beyond even the best of the Supreme Court's past pronouncements, for unlike the matter of procedural and punitive justice, in which the Supreme Court has made substantial contributions towards the protection of people's rights in the last two decades, it has behaved uniformly, conservatively and cautiously in the matter of freedom of political choice and political liberty as fundamental rights stemming from Article 19. The TADA case was a good occasion for charting out a new path in this matter, but neither the lawyers who challenged the statute nor the judges who sat in judgment over its vires saw it that way. TADA was challenged only for its procedural unfairness and was upheld—however dubiously—as procedurally fair. It was not challenged for being violative of the right to political freedom which is the essence of the political democracy that India proudly proclaims itself to be, and of course the Supreme Court's frame of mind leaves little doubt that if it had been, the challenge would have been received very inhospitably by the Bench.

But that need not deter a rational examination of the statute. When political activists take to violence in a systematic manner, the dividing line between politics and crime becomes quite thin, but that only means that a democratic legal and judicial system must be extra careful to ensure that it does not transgress its limits and encroach upon political liberty in the name of punishing and preventing crime. TADA, on the contrary, leaves no dividing line at all between politics and crime. A crime of violence committed with political intent is what a terrorist offence is, by definition, and to be an offence of disruption, no crime of violence is at all necessary. Mere political intent is a crime. Can that be a reasonable basis for classification of offences? Article 19 allows reasonable restrictions to be placed upon civil and political freedoms, but would it not be anathema to its spirit to classify crimes as political and non-political and to devise a new and oppressive procedure for the former? It is now supposedly accepted that

fundamental rights cannot be seen in isolation of each other, but must be seen together. A classification under Article 14 cannot therefore be repugnant to the right of political liberty, the freedom of political choice, that is implied by Article 19(1) (a), (b) and (c). If it is, it would not be a reasonable classification.

Yet, this is what TADA does. Section 3 of TADA defines a terrorist act as an offence of violence against person or property committed with a certain category of weapons, provided it is committed "with the intent to overawe the government as by law established, or to strike terror in the hearts of the people, or any section of the people, or to alienate any section of the people, or to adversely affect the harmony amongst different sections of the people". To overawe the government is certainly a political aim, and so is the aim of terrorising a certain section of the people or adversely affecting the harmony amongst different sections of the people, or alienating a section of the people. 'A section of the people', as used here, can only mean a social group, such as a class, caste, ethnic, linguistic or religious community. To strike terror in such a group or to alienate such a group may well be an obnoxious act, but it is a political act nevertheless. Even if, in principle, there can be non-political crimes that fall within the description of section 3 of TADA, the police have correctly understood the unstated major premise of TADA and are are using it only against political activists. Subsection 5 of section 3 makes things even more explicit. It says that it is a crime to be a member of a terrorist gang or a terrorist organisation, that is, a gang or organisation that indulges in terrorist actions. Taking this together with the meaning given to 'terrorist act' in the preceding subsection, what this provision says is that if you are a member of (i) a revolutionary communist organisation that believes in the forcible overthrow of the existing political order; or (ii) an organisation of dalits, muslims, christians, etc, that employs force to resist upper caste/Hindu domination; or (iii) an organisation of a linguistic or ethnic such as Nagas, Kashmiris or Tamils that employs force to resist or overthrow alien hegemony; then even if the organisation of which you are a member is not legally banned, you are guilty of a crime punishable by a minimum of five years' imprisonment and maximum of a life sentence.

The political nature of TADA—the fact that politics is a central element of the classification of crimes effected by this statute—is fully evident here. For, to be a member of a dacoit gang has always been a crime under the Indian Penal Code. What distinguishes a terrorist gang from a dacoit gang is not any qualitative difference in the nature of the offences committed (in both cases, the offence is a crime of armed violence against person and property, the difference being only in minor details), but the difference in the intention. The intention of the terrorist gang is political, whereas the intention of the dacoit gang is only pecuniary. And it is this political nature of the intention that forms the basis of the classification of a terrorist gang as a category different from a dacoit gang, with membership of the gang entailing a much heavier punishment and a much more illiberal procedure of investigation and trial. Can this be called a reasonable classification in a country whose Constitution guarantees the freedom of political choice implicitly as a fundamental right?

More generally, if you commit a crime of murder, arson, assault or abduction with lethal weapons, with a pecuniary or retaliatory or any such apolitical motive, then your crime falls in one category. If you commit the same crime of murder, arson, assault or abduction with the same weapons with a view to ultimately overthrow the capitalist state, or with a view to put an end to the oppression of dalits by the upper castes, or to protect the security and rights of Muslims or Christians, or with a view to enable the Mizos or Punjabis to separate themselves from the country, then the same crime (committed with the weapons) is in a different category. You are now liable for a heavier punishment and are tried by a distinctly more illiberal procedure. Is this classification of identical offences into separate categories according to the politics underlying the act, a reasonable classification in a political democracy, in a country whose Constitution guarantees freedom of political choice as a fundamental right, as the Indian Constitution implicitly does in Article 19(1) (a), (b) and (c)?

It is obviously not, and this is where TADA begins to be undemocratic and unconstitutional. Its procedural unfairness comes later. Since those who challenged the vires of the act did not approach the matter from this angle, the Supreme Court's answer to this mode of argument cannot be found in so many words in the Kartar Singh judgment. But it can easily be inferred from the outlook that informs the judgment. Like a magic puzzle that is simultaneously this as well as that, TADA keeps getting transmuted every second from its literal text to the images conveyed by the word 'terrorism'. Terrorism conveys images of blown up DTC buses, bits of flesh strewn in a bombed market place, Bihari workers mowed down in a Punjabi village, a khakhi-clad leg stuck high up a tree in the landmined Telengana countryside, a blood-splattered refugee camp in Mizoram, etc. The text of TADA contains none of this but is a straightforward piece of illiberal legislation targeted at militant political dissent (or even mere dissenting political opinion, in the case of ethnic groups or linguistic communities desiring freedom from India). But the legitimacy of the illiberal statute rests upon the images of blood and gore. That lay persons are easily carried away by this imagery is perhaps understandable but it is neither understandable nor pardonable that judges of the highest court of the land are unable to see that the "blood-bath, firing, looting, mad killing" that Justice Pandian is so eloquent about has nothing to do with the actual classification of offences effected by TADA, whose vires the Supreme Court is called upon to adjudicate. Justice Pandian imputes to TADA the aim of tackling "a grave emergency situation created either by external forces particularly at the frontiers of the country or by anti-nationals throwing a challenge to the very existence and sovereignty of the country in its democratic polity". The provisions of the act cast a much wider net than is implied by this imputed aim, which can itself be criticised both for being gratuitous and tendentious.

If terrorism had been defined as, let us say, mass and random killing as distinct from an ordinary murder in which a targeted X or Y is killed; or as setting off explosives or opening gun-fire in a public place; or derailing a passenger train wantonly; then at least the definition would be in accordance with the image of 'blood-bath and mad killing' used to justify the classification, even if one would still object to the unfair trial procedure. But what we have, on the contrary, is first of all rhetoric that brings to mind the sickening picture of bits of human flesh strewn in a Delhi market place, and then a definition of terrorism which says that if you kill X because you think he is an obstacle to your business then you are one category of criminal and are entitled to a civilised procedure of trial and norm of punishment, but if you kill the same X because you think he is an obstacle to the communist revolution, or to make an example of him to the brahmins, the rajputs, the marwaris, the bengalis or whoever you think needs to be given a scare to help liberate your caste/community/nationality, then you are a criminal of a different category, and you are entitled to only a rather uncivilised procedure of trial and norm of punishment. There can be nothing more scandalous than the inability of the highest judiciary of the land to see through this fraud of language and images played upon citizens and courts by TADA.

But as we go ahead from section 3 of TADA, which at least requires some explanation to enable one to see through its fraudulent nature, the intention of the legislature becomes even more plain in the subsequent sections. Section 4, for instance, says that if you merely propagate the opinion or even just encourage the opinion that, say, the Tamils or the Kashmiris are a people apart and should live apart from India, then you have committed the crime of disruption, for which the minimum punishment is five years and the maximum a life sentence. No

blood-bath, no mad killing, but mere holding or propagation of an opinion. It is also a crime of disruption to advocate, advise, suggest, incite or to predict, prophesise or pronounce (by act, speech or any medium) in such a way as to advocate, advise, suggest or incite the killing or destruction of any person bound under the Constitution to uphold the sovereignty and integrity of India: or any public servant whatsoever—and for the mere act of verbal, literal or pictorial expression you are liable for a minimum of five years and a maximum of life imprisonment. It is interesting that in this provision, "a person bound under the Constitution to uphold the sovereignty and integrity of India" is treated on par with "any public servant", for Justice Pandian makes an elaborate discussion of the distinction between law and order, public order and the Defence of India, and justifies parliament's legislative competence to enact a statute such as TADA on the ground that it is concerned neither with mere law and order nor public order, but nothing less than the Defence of India. Evidently, the act itself cares nothing for such niceties of distinction, for not every public servant is concerned with the sovereignty and integrity of India, and yet the act treats all of them on par.

But that apart, what this provision means is that whether a retrenched industrial worker aggrieved by the freedom to rationalise industrial workforce conceded by P V Narasimha Rao's structural-adjusting government wishes instant death to that old man, or the progeny of a poor labourer killed in police custody wail that a similar death may visit the policemen concerned, the mere expression of such a wish (with which many right-thinking people would sympathise) may result in penal charges under TADA entailing the uniform punishment for all TADA offences: five years to life imprisonment. The Defence of India, evidently, is a very demanding cause, but quite thoroughly out of tune with what is best about the Constitution of India. But Justice Pandian and his brother judges think otherwise. One should be pardoned for expecting the judges of the highest court of the land to understand that the Defence of India includes the Defence of the Constitution of India; and that the Defence of India is the Defence of India as a democracy. But unfortunately they have set these concepts one against the other and have ended up looking at the Defence of India the way a K P S Gill would. Natural justice and political freedom are therefore not part of the values and institutions that make up this India that is to be defended jealously. They are a luxury or perhaps a vanity of democracy that are to be ruthlessly superseded when the Defence of an India defined exclusively in terms of territory, security and order is endangered.

Financing Higher Education

Justice Punnayya Committee Report

M Shatrugna

The report of the Justice Punnayya Committee on financing of higher education highlights the need to review and restructure the norms for financing the education sector.

SINCE the 1950s higher education has been financed mainly by the central and state governments.

Table 1 shows that resource mobilisation from the private bodies and fees has dwindled over the years. Table 2 shows that the state governments' share in the plan expenditure is two-thirds that of the central government and that the share of the state governments in non-plan expenditure had touched 94 per cent by the Seventh Five-Year Plan.

Especially, after the inauguration of the New Economic Policy in 1991, there is a major change in the financial commitment of the governments towards higher education. While it is true that the expenditure on higher education has gone up over the years, the major expenditure has mostly been on the non-plan side covering the wage bill of the teaching and non-teaching staff. The so-called capital (development) expenditure has not been commensurate with the non-plan expenditure.

TERMS

The demand for higher education has been on the rise over the years from all sections of the society. With 'limited' resources at the command of the governments/UGC, the UGC in 1992 had appointed the Justice Punnayya Committee to go into the question of resources for higher education in the central universities, deemed universities and Delhi colleges and suggest measures to improve the financial position. The terms of the committee were among others, (i) to examine the present policy, norms and the pattern of providing development and maintenance grants to central universities, deemed universities, Delhi colleges and suggest measures and norms for determining grants in future (ii) to examine the inter-university variations in development and maintenance grants (per student, per department, and any other relevant criterion) with a view to developing objective parameters governing such grants (iii) to examine the pattern of utilisation of the grants (iv) to examine the pattern of allocation of grants between teaching, research and non-teaching functions and to suggest norms relating to expenditure on the above functions (v) to explore and recommend ways of improving overall cost efficiency of the institutions (vi) to study the extent to which the institutions are raising their own resources, and to suggest specific measures for augmenting the proportion of resource raising by the institutions (vii) to recommend incentives to institutions to raise a higher proportion of internal resources and to develop norms for utilisation of internally generated resources and (viii) to review the existing scheme of financial assistance for needy students such as free studentships, student loans and evolve a better scheme to assist students from disadvantaged sections of the community and promote equity in higher education.

The committee in its year's operation met and elicited the opinion of the vice-chancellors of the concerned universities, students, faculty, administrative and supporting staff and a number of educationists.

RECOMMENDATIONS

The UGC funds the universities in the form of block grants. This system, according to the committee, had robbed the universities of raising internal resources apart from the students fees which is insignificant compared to the expenditure. Further, 70 to 75 per cent of the expenditure is incurred on meeting the wage bill of the teaching and non-teaching staff. In practice, the income generated through fees, etc, is subtracted from the block grant before the grant is finalised. This method, the committee felt, acts as disincentive in mobilising additional resources at the university level. The committee, therefore, proposed that "the additional income generated should not be adjusted while determining the annual maintenance grant. Any additional resources generated by a university may be kept in a separate fund to be utilised for furtherance of the objectives of the University institutions" (p 6). For instance, the fees collected for 'entrance tests' may be kept in the university account after meeting the expenditure.

The committee further recommended that "the UGC may find a mechanism of providing an appropriate incentive grant, perhaps in the nature of a matching grant, as an incentive to universities generating their own resources". This suggestion is refreshing considering the weak financial position of the universities where no effort worth the name has been made to mobilise internal

resources. Going a step further, the committee asked the central government to explore the possibility of 100 per cent income tax concessions on all endowments and contributions made to the universities and additional concessions to donors sponsoring selected research projects in the universities.

The committee has assumed a number of basic premises on which it has built up cogent arguments. For instance, on the much debated issue of state subsidisation of higher education, though the society should subsidise education to a considerable extent, "access to higher education must be, in fact, made wider than now for the poorer students through tution waivers, scholarships and other means". Taking into consideration the historical background the committee unequivocally reiterated that "state funding must continue to be an essential and mandatory requirement to support higher education" (p 7). The committee has stressed that "...the state must continue to accept the major responsibility for funding the essential maintenance and development requirements of the universities". While trying to understand what ails the financial aspect of higher education, the committee found that whereas in the early 1950s, 15-20 per cent of the total expenditure was met from fees, now it has dwindled to 2-3 per cent (1992-93).

While dispelling the popular notion that higher education in the developed countries is met by private bodies, the committee found that fees formed less than 14 per cent of the total education expenditure in Britain, less than 4 per cent in France. For instance, even in the US, while the share of fees is less than 40 per cent in private institutions, it is less than 15 per cent in the public institutions. In other words, income from fees is limited even in the developed countries. To put it differently, income from fees rise has a limit. For a long time to come, higher education will have to be subsidised by public and private bodies.

Compare this view with the present policy of 'self-financing' institutions in the country where increasingly even the so-called middle classes of all castes are marginalised from seeking higher education. For instance in Andhra Pradesh, a self-financing like Master of Computer Science (MCA) will entail a fees of Rs 24,000 in a university college and Rs 45,000 in an unaided institution. The fees structure in the minority institutions is worse. The fees are so high that most of the seats are filled by non-minority candidates who can afford to pay the high fees defeating the objective of special provision to minority-run institutions as enshrined in Art 30 of the Indian Constitution. Experience in Andhra Pradesh has shown that these are money-spinning institutions paying lip-service to the education of minority communities.

Primary vs Higher Education

Since the inauguration of the New Education Policy (NEP, 1986) it has been argued that because of the increasing expenditure (plan and non-plan) on higher education sufficient funds have not been available for primary education. Further, as compulsory primary education is a directive principle of the state policy (Art 54), the state is entailed to reach that goal by providing sufficient funds. Since funds are 'limited', prioritisation requires that funds are to be diverted to primary education from other sectors of education including higher education. However, the chief reason for 'non-availability' of 'adequate funds' for all sections of education has not been admitted. But as early as 1964-66, the Kothari Commission on education while rejecting the 'primary vs higher education' argument as untenable had recommended 6 per cent of GNP for overall education. But even after 30 years, expenditure on the entire education sector remains at 3.9 per cent.

In a refreshing note, the Punnayya Committee emphatically maintained that "there is no denying, that while primary education is fundamental to the nation, higher education determines its economic and technological progress" implying that each level has a definite and important role. The committee further said "while it is mandatory that the nation achieves universal elementary education and total literacy, at the same time it cannot afford to neglect and relegate to a neglected position our quest to achieve global standards in higher education. The committee deprecates the tendency which views education in a truncated fashion and sets one sector against another" (p 18).

The committee while pleading for adequate subsidy for higher education has made a comparative study of the various central and deemed universities with regard to annual per capita expenditure, the ratio between teaching and non-teaching staff, etc. For instance, the committee found that in 1991-92 the cost per student per annum in Hyderabad University (all faculties) was Rs 22,965, in AMU 19,000, in BHU Rs 18,850, in JNU Rs 20,750, in Viswabharati Rs 14,690 and in Delhi Rs 12,370. But the weighted mean was only Rs 17,000 per student. Yet another interesting feature for the same year is whereas Hyderabad University had only 1,720 students enrolled, Delhi had 14,784, BHU 13,074 and AMU 10,891. Of the non-plan side whereas expenditure on academic administration in JNU was lowest at 78 per cent, it was 17.5 per cent for Hyderabad University. This lopsided expenditure for Hyderabad University for instance is understandable considering the political background in which the university was founded. The formation of the university, contrary to the understanding of the Punnayya Committee which believes that its creation lay "at the time of the foundation of the state of Andhra Pradesh" (p 19), it was the outcome of the separate Telengana agitation launched by the students in the late 1960s, where the demand for better and more education facilities was made. The 'regional dimension'

Table 1: Sourcewide Contribution of Finances to Education in India

(Per Cent)

Government Sector	1950-51	1960-61	1970-71	1980-81
1 Central and state governments	57.10	68.00	75.60	80.00
2 Local governments (zilla parishads, municipalities and panchayats)	10.90	6.50	5.70	5.00
3 Private Sector				
a) Fees	20.40	11.20	12.80	12.00
b) Endowments	11.60	8.30	5.90	3.00
Total	100.00 (114.00)	100.00 (344.40)	100.00 (1118.30)	100.00 (4687.50)

Note: Figures in brackets are Rs crore.
Source: *Towards an Enlightened and Humane Society (part I), NPE, 1986—A Review*, New Delhi, December 1990, Acharya Ram Murti Committee Report.

Table 2: Centre-State Share of Plan and Non-Plan Expenditure on Education

(Per Cent)

Five-Year Plan	Central Government		State Governments		Total	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
I	25		75		100 (153)	
II	25	14	75	86	100 (273)	(577)
III	26	16	74	84	100 (589)	(1056)
IV	33	4	67	96	100 (823)	(4820)
V	30	6	70	94	100 (930)	(80091)
VI	30	6	70	94	100 (2945)	(23434)
VII	37	6	63	94	100 (6383)	(44913)

Note: Figures in brackets are Rs crore.
Source: Acharya Ram Murti Committee Report (p 344).

of the demand was hijacked by the then chief minister Kasu Brahmananda Reddy and his party adversary Marri Chenna Reddy who in league with Indira Gandhi settled for a 'central university' as a substitute for more educational facilities at the lower level. The educational demands of the people of Telengana still remain the same even after the establishment of the Hyderabad 'central university'. Let alone serving the people of Telengana, the university of late has not even fully implemented the policy of reservation for weaker sections in several instances.

On the issue of teacher-student ratio the committee found that it was 1:9 in AMU, 1:98 in BHU, 1:10 in JNU, 1:8 in HCU and 1:9 in Viswabharati. The committee found the ratios to be academically unsound and had recommended a ratio of 1:2.

In a clear-cut indictment of the present policy of teaching and non-teaching staff pattern in the universities the committee found that there was no uniform norm evolved about the ratio between teaching and non-teaching staff. For instance, it was found that whereas the ratio was 1:4 in AMU, it was 1:5 in BHU, 1:3 in JNU, 1:5 in Hyderabad and 1:5 in Viswabharati. Once again we find that the Hyderabad University barring BHU and AMU has the dubious distinction of a high teacher-non teacher ratio compared to the older universities. The committee recommended that the teacher-non teacher ratio is to be pegged down to 1:3. The committee concluded that "funding of a university must have a direct relationship to its objectives and should be designed to promote quality, efficiency, autonomy, accountability and relevance" (p 14).

A very important observation of the committee is with regard to work-load of the teachers. Work-load has been a very contentious issue between the UGC and the teacher bodies for a long time. The committee felt that the work-load of university teachers should be on par with the work-load of teachers in the post graduate departments (of colleges). For those not having laboratory work, the committee had recommended a 40 hour per week work-load covering teaching, testing/examinations, tutorials, preparation for teaching, research/research supervision, own reading/administrative work. The work-load should be the same for all the categories of teachers, viz, professors, readers and lecturers with slight adjustments under various heads. For instance the teaching work for a professor is recommended at six hours, reader eight hours and lecturer 10 hours. Suitable adjustments are to be made for the science faculty. Actually, this formula was worked out by the UGC some years ago but as usual the norm is practised more in breach. It is well known that not only the central universities, even the state universities are over staffed. The staffing pattern has no relation with the work-load. It is common knowledge that as one is promoted, the work-load comes down drastically. We find several professors with less than three hours teaching work per week. The rest of the time they are either attending seminars and conferences or busy delegating their services to full-time administration work like becoming directors of all and sundry departments. No question are asked about their teaching work, the primary function for which they are employed. Only teachers/lecturers in the undergraduate colleges by and large follow the UGC norm of work-load.

About academic standards the committee had recommended the creation of academic audit cells and performance indicators on the lines prevalent in the UK. This appears to be a good suggestion considering the fact that in most of our state universities classes are not held regularly and there is no accountability for teachers. A high percentage of succe·-ful candidates as an indication of performance is also unreliable as marks are given liberally at the PG level.

The committee's recommendations are more or less the same in regard to the aided deemed universities. A notable recommendation is that the policy of grants to the deemed universities should be on the same lines as that of the central universities.

Finally, though the report covers only the central and centrally deemed universities and Delhi colleges, most of the observations and analysis are valid for the state government run universities as well.

In the light of the report, the state governments should in turn look into their own universities' finances afresh. This task can be performed by the state bodies like the state council for higher education, an apex body to "monitor and maintain academic standards". The council is also a conduit for transferring block grants to the state universities. Recently, the UGC has announced the set-up of five regional offices of the UGC. The state governments/state councils for higher education in collaboration with the regional UGC units should bring out similar reports covering funding, academic standards, etc.

Sometime ago the UGC had planned to create an accreditation system for universities to monitor standards. But the universities basically being conservative have not taken any initiative to work towards the accreditation system. The UGC while implementing the Punnayya Committee Report should simultaneously implement the accreditation system to make the universities accountable to the public.

Finally, the Justice Punnayya Committee while strongly supporting the state subsidy to higher education had at the same time called for a thorough review of the existing fees structure for various courses, hiking the charges in the student hostels, upward revision of charges with regard to services like electricity, water, etc. The implementation of the committee report will go a long way towards some sort of academic and financial discipline in our universities.

Maharashtra's Women's Policy

Co-opting Feminism

Gopal Guru

Through the women's policy, the Maharashtra government is attempting to incorporate certain elements of feminist ideology and neutralise its antagonistic potential.

TILL 1975, the international women's year, the question of women's emancipation was treated as a non-issue in the politics of most of the developing countries. However, since then the emancipation of women has become a part of the political agenda of these countries. In recent years, the Indian state seems to be focusing its attention on women's problem but rarely from the point of gender. Till recently the issue of gender in the Indian planning was subsumed under the social divisions such as class, ethnicity and religion with the assumption that these identities rather than gender defined access to the state. Recent attempts at the centre and by some of the states, particularly Maharashtra, have given the impression that the question of women's emancipation is being brought to the core of state's major concerns. The women's policy that the state of Maharashtra has recently announced has been hailed by the authority as the 'Magna Carta' while some of the women's organisations and activists (with Hindutva inclination) have by and large hailed this policy. However, some other women's organisations with left leanings have criticised the policy document and have expressed their doubts about the feasibility of implementing this particular policy. Some of these organisations have also pointed out the inherent contradictions in this policy but without any substantiation.

This mixed reaction from women is perhaps the result of the very dual nature of this policy. There are some positive aspects. For example, this document is seeking to change the Hindu law of inheritance (1956) into the one making both the boy and a girl to claim equal share in the inherited property of the family. (The Maharashtra government has recently passed on amendment to the existing legislation implementing this policy statement.) Besides, it also makes wife an equal partner in the property (landed and moveable) of her husband. This also offers women 30 per cent reservations at various levels and this provision if implemented sincerely would help in democraticising the political and bureaucratic structure which are male dominated.

But the kind of methodology that seems to have been used for selecting women for government benefits and the hidden meaning and the conceived truth in the policy document really warrant a critical examination of the pretensions of the state which now is projecting itself to be the champion of women's cause. This exercise revolves round four sets of questions: First, the state of Maharashtra seems to have assumed that the selected few women's organisations or activists which were directly or indirectly associated with the process of formulating this policy are the authorised representatives of women in the state. But there is plenty of room to raise the doubts as to what extent the claim of representation by these women is valid?

Secondly, the state government has claimed in the policy document that it is going to empower women by reserving for them a participator role in various levels of decision-making and jobs in service sectors, thus making them economically self-reliant. The state has thus made its intention clear—that it wants to reduce male domination in these sectors. The question is to what extent would the state be able to reduce the tensions between the social policies and state (male dominated) politics? Thirdly, the women's policy seeks to establish gender equality but it would be interesting to find out what implications this policy will have on the structures dominated by the caste and class forces? In other words, to what extent would this policy democratise the social structure in the state? Finally, on the one hand, Maharashtra has been continuously withdrawing from the social sphere by curtailing expenditure on various welfare schemes (the state government is seriously thinking of abandoning the Employment Guarantee Scheme which, according to rough estimate by Lal Nishan Marxist Party (Leninist), constitute about 60 per cent of the total working force engaged in this scheme). But on the other hand, it is announcing the most radical looking policies for women. How serious is the government about freeing women from its own domination and the domination perpetuated by the patriarchy? And finally, it would be equally important to know what implication it will have on the organised political expression of women in Maharashtra?

In the policy document, emphasis is laid on generating opportunities like providing vocational training, creating special agencies for access to market and meeting credit requirements for women's self-employment for empowering women. While it is necessary to create opportunities for self-employment, nowhere in the document is there a mention about providing employment on a regular basis, minimum and equal wages to men and women in the rural sector. Neither does the document take into consideration the question of education and health problems that rural women have to face. The policy document is silent about the problem of education, health and gender bias in the wage structure in the construction and brick industry in the urban sectors. Above all the policy document does not seem to be sensitive enough to take the cognisance of the dalit women engaged as sweepers and rag pickers. Since the basic approach of the government is individual progress through self-employment, the document is not expected to meet the needs of an ever increasing number of toiling women in the unorganised sectors.

Secondly, while the document rightly talks against the patriarchical domination and exploitation of women and it is necessary to confront the patriarchy, the policy has somehow missed the question of 'social patriarchy' which involves exploitation (both sexual and labour) particularly of dalit and tribal women by the village goondas, the local zamindars and the rich farmers. The question is why did the women activists who were associated with policy formation not pay attention to the problems of dalit and adivasi women in the state? Moreover, why did the problem of the vast mass of toiling women in the unorganised sector not figure adequately in the policy document except with reference to environment. Fetching fuel and water are important, but the question of women's survival with social prestige is more important. Is it the social location of women associated with this policy that has led them to limit their perspective to urban but educated upper caste women? Why were women's organisations working seriously at the grass roots level among the toiling women not associated with the process of policy formation? Why were the documents prepared by the grass roots organisations about women's problems not consulted by the study groups while making recommendations to the government? This question becomes extremely relevant if interpreted in terms of the ulterior motive behind this policy and the partial reality as perceived by the concerned women who due to their relatively better political visibility have received recognition from the state government.

The hidden meaning of the policy document seems to be related to short-term goal of the ruling party and the long-term goal of the ruling class. As it is rightly observed by some of the women's activists, the government has formulated this policy out of the need to enlist the support of women for the coming assembly elections. The state would also like to conceal the ruling class weaknesses that reflect its inability to genuinely intervene in social sectors and its willingness to succumb to foreign capital. The Maharashtra government has been very shrewd in using 'mock liberalism' to achieve these hidden goals.

Why Reservations

It is an open secret that in view of the rapid loss of jobs which would result from the government's new economic policy particularly the growing privatisation of Indian economy and the labour policies the 30 per cent reservation that the Maharashtra government policy is offering to women will not have much meaning as the private sectors is not enthusiastic about recruiting women on private farms, etc. In such a paradoxical situation the government of Maharashtra has announced job reservation but half-heartedly. Half-heartedly, because the government has not specified the location where this 30 per cent will be located. Government sources have ruled out this being an additional reservation outside the existing 50 per cent meant for SC/ST/DTNT/and OBC. One may argue (although the government does not) that the women from SC/ST/DTNT and OBC would be accommodated in their respective categories (if these women agree with the men's monopoly over the reservations) but where will women not from these categories be accommodated? Even if these women are accommodated in the jobs, will this put women into a commanding administrative positions? This seems to be a remote possibility because, as the study by Karuna Ahmed, Maitreyie Krishnaraj and Neera Desai shows, normally women in the government sectors are predominantly concentrated in teaching at the primary levels, nursing and in clerical jobs while a majority of dalit women are class four employees (mostly in sanitary divisions). In fact, the women's policy seeks to dismantle even these sectors by displacing women from their permanent jobs to temporary, contractual ones. Even the urban EGS scheme as mentioned in the policy document will displace dalit women from their permanent positions in the sanitary division as this job is to be allotted on a contract basis.

Even in respect of political reservations, which the document considers to be the effective strategy to empower women at various levels of decision-making. But the government has not worked out any mechanism which would establish conditions under which women would realise power without any compulsion of class, caste and gender domination. For the realisation of power a sense of self-assertion is very important. According to a woman panchayat member most of the women elected on panchayat raj institution either through reservation or directly have to act as proxy of their husbands or parents, co-operative 'kings' or the village lords. And if those women try to assert their legitimate sense of power or protest against the male domination, they are suppressed by men. In this connection an illustration of Pune ZP is quite shocking and revealing. In this particular Zilla Parishad, on June 24, 1994 (the date is significant because women's policy was announced by the state government on June 23) the women members of ZP belonging to Congress Party demanded representation on the 'water conservation committee'. But these women were told by the male Congress members, in an insulting tone that on these committees only the experts were elected. Reportedly the male Congress members used party discipline in order to suppress the protest of these women who refused to budge (*Loksatta*, Marathi daily, June 24). In such a situation one would opt for supporting reservations for women but not because it would help the women materially but it can neutralise their opposition to social categories specified for 50 per cent reservation. It may also neutralise the male opposition to women's reservation because given the opportunity these upper caste men would always like their relatively well-educated women to seek job opportunities which were kept out of their reach. Thus, at least theoretically, it seems that women's reservations can democratise social relations between women and dalits/adivasis and OBCSs but on the other hand, it can also subvert this democratic content by perpetuating upper caste male domination if the job reservation for women is implemented faithfully.

The state in its defence of this policy may argue that for empowering women it may not totally rely on the reservation policy and empower women with the self-employment opportunities. Will women become self-sufficient in handling these jobs? Given the disappointing experience with the women's development corporation in Maharashtra and also women's co-operatives this project of the government may not yield good results. Even if the government implements this plan it will bring women particularly from the unorganised sector under the control of male-dominated government ministries and bureaucracies which would control women through the licensing system providing market mechanism and finance to these women. Thus, it seems that the process of empowering women will be regulated and controlled by the state agencies.

If the government fails to cater to the needs of women then these women can become vulnerable to communal mobilisation by some of the Hindutva forces and the communal participation of women in the recent communal riots in Maharashtra is a case in point. Therefore, the question that needs to be confronted is why the state is projecting itself as a welfare state when it is looking for material ability to intervene in women's question? Normally, a welfare state formulates its social policies for transforming labour power into wage power but the present women's policy cannot be said to have this as its project. On the contrary it aims at locating women labour power outside the labour-capital relationship and seeks to displace women from the organised sector (tertiary sector). While the present chief minister of the state who claims to have taken this women's policy seriously has made it clear that various subsidies particularly in the social sectors have become a drag on the capitalist accumulation he knows that the capitalist system cannot survive without the welfare state. Therefore to defend this fragile phase of capitalism or its weaknesses have to be hidden from the masses; hence the need for the mock liberalism. The Maharashtra government would like to use the mock liberalism as a long-term strategy to perpetuate the illusion among the toiling women that the state still has capacity to tackle the problem, and secondly, it would like to control this labour power which is outside the process of production, just to ensure the availability of the catchment area of labour power though it cannot be transformed immediately into wage labour.

In such situation the women's policy of the government is in no way going to establish the concrete conditions for the implementation of this policy. Instead, the state is using the most radical looking language of the gender justice, integration of the women in the development process, empowerment of women and struggle against patriarchy. The state also seeks to define the substance of conflict by making 10 per cent village land as a contentious issue between women and the dalits and tribals who in most cases cultivate this land. This conflict is also defined by the state by locating 30 per cent job reservation for the women within the existing 50 per cent quota meant for SC/ST/DTNT and OBCs in the state. The Maharashtra government also defines the substance of conflict by differentially empowering educated urbanised elite women. And this empowering relevant social groups (rural-urban toiling women). In view of the absence of any concrete programme and an agency to implement it, the policy is likely to remain only on the paper.

However, at the moment the Maharashtra government feels comfortable in selling its 'mock liberalism' for the following reasons: The women organisations and activists organisations who seek to establish their own needs as the true needs will ultimately lead to facilitating the ideological process of political legitimation (of mock liberalism) that would function within the material dimensions of co-optation. In the recent women's policy the women's organisation have been assured by the state all help to carry out this mission of political legitimation designed by the state. Due to such a situation and also due to lack of any organised political intervention from outside these groups, the ideology of mock liberalism is bound to serve as an effective means of self-defence of the ruling class. It is clear that the ruling class is not imposing its ideology of mock liberalism but it is legitimising it through the incorporation of certain elements of

feminist ideology in such a way so as to neutralise its potential antagonism. It is quite clear that the state will use all these ideological means to maintain its hegemony. Women's force can thwart this game if they choose to use whatever little space that is given by this policy document to assert themselves against the state and patriarchal domination If they fail to do so the women's policy whether in Maharashtra or elsewhere will continue to limit the collective context of collective political possibility.

Creating Rural Employment

JRY's New Thrust Areas

Parameswaran Iyer

The pumping of extra funds into the backward areas under the Jawahar Rojgar Yojana provides a new opportunity for tackling unemployment and underemployment in these areas, provided supporting systems are shored up.

IN terms of resources, in a scenario where most ministries suffered cuts in the 1994-95 budgetary outlays, the ministry of rural development occupies high priority on the government agenda today. The outlay of the ministry went up by a whopping 40 per cent, up from Rs 5,010 crore in 1993-94 to Rs 7,010 crore in 1994-95. Out of this increased outlay, the lion's share of Rs 5,055 crore went to the rural employment sector, i e, Jawahar Rojgar Yojana (JRY) and its subschemes. If the states' share of 20 per cent were to be added, the total JRY kitty for the country in 1994-95 would be Rs 6,300 crore.

The JRY was started in 1989, by merging the two then existing employment programmes of National Rural Employment Programme (NREP) and the Rural Landless Employment Guarantee Programme (RLEGP) into a single programme—the JRY. Like its predecessors, the JRY is a centrally-sponsored scheme, the difference being that while the funding for the earlier two schemes was equally shared by the centre and states on a 50:50 basis, 80 per cent of JRY is funded by the centre and only 20 per cent by the states. Another major difference between the erstwhile rural employment programmes and JRY is that in the latter, 80 per cent of the combined central and state shares is released directly to 'gaon sabhas' to be utilised by them for village works, while the balance 20 per cent is spent by the district rural development agency (DRDA). In the earlier two schemes, the entire funds were utilised by the DRDA, with nothing going directly to the gaon sabhas.

The primary objective of the JRY is to generate employment through manual labour and the secondary objective is to create durable community assets in the process of employment generation. According to official statistics, 3,330 million mandays under JRY were generated in the country from 1989-90 to 1993-94.

In the last six months or so, there has been a clear shift in government of India's JRY strategy. Till late 1993, the JRY was being operated uniformly all over the country without specifically focusing on the backward districts in the states. A policy shift occurred in the second half of 1993, when it was decided to consciously concentrate JRY resources in the relatively more backward districts of the country. Two significant changes were made in this regard. The first was the change in criteria for allocation of funds to districts. Formerly, the districtwise allocation was made using an index of backwardness formulated on three criteria: (1) the percentage of agricultural labourers to main rural workers; (2) the percentage of rural SC/ST population to total rural population; and (3) the inverse of agricultural productivity, in the ratio of 20:60:20 respectively. In November 1993, the central government changed this norm to include only two parameters, viz, proportion of rural SC/ST population in a district to total SC/ST population in the state and (2) inverse of the district's agricultural productivity, in the ratio of 50:50 respectively. The main implications of this change in criteria for allocation of funds are: (1) districts with low agricultural productivity now get higher JRY allocations; (2) weightage for SC/ST population has been decreased from 60 per cent to 50 per cent; and (3) no more weightage is given for percentage of agricultural labourers in a district.

In some cases, the increase as well as decrease in funds as a result of this change in criteria have been dramatic. For example, in the hills of Uttar Pradesh where agricultural productivity is low, a district like Uttarkashi has seen its annual JRY outlay go up dramatically from Rs 3 crore to Rs 11 crore due to the change in formula. On the other hand, a district with high agricultural productivity, like Meerut in western UP, has suffered a drastic cut in outlay from Rs 12 crore to Rs 6 crore. In other words, the relatively less developed districts get higher JRY outlays and the developed districts get lower outlays.

New Subschemes

The second major policy shift was the starting of three new subschemes under the JRY ambit, specifically targeted at the more backward districts in the country. The first of these was the Employment Assurance Scheme (EAS) announced by the prime minister in his independence day speech on August 15, 1993. Broadly based on the Maharashtra Employment Guarantee Scheme, the EAS seeks to provide 100 days of employment during the lean agricultural season to all those who desire it. In keeping with the shift in JRY policy to focus on the more backward areas, the EAS coverage is restricted to Drought Prone Area Programme (DPAP) classified development blocks. At present, with the recent inclusion of 23 blocks in Jammu and Kashmir, the total number of EAS blocks in the country is 1,778, covering 23 states and four union territories. The central government budgetary outlay for EAS in 1994-95 is Rs 1,200 crore. Along with the states' share of Rs 300 crore, the total EAS outlay for the 1,778 blocks is Rs 1,500 crore, averaging about Rs 85 lakh a block.

Another subscheme of JRY is the intensified JRY (IJRY) programme. Here again, the focus is only on backward districts countrywide. One of the factors for selection of these 120 IJRY backward districts in 10 states was whether more than 50 per cent of the blocks in the district were under DPAP. High SC/ST percentage and low agricultural productivity were also criteria for determining backwardness under the IJRY. Apart from this, districts which were commercially and industrially advanced were also excluded from the purview of this scheme. The central outlay for IJRY in 1994-95 is Rs 700 crore. Along with the states' share of Rs 175 crore, the total IJRY outlay for the 120 districts is Rs 875 crore, an average of Rs 7.3 crore per district.

The third subscheme of JRY introduced in late 1993 was the JRY 'umbrella' scheme aimed at special and innovative projects aimed at specific problems faced in districts, such as prevention of migration of labour, enhancing women's employment, etc. These district specific projects are approved by ministry of rural development, and it is understood that a central budget of about Rs 100 crore is earmarked for this scheme in 1994-95.

All the above three new programmes are basically subschemes of JRY and operate under the same broad guidelines along with the 80:20 centre-state fund sharing pattern. The total central outlay on JRY and its three allied schemes in 1994-95 is a whopping Rs 5,055 crore, an increase of 45 per cent over the 1993-94 allocation of Rs 3,806 crore.

The main JRY subscheme with the most funds is the EAS, under which huge funds are being pumped into each DPAP block. The DPAP classification however could lead

to some minor imbalances in the field. While conceptually it is sound to pick DPAP blocks for the EAS, it is possible that some of the EAS blocks are not actually drought-prone any more. There are instances, for example, where blocks declared as DPAP blocks over 10 years ago, today may no longer merit classification as DPAP blocks, since they no longer fulfil the requisite criteria. In Bahraich district of UP, for example, which has 14 blocks under EAS, seven blocks have waterlogging problems and today should *prima facie* not be classified as drought-prone blocks. It is also eminently possible that some districts have become drought-prone subsequent to the DPAP classification over 10 years ago. It is necessary therefore to conduct a fresh survey to redetermine DPAP blocks countrywide, so that the truly drought-prone districts are benefited under this scheme. Another point which needs to be examined is whether a district with all its blocks covered under the EAS needs to also be classified as an IJRY district. In UP, for example, out of the 20 EAS districts there are four districts with all blocks under EAS, who are also under the IJRY. Instead of receiving huge funds under two JRY subschemes, perhaps other non EAS backward districts could also be considered under the IJRY.

The main problem facing the selected backward districts is in utilising the huge influx of funds coming in under the different JRY subschemes. In the 23 districts of UP covered under either the EAS or IJRY or both, the total availability of funds under the JRY and allied schemes in 1994-95 is expected to be Rs 608 crore, as compared to only Rs 300 crore under the regular JRY in 1993-94, an increase of over 100 per cent. In a district like Almora in the Kumaon hills of UP, the funds expected to be available under JRY, EAS and IJRY in 1994-95 are Rs 45 crore, compared to an availability of only Rs 14 crore under JRY in 1993-94, a three-fold increase. Apart from the fact that Almora may not have the requisite workforce to avail of the employment opportunities generated by Rs 45 crore worth of works, it does not even have the necessary infrastructure such as technical manpower or existing support systems like DRDA, to optimally utilise Rs 45 crore in one year. Hence along with pumping in of funds, strengthening of the existing delivery system in rural areas is necessary.

The ministry of rural development has repeatedly stressed the above point to the state governments and urged them to strengthen their existing infrastructure in the backward districts.

Perhaps the most pressing problem is that of an acute shortage of technical manpower at both district as well as block levels for technical scrutiny, execution and supervision of works under JRY and its subschemes. In most states, each development block has at most two junior engineers to prepare estimates, execute and supervise JRY works (Andhra Pradesh is one exception where each block equivalent has 10 to 12 junior engineers). If a district with 12 blocks has Rs 30 crore to utilise, this works out to a blockwise average utilisation of Rs 2.5 crore. In most state public works departments, an entire division headed by an executive engineer is stationed for executing works worth Rs 2 crore. It stands to reason therefore that for rural works under JRY, especially in backward districts, strengthening of the existing technical manpower base is essential.

Apart from suitably increasing the number of technical personnel at both district and block levels, there is also an urgent need to upgrade existing technical skills and capabilities in the context of the massive influx of funds under JRY. Certain specialised technical inputs are also necessary to execute special works such as watershed based schemes, especially since the government of India has directed that 50 per cent of EAS funds should be spent on watershed based development works. Logically this is correct, since the EAS is being run in drought-prone blocks, but in most states the existing technical personnel are untrained in executing watershed and micro watershed development works. Training and upgrading of skills in this context is therefore crucial. From the management point of view also, upgradation of skills and building of systems in the DRDAs is vital for effective planning, implementation and monitoring of works under the various JRY subschemes.

Another crucial aspect of the EAS is the part payment of wages in the form of foodgrain, wherever the open market price is higher than that of the revamped public distribution system (RPDS) price. Since in most EAS blocks the market price is well above the RPDS price, part payment of wages in foodgrain is a necessity. The implementation of this part cash and part foodgrain payment is leading to major problems in states where the public distribution system is intrinsically weak. Here the sheer logistics of ensuring that the foodgrain earmarked for the EAS actually reaches the beneficiary is more often than not beyond the scope of the existing delivery system. The experience is that in certain cases only the cash wage component is made on the spot and the foodgrain component usually paid much later.

Despite the above teething problems and constraints, the new JRY approach of concentrating more resources in backward districts is conceptually sound since it should lead to more balanced development in rural areas. The basic point, however, still remains that the influx of such massive funds to backward areas alone is not sufficient without simultaneously creating the infrastructure to optimally utilise these resources. It is also important for district authorities and the DRDAs to be wary of vested interests attempting to distribute these funds within the district on political lines. All in all, the pumping of JRY funds into backward districts is a unique opportunity to tackle both unemployment as well as underdevelopment in the relatively backward rural areas. To ensure that this opportunity is utilised optimally, much closer attention needs to be paid to shore up the supporting delivery system.

Rethinking Post-Cold War

Zaki Laidi

The speed at which post-cold war representations change and sink into confusion leaves one perplexed. That is why it is proper henceforth to speak not just of a post-cold war but of several such wars.

THE euphoria that followed the fall of the Berlin wall gave rise to the hope that the international system was at last ripe for a complete overhaul: the time had come to change its organisational principles and ground rules. The assumption was that everything could be explained in terms of the cold-war; it stood to reason then that once it came to an end everything would get resolved automatically. As soon as 'market democracy' was established as the undisputed norm, the hurdles associated with economic interdependence, cultural interpenetration, the globalisation of trade and environmental hazards would vanish of their own accord. Ideological quarrels hindered international co-operation, so it was felt that when these came to an end, it would receive a natural boost. This then was how the post-cold war brave new world was conceived; deideologisation and globalisation would mutually reinforce each other, heralding in a world government which, through the UN, would manage the common fund of mankind.

This Kantian vision, liberally sprinkled with references to the enlightenment, has had unfortunately to contend with international realities that stubbornly refuse to fit into any teleological scheme. For want of a new international order, what we have today is a loose international system whose distinctive feature is not 'disorder', a necessarily relative and mainly descriptive term, but the growing tension between the dynamics of power which under economic pressure are pushing towards globalisation and integration, and the problematic of meaning which, ever since it lost its teleological base, appears to be progressively divisible, flaky and transient. The divergence between meaning and power finds its strongest and most visible expression in the contrast between the rapid globalisation of markets and the rise of an ethnic, cultural or regional sense of identity. 'The end of geography' coincides with the revitalisation of micro-histories. However, interpreting this divergence is not as easy as it appears at first sight. Indeed, while the phenomenon of withdrawing into one's identity (infinitely small) may be seen as a reaction to globalisation (infinitely big), it becomes clear that in practice this apparent symmetry leads us nowhere. Certainly, the perception of living in a larger world creates a certain amount of insecurity. But in many case, it is not so much globalisation *per se* which induces such phenomena as the collapse of politics understood in the sense of a collective project or the inadequacy of the territoriallised nation-state. The assertion of one's identity or distinctiveness is not so much the result of globalisation as a break with the teleological and universalist representations of history. Furthermore, all revivalist movements have not hesitated to draw upon the resources of globalisation to advance their claims, be it the television, international financial networks, activation of the diaspora and actively participating in the trade market (drug and precious stone trafficking, to cite the most well known examples). Accordingly, as the most regressive or backward-looking movements have in a certain manner incorporated globalisation in their strategies, it appears difficult to attach any heuristic value to the 'return to the past' argument. This even more so because the 'return of nationalism' thesis presents one major flaw: what does the return to nationalism mean in central Asia, where the Muslim republics of the former Soviet Union are purely the products of Stalinism and where a Tadjik, Uzbek or Khirgiz national idea simply did not exist before the creation of the USSR. What is significant about the return to nationalism theme is that it is the starting point of the reinvention of the past, rather than the consecration of a process that got frozen on account of the cold war. In other words, nationalism is not spontaneous nor does it make complete sense. On the contrary, a meaning has to be given to it, it has to be rooted in a nonexistent framework. This all the more so as even in cases where nationalism did pre-exist historically (the Baltic states), the expectations are so out of consonance with the day to day reality that the so-called meaning discovered has necessarily to be called into question.

What does the idea of a return to nationalism mean in Russia where the nation has always been associated with the empire, and where, today, the forfeiture of the empire constitutes a unique historical phenomenon. One might as well say that in this case as in others, the selective utilisation of a stock of historical references has generally proved to be insufficient if not inoperative in 'reconstructing meaning'. It is even more ineffective in linking this quest for meaning with the exercise of power to the extent that in the former USSR like in ex-Czechoslovakia, the phenomena of political scissiparity go against the rationale of economic complementarity which Sovietism organised but did not invent fully. It may be added here that the hypothesis of a return to nationalism is weakened by the extremely heterogeneous nature of the situations it claims to describe. Tatar, Yakut or Siberian 'nationalism' is nothing more than the instrumentalisation of nationalism by a political elite exercising its authority over a territory rich in natural resources and which, in the context of the social and political dereliction that characterises the Russian Federation, has no desire to share it in any way with a larger whole that no longer makes any sense and produces even less power. In these circumstances, it is obvious that the 'end of history' versus the 'return of history' debate is a nonissue as both these processes are complementary. We can however well and truly speak of the end of history, not in the sense of the culmination of a process of transformation in the evolution of human societies, but in the sense of a finalised and teleological promise (Hegel's *Endzweck*) held out by one or several states—a journey with a starting point and an end point, a trajectory between what Kosselek called the field of experience and the horizon of expectations. Today, any conceptualisation of the post-cold war means dwelling on the implications of the "end of a historical cycle that began with the French revolution", as Francois Furet has so rightly emphasised. Symmetrically, we may speak of a return to history, that is to say, a return to the theme of roots. But apart from the fact, as we have seen, that it is extremely difficult to go back in time and link this return to the most elementary constraints of the present, there is the fundamental question of how this return is to be dated: a return to history, but to which history? To begin with, the spontaneous tendency is to situate it in the period preceding the advent of communism. Now, in Russia, in the Balkans and in China too, 'freezing the image' at the pre-cold war period is somewhat arbitrary. In the case of the Balkans, one would have to go back to at least the Treaty of Versailles; in the Russian case still further back to the 15th century at the time when Russia—then the grand duchy of Muscovy—was without an empire. All this amply proves that the 'reconstruction of meaning' and its linking up with the exercise of power cannot be settled through any ideological or teleological deintoxication which the proponents of Popper's 'open society' seem to be advocating at times.

For all that, the divergence between meaning and power cannot be reduced to the tension between the integrating logic of the economy and the disintegrating dynamic of identity. It triggers off a 'chain' reaction affecting all the factors related to the exercise of political sovereignty of nations, the most important of which being the military instrument. For the entire period of the cold

war, the connection between *military power* and *military policy* (meaning) did not pose any major problem. In the western camp, absolute priority was given to *containment* of Soviet forces particularly through nuclear deterrence, even if the doctrines regarding the use of nuclear arms varied from one player to another (United States, France) or displayed significant shifts (the complete and exclusive sanctification of French territory was in practice given up even before the end of the cold war).

In the Soviet camp, the Warsaw pact mechanism was on the other hand resolutely offensive. Today, the perception of a radical change in the balance of power in Europe has less to do with strictly military considerations (Russia remains by far the leading military power of Europe) as with the way we perceive danger. In other words, the way we view the collapse of Russian power is governed less by its inherent weaknesses than by the fact that today there is no underlying plan to this power. Which leads us to the commonplace but nonetheless essential observation: a military power, no matter how large, suffers a considerable loss of meaning the moment it is unable to connect power with a military policy. The divergence between military power and military policy affects not just Russia, but symmetrically, all its former western adversaries.

The military power-policy connection raises two sets of problems for all the inheritors of the cold war.

The first is related to the relationship between defence and security. During the cold war, the two terms corresponded almost naturally. With the end of the cold war, the dissociation of the two terms became more apparent. This because on the one hand security is being perceived in increasingly general terms and includes within its ambit technologies and information. Secondly, and more importantly, security problems are no longer systematically linked and identified with any politico-military player. Today, there is probably a greater feeling of *insecurity* in Europe than during the cold war despite the fact that the military threat has never been weaker. In other words, the military responses (defence policy) to insecurity appear to be both inadequate and tentative. Defence policies are no longer adequate when it comes to formulating security policies.

The second set of problems relates to the dissociation between defence and nation. During the cold war, defence was exclusively national. The rationale of alliances made no difference to this overriding reality. Today, one may well ask whether this equivalence has not been called into question. The widening of perspective in the European case is the result of at least three factors: the absolute necessity to share the cost of military research programmes, the quest for collective supra-national identities—weakened by the absence of a collective military instrument—and the fact that national solutions are unrealistic in a context where threats arise more from political contagion (the political disintegration of the east is spilling across the west) than from a clash of state wills. It is this last change which is the most difficult to conceptualise and organise.

Post-Cold Wars

While the divergence between meaning and power appears to be durable, it is still not possible, on the basis of this conceptual hypothesis, to construct a stable architecture of the international system. On the contrary, the latter lends itself to increasingly fluid and elusive interpretations; to pretend otherwise would be futile. Still, the speed at which our post-cold war representations change and sink into confusion leaves one perplexed. That is why we would do well henceforth to speak not just of a post-cold war but of *several* such wars. The recourse to chronology, though necessarily arbitrary, proves to be very instructive here.

The first post-cold war began with the fall of the Berlin wall and ended with the beginning of the Gulf crisis. This was a euphoric period when Kantian and Hegelian propositions of lasting peace and the triumph of reason were sprouted out liberally. In retrospect, we may smile at such an evaluation. But it would be wrong to reduce it to a simple expression of naivety. The end of the cold war was indeed an exceptional moment. It was for the first time, in the history of the modern international system,

that one began talking of a new international order, of a new global deal, without the preceding one (the cold war) having resulted in a military clash between the dominant powers of the international system. It was above all the time when one thought that the liquidation of the cold war would represent *a moment manageable in time and space*. The cold war was viewed as a bad memory that had to be forgotten and the process of its mental evacuation was facilitated by the widespread failure of communism. The west, like the elite in the east, tended to interpret the end of the cold war as a 'purge', a kind of *reverse normalisation*.

The fact that the civil societies of the east showed themselves to be utterly incapable of advancing any new ideas themselves to be utterly incapable of advancing any new ideas on the organisation of the post-cold war, that the dissidence in the east had been more social (Poland), more moral (Czechoslovakia) than political, that the transition to the market had never been envisaged by the east European or Soviet dissidence, was interpreted to a greater or lesser degree not as a structural handicap but rather as short-circuit towards 'market democracy'. Even if all this was not provided a theoretical framework, the guiding spirit of the first post-cold war was a great liberal voluntarism, based on the idea that the rejection of communism and the political vacuity in the east—reflected by an infantile idealisation of the west—were the best assets of market democracy. Manageable in time, the post-cold war appeared just as manageable in space. One was lulled to believe and hope that there existed an *optimum level of political disintegration* in the east; this was not likely to damage the territorial structure of the cold war (excluding East Germany and the Baltic countries), and better still, would remain confined to east Europe. During and after the cold war, the US never wished the political and territorial destruction of the USSR. *Dismantling the cold war, nothing but the cold war*, this was to have been the reasonable agenda of the new world order.

With the beginning of the Gulf crisis in August 1990, the international system entered the second post-cold war. The effect of this crisis was to amplify and extend to the south the vision of a major and rapid restructuring of the world on new principles. Western euphoria was heightened, as this crisis prefigured the political disappearance of the USSR. There was neither any ideological alternative left—something one knew since the fall of the Berlin wall—nor any strategic alternative, a fact that the southern countries—or nearly all of them—discovered to their great dismay. This period was to see flourish the idea of a 'new world order' based on the triumph of international law and reason. In truth, it was less a question of building a new world order than framing the rules of a *new public order* founded on a new and optimal connection between principles and means in the east as in the south.

As far as means are concerned, the Gulf war saw the principle of coalition take root, combining the advantages of political consensus and leadership exercised by a dominant player.

At the level of principles, the war, through resolution 688, consecrated the principle of interference, even if in practice, the 'founding text of interference' contained any number of ambiguities. This second 'moment' consecrated superficially at the international level—and not just in the east—the idea of a manageable, decipherable and qualitatively superior post-cold war.

The Moscow putsch, followed by the collapse of the USSR in December 1991, a year after the start of the Gulf crisis, was to put paid to this post-cold war representation. In this phase, two new realities emerged which erased completely the previous euphoric perceptions.

The first consequence of the splintering of the USSR was to demonstrate that the principle of *reverse normalisation* was no longer acceptable. Decomposition was not going to stop at the doors of the cold war but was going to bring down the entire pre-cold war edifice. Indeed, decommunisation has lead not only to the disappearance of the GDR and the Soviet Union but has also caused the breaking up of the Czechoslovak federation, the disintegration of Yugoslavia, the extension of ethnic cleansing to all the east European or former Soviet states which had in their midst non-national minorities, and the exacerbation of the question of identity within the Federation of Russia itself. In other words, not only did the disintegration rationale not stop where one hoped or expected it would, but there seems to be no way to stem the tide.

The second consequence, even more worrying than the first, was the realisation that political disintegration was not going to remain restricted to the former socialist countries but was bound to spread to the west where regional movements with separatist overtones are gaining ground in Belgium, Italy and Canada.

Indeed, the end of the cold war was largely responsible for the breaking up of Belgium because of the interplay of two factors: the abolition of the draft which limits 'interethnic' mixing between the Flemish and the Walloons and the demonstration effect that the amicable split of Czechoslovakia had on this country. To this one may add a third factor which flows to a large extent from the devalorisation of the socialist idea, that is to say the legitimacy of a redistribution of wealth between regions of very different levels of growth (Wallonia/Flemish country). The imperative, within the same nation, of 'paying for the others' just because 'the others' do not speak the same language or share the same history does not hold any more. The 'politically thinkable' post-cold war field is trying to shake itself free from territorial (national) and social (sharing) constraints, and this goes far beyond the Belgian case. The measure of this problem is of fundamental importance for the post-cold war and post-Maastricht Europe. Indeed, one of the aims of the European Union treaty is to respond to the dual challenge of the territoriality crisis and redistribution out of a kind of suprastate voluntarism. At the economic and monetary level, national space has been done away with to some extent (single market, Central European bank) or deemed to be of little relevance. At the social level, the Europe of Maastricht proposes to reinforce the redistribution of wealth from the rich countries to the poor countries. Now, it is this two-pronged attack that is causing problems, for it has to contend with the residual sovereignty of states as well as increasing public intolerance of redistributive and *a fortiori* supranational policies. The few cases discussed above show that we have yet to gauge the full impact of the collapse of communism. Conceptualising the post-cold war is by no means an easy task.

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Cultural Imperialism in Late 20th Century

James Petras

Cultural liberation involves not merely empowering individuals or classes, but is dependent on the development of a socio-political force capable of confronting the state terror that precedes cultural conquest. Most importantly, the Left must recreate a faith and a vision of a new society built around spiritual as well as material values.

US CULTURAL imperialism has two major goals—one economic and the other political—to capture markets for its cultural commodities and to establish hegemony by shaping popular consciousness. The export of entertainment commodities is one of the most important sources of capital accumulation and global profits displacing manufacturing exports. In the political sphere, cultural imperialism plays a major role in dissociating people from their cultural roots and traditions of solidarity, replacing them with media created 'needs', which change with every publicity campaign. The political effect is to alienate people from traditional class and community bonds, atomising and separating individuals from each other.

Cultural imperialism emphasises the segmentation of the working class: stable workers are encouraged to dissociate themselves from temporary workers, who in turn separate themselves from the unemployed, who are further segmented among themselves within the 'underground economy'. Cultural imperialism encourages working people to think of themselves as part of a hierarchy emphasising minute differences in life style, in race and gender, with those below them rather than the vast inequalities that separate them from those above.

The principle target of cultural imperialism is the political and economic exploitation of youth. Imperial entertainment and advertisements target young people who are most vulnerable to US commercial propaganda. The message is simple and direct: 'modernity' is associated with consuming US media products. Youth represent a major market for US cultural exports and they are most susceptible to the consumerist-individualist propaganda. The mass media manipulates adolescent rebelliousness by appropriating the language of the left and channelling discontent into consumer extravagances.

Cultural imperialism focuses on youth not only as market but also for political reasons: to undercut a political threat in which personal rebellion could become political revolt against economic as well as cultural forms of control.

Over the past decade progressive movements confront a paradox: while the great majority of the people in the third world experience deteriorating living standards, growing social and personal insecurity and decay in public services (while affluent minorities prosper as never before) the subjective response to these conditions has been sporadic revolts, sustained, but local activities and large-scale protests of short duration. In a word, there is a profound gap between the growing inequalities and socio-economic conditions on the one hand and the weaknesses of revolutionary or radical subjective responses. The maturing 'objective conditions' in the third world have not been accompanied by the growth of subjective forces capable of transforming the state or society. It is clear that there is no 'automatic' relationship between socio-economic regression and socio-political transformation. Cultural intervention (in the broadest sense including ideology, consciousness, social action) is the crucial link converting objective conditions into conscious political intervention. Paradoxically, imperial policy-makers seem to have understood the importance of cultural dimensions of political practice far better than their adversaries.

Cultural Domination

Imperialism cannot be understood merely as an economic-military system of control and exploitation. Cultural domination is an integral dimension to any sustained system of global exploitation.

In relation to the third world, cultural imperialism can be defined as the systematic penetration and domination of the cultural life of the popular classes by the ruling class of the west in order to reorder the values, behaviour, institutions and identity of the oppressed peoples to conform with the interests of the imperial classes. Cultural imperialism has taken both 'traditional' and modern forms. In past centuries, the church, educational system, and public authorities played a major role in inculcating native peoples with ideas of submission and loyalty in the name of divine or absolutist principles. While these 'traditional' mechanisms of cultural imperialism still operate, new modern instrumentalities rooted in contemporary institutions have become increasingly central to imperial domination. The mass media, publicity, advertisement and secular entertainers and intellectuals play a major role today. In the contemporary world, Hollywood, CNN and Disneyland are more influential than the Vatican, the Bible or the public relations rhetoric of political figures.

Cultural penetration is closely linked to politico-military domination and economic exploitation. US military interventions in support of the genocidal regimes in central America which protect its economic interests are accompanied by intense cultural penetration. US-financed evangelicals invade Indian villages to inculcate messages of submission among the peasant-Indian victims. International conferences are sponsored for domesticated intellectuals to discuss 'democracy and market'. Escapist television programmes sow illusions from 'another world'. Cultural penetration is the extension of counter-insurgency warfare by non-military means.

Contemporary cultural colonialism (CCC) is distinct from past practices in several senses: (1) It is oriented toward capturing mass audiences, not just converting elites. (2) The mass media, particularly television, invade the household and function from the 'inside' and 'below' as well as from 'outside' and above. (3) CCC is global in scope and homogenising in its impact: the pretence of universalism serves to mystify the symbols, goals and interests of the imperial power. (4) The mass media as instruments of cultural imperialism today are 'private' only in the formal sense: the absence of formal state ties provides a legitimate cover for the private media projecting imperial state interests as 'news' or 'entertainment'. (5) Under contemporary imperialism, political interests are projected through non-imperial subjects. 'News reports' focus on the personal biographies of mercenary peasant-soldiers in central America and smiling working class US blacks in the Gulf war.[1] (6) Because of the increasing gap between the *promise* of peace and prosperity under unregulated capital and the reality of increasing misery and violence, the mass media have narrowed even further the possibilities of alternative perspectives in their programmes. Total cultural control is the counterpart of the total separation between the brutality of real-existing capitalism and the illusory promises of the free market. (7) To paralyse collective responses, cultural colonialism seeks to destroy national identities or empty them of substantive socio-economic content. To rupture the solidarity of communities, cultural

imperialism promotes the cult of 'modernity' as conformity with external symbols. In the name of 'individuality', social bonds are attacked and personalities are reshaped according to the dictates of media messages. While imperial arms disarticulate civil society, and banks pillage the economy, the imperial media provide individuals with escapist identities.

Cultural imperialism provides devastating demonological caricatures of revolutionary adversaries, while encouraging collective amnesia of the massive violence of pro-western countries. The western mass media never remind their audience of the murder by anti-communist pro-US regimes of 1,00,000 Indians in Guatemala, 75,000 working people in El Salvador, 50,000 victims in Nicaragua. The mass media cover up the great disasters resulting from the introduction of the market in eastern Europe and the ex-USSR, leaving hundreds of millions impoverished.

Propaganda and Capital Accumulation

The mass media is one of the principal sources of wealth and power for US capital as it extends its communication networks throughout the world. An increasing percentage of the richest North Americans derive their wealth from the mass media. Among the 400 wealthiest Americans the percentage deriving their wealth from the mass media increased from 9.5 per cent in 1982 to 18 per cent in 1989. Today almost one out of five of the richest North Americans derive their wealth from the mass media. Cultural capitalism has displaced manufacturing as a source of wealth and influence in the US.

The mass media have become an integral part of the US system of global political and social control, as well as a major source of super profits. As the levels of exploitation, inequality and poverty increase in the third world, western-controlled mass communications operate to convert a critical public into a passive mass. Western media celebrities and mass entertainment have become important ingredients in deflecting potential political unrest. The Reagan presidency highlighted the centrality of media manipulation through highly visible but politically reactionary entertainers, a phenomena which has spread to Latin America and Asia.

There is a direct relation between the increase in the number of television sets in Latin America, the decline of income and the decrease in mass struggle. In Latin America between 1980 and 1990, the number of television sets per inhabitant increased 40 per cent, while the real average income declined 40 per cent, and a host of neo-liberal political candidates heavily dependent on television images won the presidency.

The increasing penetration of the mass media among the poor, the growing investments and profits by US corporations in the sale of cultural commodities and the saturation of mass audiences with messages that provide the poor with vicarious experiences of individual consumption and adventure defines the current challenge of cultural colonialism.

US media messages are alienating the third world people in a double sense. They create illusions of 'international' and 'cross class' bonds. Through television images a false intimacy and an imaginary link is established between the successful subjects of the media and the impoverished spectators in the 'barrios'. These linkages provide a channel through which the discourse of individual solutions for private problems is propagated. The message is clear. The victims are blamed for their own poverty, success depends on individual efforts. Major TV satellites, US and European mass media outlets in Latin America avoid any critique of the politico-economic origins and consequences of the new cultural imperialism that has temporarily disoriented and immobilised millions of impoverished Latin Americans.

Politics of Language

Cultural imperialism has developed a dual strategy to counter the Left and establish hegemony. On the one hand, it seeks to corrupt the political language of the Left; on the other it acts to desensitise the general public to the atrocities committed by western powers. During the 1980s the western mass media systematically appropriated basic ideas of the left, emptied them of their original content and refilled them with a reactionary message. For example, the mass media described politicians intent in restoring capitalism and stimulating inequalities as 'reformers' or 'revolutionaries', while their opponents were labelled 'conservatives'. Cultural imperialism sought to promote ideological confusion and political disorientation by reversing the meaning of political language. Many progressive individuals became disoriented by this ideological manipulation. As a result, they were vulnerable to the claims of imperial ideologues who argue that the terms 'Right' and 'Left' lacked any meaning, that the distinctions have lost significance, that ideologies no longer have meaning. By corrupting the language of the Left and distorting the content of the Left and Right, cultural imperialists hope to undermine the political appeals and political practices of the anti-imperialist movements.

The second strategy of cultural imperialism was to de-sensitise the public; to make mass murder by the western states routine, acceptable activities. Mass bombings in Iraq were presented in the form of video games. By trivialising crimes against humanity, the public is desensitised from its traditional belief that human suffering is wrong. By emphasising the modernity of new techniques of warfare, the mass media glorify existing elite power—the techno-warfare of the west. Cultural imperialism today includes 'news' reports in which the weapons of mass destruction are presented with human attributes while the victims in the third world are faceless 'aggressors-terrorists'.

Global cultural manipulation is sustained by the corruption of the language of politics. In eastern Europe, speculators and mafioso seizing land, enterprises and wealth are described as 'reformers'. Contrabandists are described as 'innovating entrepreneurs'. In the west the concentration of absolute power to hire and fire in the hands of management and the increased vulnerability and insecurity of labour is called 'labour flexibility'. In the third world the selling of national public enterprise to giant multinational monopolies is described as 'breaking-up monopolies'. 'Reconversion' is the euphemism for reversion to 19th century condition of labour stripped of all social benefits. 'Restructuring' is the return to specialisation in raw materials or the transfer of income from production to speculation. 'Deregulation' is the shift in power to regulate the economy from the national welfare state to the international banking, multinational power elite. 'Structural adjustments' in Latin America mean transferring resources to investors and lowering payments to labour. The concepts of the left (reform, agrarian reform, structural changes) were originally oriented toward redistributing income. These concepts have been co-opted and turned into symbols for reconcentrating wealth, income and power into the hands of western elites. And of course all the private cultural institutions of imperialism amplify and propagate this Orwellian disinformation. Contemporary cultural imperialism has debased the language of liberation, converting it into symbols of reaction.

Cultural Terrorism

Just as western state terrorism attempts to destroy social movements,[3] revolutionary governments' and disarticulate civil society,[4] economic terrorism as practised by the IMF and private bank consortia destroy local industries, erode public ownership and savages wage and salaried household. Cultural terrorism is responsible for the physical displacement of local cultural activities and artists. Cultural terrorism by preying on the psychological weaknesses and deep anxieties of vulnerable third world peoples, particularly their sense of being 'backward', 'traditional' and oppressed, projects new images of 'mobility' and 'free expression', destroying old bonds to family and community, while fastening new chains of arbitrary authority linked to corporate power and commercial markets. The attacks on traditional restraints and obligations is a mechanism by which the capitalist market and state becomes the ultimate centre of exclusive power.

Cultural imperialism in the name of 'self expression' tyrannises third world people fearful of being labelled 'traditional', seducing and manipulating them by the phoney images of classless 'modernity'. Cultural imperialism questions all pre-existing relations that are obstacles to the one and only sacred modern deity: the market. Third world peoples are entertained, coerced, titillated to be 'modern', to submit to the demands of capitalist market to discard comfortable, traditional, loose fitting clothes for ill-fitting unsuitable tight blue jeans.

Cultural imperialism functions best through colonised intermediaries, cultural collaborators. The prototype imperial collaborators are the upwardly mobile third world professionals who imitate the style of their patrons. These collaborators are servile to the west and arrogant to their people, prototypical authoritarian personalities. Backed by the banks and multinationals, they wield immense power through the state and local mass media. Imitative of the west, they are rigid in their conformity to the rules of unequal competition, opening their country and peoples to savage exploitation in the name of free trade. Among the prominent cultural collaborators are the institutional intellectuals who deny class domination and imperial class warfare behind the jargon of objective social science. They fetishise the market as the absolute arbiter of good and evil. Behind the rhetoric of 'regional co-operation', the conformist intellectuals attack working class and national institutions which constrain capital movements—their supporters isolated and marginalised.

Today throughout the third world, western-funded third world intellectuals have embraced the ideology of 'concertacion' (class collaboration). The notion of interdependence has replaced imperialism. And the unregulated world market is presented as the only alternative for development. The irony is that today, as never before, the 'market' has been least favourable to the third world. Never have the US, Europe and Japan been so aggressive in exploiting the third world. The cultural alienation of the institutional intellectuals from the global realities is a by-product of the ascendancy of western cultural imperialism. For, those critical intellectuals who refuse to join the celebration of the market, who are outside of the official conference circuits, the challenge is to once again return to the class and anti-imperialist struggle.

One of the great deceptions of our times is the notion of 'internationalisation' of ideas, markets and movements. It has become fashionable to evoke terms like 'globalisation' or 'internationalisation' to justify attacks on any or all forms of solidarity, community, and/or social values. Under the guise of 'internationalism', Europe and the US have become dominant exporters of cultural forms most conducive to depoliticising and trivialising everyday existence. The images of individual mobility, the 'self-make persons', the emphasis on 'self-centred existence' (mass produced and distributed by the US mass media industry) now have become major instruments in dominating the third world.

Neo-liberalism continues to thrive not because it solves problems, but because it serves the interest of the wealthy and powerful and resonates among some sectors of the impoverished self-employed who crowd the streets of the third world. The North Americanisation of third world cultures takes place with the blessing and support of the national ruling classes because it contributes to stabilise their rule. The new cultural norms—the private over the public, the individual over social, the sensational and violent over everyday struggles and social realities—all contribute to inculcating precisely the egocentric values that undermine collective action. The culture of images, of transitory experiences, of sexual conquest, works against reflection, commitment and shared feelings of affection and solidarity. The North Americanisation of culture means focusing popular attention on celebrities, personalities and private gossip—not on social depth, economic substance and the human condition. Cultural imperialism distracts from power relation and erodes collective forms of social action.

The media culture that glorifies the 'provisional' reflects the rootlessness of the US capitalism—its power to hire and fire, to move capital without regard for communities. The myth of 'freedom of

mobility' reflects the incapacity of people to establish and consolidate community roots in the face of the shifting demands of capital. North American culture glorifies transient, impersonal relations as 'freedom' when in fact these conditions reflect the anomie and bureaucratic subordination of a mass of individuals to the power of corporate capital. North Americanisation involves a wholesale assault on traditions of solidarity in the name of modernity, attacks on class loyalties in the name of individualism, the debasement of democracy through massive media campaigns focusing on personalities.

The new cultural tyranny is rooted in the omnipresent repetitive singular discourse of the market, of a homogenised culture of consumption, of a debased electoral system. The new media tyranny stands alongside the hierarchical state and economic institutions that reach from the board rooms of the international banks to the villages in the Andes. The secret of the success of North American cultural penetration of the third world is its capacity to fashion fantasies to escape from misery, that the very system of economic and military domination generates. The essential ingredients of the new cultural imperialism is the fusion of commercialism-sexuality-conservatism each presented as idealised expressions of private needs, of individual self-realisation. To some third world people immersed in everyday dead end jobs, struggles for everyday survival, in the midst of squalor and degradation, the fantasies of North American media, like the evangelist, portray 'something better', a hope in a future better life—or at least the vicarious pleasure of watching others enjoying it.

If we want to understand the absence of revolutionary transformation, despite the maturing of revolutionary conditions, we must reconsider the profound psychological impact of state violence, political terror and the deep penetration of cultural/ideological values propagated by the imperial countries and internalised by the oppressed peoples. The state violence of the 1970s and early 1980s created long-term, large-scale psychic damage—fear of radical initiatives, distrust of collectivities, a sense of impotence before established authorities—even as the same authorities are hated. Terror turned 'people inward' toward private domains.

Subsequently, neo-liberal policies, a form of 'economic terrorism', resulted in the closing of factories, the abolition of legal protection of labour, the growth of temporary work, the multiplication of low paid individual enterprises. These policies further fragmented working class and urban communities. In this context of fragmentation, distrust and privatisation, the cultural message of imperialism found fertile fields to exploit vulnerable peoples' sensibilities, encouraging and deepening personal alienation, self-centred pursuits and individual competition over ever scarce resources.

Cultural imperialism and the values it promotes has played a major role in preventing exploited individuals from responding collectively to their deteriorating conditions. The symbols, images and ideologies that have spread to the third world are major obstacles to the conversion of class exploitation and growing immiseration into class conscious bases for collective action. The great victory of imperialism is not only the material profits, but its conquest of the inner space of consciousness of the oppressed directly through the mass media and indirectly through the capture (or surrender) of its intellectual and political class. Insofar as a revival of mass revolutionary politics is possible, it must begin with open warfare not only with the conditions of exploitation but with culture that subjects its victims.

Against the pressures of cultural colonialism is the reality principle: the personal experience of misery and exploitation imposed by western multinational banks, the police/military repression enforced by US supplied arms. Everyday realities which the escapist media can never change. Within the consciousness of the third world peoples there is a constant struggle between the demon of individual escape (cultivated by the mass media) and the intuitive knowledge that collective action and responsibility is the only practical response. In times of ascending social mobilisations, the virtue of solidarity takes precedence; in times of defeat and decline, the demons of individual rapacity are given licence.

There are absolute limits in the capacity of cultural imperialism to distract and mystify people beyond which popular rejection sets in. The TV 'table of plenty' contrasts with the experience of the empty kitchen; the amorous escapades of media personalities crash against a houseful of crawling, crying hungry children. In the street confrontations, Coca Cola becomes a molotov cocktail. The promise of affluence becomes an affront to those who are perpetually denied. Prolonged impoverishment and widespread decay erode the glamour and appeal of the fantasies of the mass media.

The false promises of cultural imperialism become the objects of bitter jokes relegated to another time and place. The appeals of cultural imperialism are limited by the enduring ties of collectivities—local and regional—which have their own values and practices. Where class, racial, gender and ethnic bonds endure and practices of collective action are strong, the influence of the mass media are limited or rejected.

To the extent that pre-existing cultures and traditions exist, they form a 'closed circle' which integrates social and cultural practices that look inward and downward, not upward and outward. In many communities there is a clear rejection of the 'modernist' developmental-individualist discourse associated with the supremacy of the market. The historical roots for sustained solidarity and anti-imperial movements are found in cohesive ethnic and occupational communities; mining towns, fishing and forestry villages, industrial concentrations in urban centres. Where work, community and class converge with collective cultural traditions and practices, cultural imperialism retreats.

The effectiveness of cultural imperialism does not depend merely on its technical skills of manipulation, but on the capacity for the state to brutalise and atomise the populace, to deprive it of its hopes and collective faith in egalitarian societies.

Cultural liberation involves not merely 'empowering' individuals or classes, but is dependent on the development of a socio-political force capable of confronting the state terror that precedes cultural conquest. Cultural autonomy depends on social power and social power is perceived by the ruling classes as a threat to economic and state power. Just as cultural struggle is rooted in values of autonomy, community and solidarity which are necessary to create the consciousness for social transformations, political and military power is necessary to sustain the cultural bases for class and national identities.

Most important, the Left must recreate a faith and vision of a new society built around spiritual as well as material values: values of beauty and not only work. Solidary linked to generosity and dignity. Where modes of production are subordinated to efforts to strengthen and deepen long-standing personal bonds and friendship.

Socialism must recognise the longings to be alone to be intimate as well as to be social and collective. Above all, the new vision must inspire people because it resonates with their desire not only to be free from domination but free to create a meaningful personal life informed by affective non-instrumental relations that transcend everyday work even as it inspires people to continue to struggle. Cultural imperialism thrives as much on novelty, transitory relations and personal manipulation, but never on a vision of authentic, intimate ties based on personal honesty, gender equality and social solidarity.

Notes

1 Personal images mask mass state killings, just as technocratic rhetoric rationalise weapons of mass destruction ('intelligent bombs'). Cultural imperialism in the era of 'democracy' must falsify reality in the imperial country to justify aggression—by converting victims into aggressors and aggressors into victims. Hence in Panama the US imperial state and mass media projected Panama as a drug threat to young people in the US, as it dropped bombs on working class communities in Panama.

2 The experiences of El Salvador and Guatemala in the 1980s is illustrative.

3 Nicaragua's Sandinista government in the 1980s and Chile under Allende in the 1970s are emblematic.

4 The case of Uruguay and Argentina in the 1970s and 1980s under the military regimes.

CREATING INDIA'S MULTINATIONALS

BRINGING RESPECT TO THE 'MADE IN INDIA' LABEL

Excerpts from the Speech of Shri K.L. Chugh, Chairman, I.T.C. Limited at the 83rd Annual General Meeting held on 20.7.1994

THE year 1993/94 has been another good year for your Company. **With Gross Turnover at Rs. 4280 crores, Net Profit at Rs. 206 crores and Foreign Exchange earnings at Rs. 822 crores, your Company continues to maintain its pace of rapid growth.**

There is a new-found confidence amongst Indian companies to compete with the best in the world and aspire to become India's multinationals. For the first time, there is palpable vitality in the Government-Industry dialogue, in a bid to think and work together to take India forward.

The signing of the GATT Declaration by member nations ushers in a new era where **freer world trade will become the engine of growth. The freer world trade regime, I believe, would provide India and Indian companies an opportunity to strategise for world-class positioning in those industries that have a natural or potential competitive advantage.**

THE NEED FOR COUNTRY STRATEGIES

Our experience of the last 45 years has convinced us that no single country can do everything well by itself. Factor advantages, innate skills and a number of other variables generate competitive advantage in specific areas. **Countries that are able to identify and focus on their areas of potential competitive advantage will emerge as winners.**

If India's per capita income was to catch up even in the next 25 years with Thailand's — one of Asia's relatively less developed economies — given Thailand's rate of growth of 7%, and the present rates of population growth, India's GDP needs to grow by an astounding 18% per annum for the next 25 years! Even assuming India's population growth is held at 1% instead of 2% per annum, to catch up with Thailand we need a growth rate of 15% year on year for the next 25 years!

The enormity of the task before us is evident. **There is therefore extreme urgency in strategising and evolving a national agenda aimed at quantum progress and a strong positioning of India in the new world economic order.**

We therefore need to make substantial progress on several fronts at a frenetic pace and at the same time. This is best achieved by opening up the economy to the world and inviting foreign companies to grow the economy by participating in the huge Indian consumer market. We also need to nurture Indian companies to grow and be able to compete globally, evolving into India's MNCs in the next few years.

ROLE OF FOREIGN MNCs

The large Indian consumer market, representing 1/5th of the world's population, together with its low cost of production are powerful forces attracting foreign MNCs into India. Foreign MNCs are today accessing the Indian market both through strategic alliances with Indian companies, who understand the Indian consumer better, as well as through direct 100% investment into India. **Foreign MNCs bring in technology and capital. They have immense capability of value addition in a very short span of time.**

With their capital, technology and brands foreign MNCs have a crucial role to play in India's economic growth, and are correctly being invited into India in the liberalised policy framework. Besides the direct technology and capital infusion, ancillary and small businesses will also benefit more rapidly with the entry of foreign companies, enhancing value addition to the Indian economy.

Foreign MNCs are initially attracted by the huge Indian consumer market. The low cost advantage that goes with this attraction will, in due course, make India a preferred production centre, and foreign companies will profitably export goods out of India thus invigorating the Indian economy and also bestowing international respect on India as a production centre for high quality goods.

THE NEED TO CREATE INDIA'S MNCs

However, India would stand stronger in the comity of nations if Indian companies can sell their products and trademarks abroad successfully in competition with world leaders. **While foreign investment into India does benefit the economy in considerable measure, even greater benefits would be achieved if we nurture and develop our own companies to grow into India's multinationals.** Even today, the names General Motors and Sony, for instance, evoke images of US and Japanese quality leadership. They are the flag-bearers and industrial ambassadors of their respective countries and give immense prestige to the 'Made in USA' and 'Made in Japan' labels. Other smaller companies in these countries have prospered more rapidly by riding on the goodwill and image of their multinationals, together contributing strongly to their national wealth. Similarly, Samsung, Hyundai and Daewoo have substantially elevated the South Korean image, accelerating the global spread of 'Made in Korea' products. India now needs similar flagbearers to generate international respect for the 'Made in India' label.

It is, therefore, essential to adopt a dual policy consisting of :

(i) attracting foreign multinationals, and (ii) creating India's multinationals.

Such a 'middle path' strategy will result in balancing the Indian economic power, in the next decade, with foreign multinationals on one side and a growing number of Indian multinationals on the other.

STRATEGIES TO CREATE INDIA'S MNCs

i) SELECT KEY BUSINESSES

It is essential first to identify areas where India possesses or is in a position to develop and sustain competitive advantage rapidly on a global scale. Such advantage should have the potential to be sustainable in a low tariff environment and compete with the best companies and products in the world. **India today has a competitive advantage in several areas such as textiles, agri-processing, software, jewellery crafting, leather, granite, tea, marine foods, engineering goods, two-wheelers, tobacco, speciality steel, aluminium, construction and speciality chemicals, to name a few.**

India is the lowest cost producer in a number of these areas. True export potential has been barely tapped. An increase of even 1% in only these areas would generate additional exports out of India of $ 5 billion, which would increase total exports by 25%. It is only in gems and jewellery that India has an appreciable share of 40% of world trade. Even here, our low cost advantage is not fully exploited. **We should strategise to export our skills overseas,** and instead of merely being suppliers to the Cartier's and the Tiffany's of this world, we should target the premium value-added end. **A country strategy needs to be put into motion urgently in all such areas where India has the potential to develop competitive advantage.**

For instance, only 12% of all tobacco users in India consume cigarettes. **Pragmatic taxation policies in the last two years have helped market growth in what was a declining segment of the industry two years ago.** The cigarette segment is now likely to grow by 5—6% this year. If the States had not vitiated the single point taxation format, the growth could be even more rapid, improving Government revenues and making Indian industry even more competitive globally.

We are today the lowest cost quality producers in the world, yet our share in the $ 250 billion global market is still negligible. A growing and modernising domestic base, I believe, can give India a very strong position in this business. Even a 1% share of the world market would mean a market size

This does not purport to be a report of the proceedings of the 83rd Annual General Meeting. For the full text of the speech, please write to : Corporate Public

of $ 2.5 billion which is twice the present size of the domestic market.

ii) ACQUIRE QUALITY AND COST LEADERSHIP

The next step would be to identify companies which could add quality and cost leadership and develop the capability to produce world-class quality products at a cost that is appreciably lower than the international cost. Such a capability would enable penetration into markets where there are barriers created by established brands.

Capturing consumer franchise is the key to success. Strong international consumer brands have behind them decades of investment in product development and image creation. Recent events, however, indicate a possible discontinuity where people are willing to make purchase decisions purely on product attributes, quality, cost and service. A sustained continuance of product, quality, cost and service might create space in the new era for new brands.

iii) LEADERSHIP IN THE INDIAN MARKET

The companies so identified should be in leadership positions in their product categories in the Indian market. Though India does have a large consumer market, disparate state-level taxation on almost all products serves to fragment the market to the detriment of large companies having national distribution of their products. It is indeed ironic that India has signed GATT but is still very far from having a common market in its own country! **An Indian common market is a MUST** for Indian companies to effectively capture synergies in the home market before attempting to position themselves on a global scale.

iv) BUILD MARKET PRESENCE OVERSEAS/ACQUIRE BRANDS AND COMPANIES

The one major impediment facing aspiring Indian MNCs would be their ability to penetrate the barriers created by international brands built through massive investment of long years. **The only answer lies in a bold and aggressive approach being adopted by potential Indian MNCs in acquiring companies/brands abroad.** None of our Indian companies have the financial resources to adopt this bold approach. Acquisition of brands or companies would only be possible with Government support, by the **establishment of either a Brand Acquisition Fund or a Venture Capital Fund.**

I advocate the acquisition route in preference to the greenfield route of launching our own Indian brands till a critical size is achieved, since the latter is a much more risky, expensive, and long-gestating strategy in a situation where we have little time.

Indian companies today are in no position to adopt and achieve global relevance by the year 2000 on their own, without accessing cost effective funds to finance company and brand acquisitions, purchase of technology and investment in product development and R&D. As a consequence, they need to be nurtured till they reach critical size.

NURTURING INDIA'S MULTINATIONALS

A scan of the top 50 Fortune Global 500 companies reveals that barring stray exceptions, most companies have emerged with a shareholding pattern that is widespread. MNCs have emerged with such a shareholding pattern after several decades and today have no worry about loss of control in mobilising substantial funds needed to achieve growth objectives. Indian companies are not yet in such an enviable position and loss of control is today a crucial issue in most leading Indian companies having growth aspirations. It is necessary, therefore, to bring well-positioned Indian companies having ambitions to reach global relevance, on a similar or equivalent platform and enable them to access funds both in the Indian and global markets in the same manner as most of the Fortune 500 companies do, without fear of possible loss of control.

The evolution of the German and Japanese global companies was, in major part, a result of their banks and financial institutions holding substantial equity stakes in such companies on a permanent basis.

A similar Golden Share concept needs to be brought in whereby financial institutions and banks hold a Golden Share – perhaps between 26% and 40% – of large Indian companies with multinational aspirations, to enable them to compete and grow, enriching India in the process, without worry about loss of control. I would, however, as one suggestion recommend a bold approach whereby the Government could encourage financial institutions to set up a Fund, which supports the Golden Share concept. The establishment of such a Fund would protect and help create Indian multinationals and would provide focussed support, releasing the power of the Indian entrepreneurs to commit themselves to bringing prestige to the 'Made in India' label around the world through competitive battles, hard work, commitment and professional excellence.

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Your Company has been pursuing growth through international competitiveness in all its spheres of operation. **It has built strong brand equity through appropriate positioning and consumer orientation.**

The recent past has seen investments in cigarette technology which have resulted in ITC emerging as one of the lowest cost quality producers in the world. The managerial resources of your Company, through training and development and exposure to international cultures, are today fully equipped to face international competition and spearhead the Company's foray into world markets. **The strong performance of your Company in generating Foreign Exchange earnings has enabled it to earn the prestigious status of 'Super Star Trading House'.**

ITC Global Holdings Pte Ltd., a wholly-owned subsidiary in Singapore, has built upon ITC's established strengths and linkages with the farming community and the consumer to source quality Indian agri-products for world markets. It is well on its way to become an Indian 'Sogososha' and a marketing spearhead for Indian products in world markets.

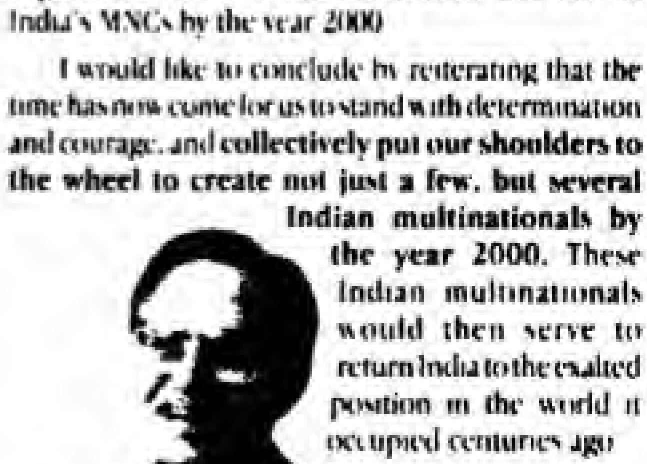
Your Company successfully raised low cost funds overseas, both in the equity and the debt markets. The immensely successful GDR issue last year was oversubscribed in excess of 9 times at the high price-earnings multiple of over 35 times. Besides, since April 1993, your Company has also successfully raised debt of US $ 45 million at internationally competitive rates of interest.

With appropriate strategies in place and a supportive Government policy framework, the ITC Group is positioning itself to become India's MNC by the turn of the century.

The past two decades have seen your Company transform itself into an industrial Group that is growing rapidly in all its businesses. In 1970, your Company's Turnover was barely Rs. 145 crores, with Net Profit of Rs. 3 crores. Your Company was then a single product Company in the business of Cigarettes and Tobacco. **Today, ITC is a diversified Group in the businesses of Hotels, Edible Oils, Paper and Packaging, Financial Services, Software and International Trading, besides Cigarettes and Tobacco, with a Group Turnover of almost Rs. 6000 crores and a Net Profit of close to Rs. 300 crores. In the past 24 years, ITC as a Group has grown by over 40 times in Turnover and 100 times in Profits.** Our Market Capitalisation was barely $10 million in 1970 at the then prevailing exchange rate. Today, the Market Capitalisation of the Group is almost $ 4 billion. The Market Value of the Group in the last 24 years has improved by over 300 times in dollar terms and by over 800 times in rupee terms.

Our Hon'ble Finance Minister, in his 1994 Budget Speech, has envisioned: "Looking ahead I have a vision of our industrial firms acquiring a global reach and their names becoming household words in far-off distant lands." **We, at ITC, have been at the forefront in prescribing the strategic necessity of creating India's multinationals,** which would compete with the best in the world and generate international respect for the 'Made in India' label. We are committed to becoming a prominent Indian flagbearer and industrial ambassador and one of India's MNCs by the year 2000.

I would like to conclude by reiterating that the time has now come for us to stand with determination and courage, and **collectively put our shoulders to the wheel to create not just a few, but several Indian multinationals by the year 2000.** These Indian multinationals would then serve to return India to the exalted position in the world it occupied centuries ago.



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Population Policies: Some Issues

T N Krishnan

Population Policies Reconsidered: Health, Empowerment, and Rights edited by Gita Sen, Adrienne Germain, Lincoln C Chen; Harvard Series on Population and International Health, distributed by Harvard University Press, Cambridge, MA, USA, March 1994; pp XIV and 280; $ 14.95.

THIS is a serious, stimulating and thought-provoking collection of essays on population policies. The volume contains 17 essays and, apart from the overview, these are arranged under four sections. However, the essays fall short of actually proposing an alternative set of population policies. The essays cogently argue that population policy is not confined to 'condom' distribution alone but impinges on some profound questions on human values. The editors say that the challenge posed to current population policies is based on three sets of fundamental issues—ethics, human rights and human development; women's empowerment; and reproductive and sexual health. The editors have unequivocally stated their concerns in the overview chapter: "The first is that population policies should be transformed to reflect a fundamental commitment to ethics and human rights. The second is that population policies, rather than concentrating simply on fertility control, can only be effective and humane as part of broader human development approaches that create an enabling environment within which people can attain their health and rights. The third theme gives priority to two strategies: women's empowerment, and reproductive and sexual health services" (pp 5-6).

A reading of the overview and another essay by one of the editors makes amply clear that the editors are quite concerned on the emerging alliance between the 'condom' distributors and the environmentalists. This is a wrong alliance for a right cause. The environmentalists appear innocent and naive on the relationships between population growth, environmental degradation and the pattern of economic development. At the same time, their concerns are genuine and there is a need to incorporate these in population policies and programmes. Gita Sen's essay in this volume ably articulates these concerns and suggests various ideas for integrating population and development issues within an enabling environment. She believes that "environmentalists and women's health activists can build alliances for strategies that promote secure livelihoods, basic needs, and gender equity, not just economic development" (p 8). This will then be a just and right alliance for just causes.

The five essays in the first section are devoted to re-examining the premises of population policies and analytically and intellectually this is the most stimulating section in the volume. The first essay by Sissela Bok, a philosopher (incidentally, she is the daughter of Gunnar and Alva Myrdal, and the spouse of Derek Bok, just retired president of Harvard University), raises the ethical basis of population policies. This is an aspect that has received scant attention in an area where the scope for abuse is indeed very great. Just because population growth may adversely affect the standard of living of a population, can population policies be indifferent to moral issues or basic human rights? Sissela Bok succinctly states the issue:

> Ethical conflicts over population policies concern not only the objectives that we should pursue, singly and collectively, but also the means that we can legitimately employ and that is most desirable in the course of this pursuit. The choices about ends and means when it comes to sexuality, family planning, and childbearing takes place at every level, from the individual to all the way to the international. Because these choices arise in contexts of great diversity, involving gender, class, ethnicity, and religion, there are wide variations in what individuals are able to do, depending on the power relationships in which they stand. But no matter how varied the contexts in which such choices are made, it is important to recognise that the resultant policies often place the largest burden on women, and it is they who have been most often at risk from errors in, or abuses of, policies, customs, and rules (p 16).

She advocates an "expansion of moral space" to include development and population policies for avoiding the likely conflicts between ends and means.

Ethical issues are taken up again from an economic or welfare angle in the contribution by Sudhir Anand. He decries the treating of population as a set of impersonal numbers conflicting with economic calculations, and advocates instead, of treating population as "people". Population policies should take into account people's capabilities in an environment of freedom for maximising the individual well-being. Both Bok and Anand see the critical ethical issue as the reproductive freedom of women.

The ethical issues raised in the first section spills over to the two essays in the second section which deal with human and reproductive rights. The essay by Zeidenstein (Boland, Rao and Zeidenstein) is revealing. When Zeidenstein—who headed the population council for a number of years and thus ought to know—expresses his fears regarding the gross abuse of human rights in implementing family planning programmes, he should be taken very seriously. One feels horrified to read his description of the implementation of the much touted Indonesian family planning programme. To quote:

> 'Norplant' has been administered in part by means of 'safaris'—operations in which family planning personnel, accompanied by soldiers, enter a village, gather the populace together, and expound upon the advantages of family planning, often with an implied threat that the village will be punished if family planning methods are not adopted. These safaris have historically played an important part in Indonesia's family planning programme, typically resulting in village women's mass acceptance of contraception—often of the one method being promoted at that particular moment by the government (p 99).

No further testimony than Zeidenstein's is needed to bring home the gross abuse of freedoms perpetrated in implementing fertility control measures. If these are the ground realities, then how does one make population policy? I take recourse to quoting Zeidenstein again:

> In our view, human rights, particularly women's reproductive rights, must be moved from the periphery to the centre of concern... it would acknowledge that each woman has a right to liberty and security of person, including an absolute right to bodily integrity and to decide herself on matters of sexuality and childbearing with no interference from her partner, family, health care professionals, religious groups, the state, or any other actor. *Coercion* would be expressly defined to include forced abortion, sterilisation, or contraceptive use; the denial of safe abortion; and more subtle activities, such as the imposition of psychological pressure and incentives that compromise voluntary choice. When, for example, a woman who is desperately poor is offered a significant amount of money or social benefits, or is denied them on the basis of dictated reproductive choices, she who is most in need and help is harmed instead (p 100).
>
> In addition to reproductive rights, the policy would guarantee broad equal rights for women with respect to other spheres of life, such as education, training, employment, family relations, property rights, political life, land tenure, and inheritance. It would also ensure that women are free from

harassment, abuse, genital mutilation, and gender-based violence. Moreover, the policy would emphasise social and economic rights that, although included in major human rights instruments, have often been ignored in deference to civil and political rights. Among these are rights to adequate primary health care, housing, social security, education, and nutrition (p 100).

Zeidenstein is obviously advocating the withdrawal of population programmes for the sake of population control. This is quite explicit when he says that "quality of care, rather than demographic targets and numbers of acceptors would be the central concern" (p 100). I wish our health and family welfare ministry takes note of this observation even though they refuse to listen to some of us when we express the same view. Zeidenstein has seen enlightenment but realises that there will be stiff resistance for the new enlightened population policy. He states "the policy would face stiff opposition from the entrenched interests of international donors and governments..., that are wedded to the idea of fertility control enforced from above; from international economic institutions that have recently required "structural adjustments"; and from governments uninterested in social investments. Similarly, it could expect strong resistance from powerful nongovernmental groups, such as "religious fundamentalists of all persuasions, social conservatives, those espousing patriarchal notions of women and the family, and those holding economic power" (pp 100-101). In the light of this statement, there is little hope that the type of population policy advocated in this volume can be implemented in our country in the foreseeable future. Almost all the opposing factors that Zeidenstein mentions are present here now and in great strength.

What is the basic condition required to enforce the new population policy? The third section which addresses this question comes up with "women's empowerment" as the key to this issue. Srilata Batliwala elaborates this concept and the essential conditions for empowering women. Empowerment is a process as well as the result of that process. According to Batliwala "the goals of women's empowerment are to challenge patriarchal ideology (male domination and women's subordination); to transform the structures and institutions that reinforce and perpetuate gender discrimination and social inequality (the family, caste, class, religion, educational processes and institutions, the media, health practices and systems, laws and civil codes, political processes, development models, and government institutions); and to enable poor women to gain access to, and control of, both material and informational resources. The process of empowerment must thus address all relevant structures and sources of power" (p 130). This is indeed a tall order. The policies advocated in this volume strike at the very root of the organisational structure of present societies and therefore a rapid and peaceful transition appears a utopian dream. But many realities have their origin in dreams.

Nearly half the number of essays deal with questions on reproductive health and reproductive rights. The area of reproductive health is a dark area and hidden and unperceived morbidity not only blocks our understanding of the problems and the extent of its severity but also prevents the development of a comprehensive plan of action to tackle the problem. The plan of action envisaged by Adrienne Germain et al includes "broader information and services for women, programmes to encourage men's responsibility for their own sexual behaviour, and research and action to promote healthful and equitable sexuality and gender relations" (p 9). Ian Aitkin and Laura Reichenbach go further and advocate a comprehensive health plan integrating health workers, community and health delivery services to function as a whole. They consider this to be the most cost-effective to deal with reproductive health problems in the long run. There are probably many seminal ideas expounded in the essays on reproductive rights but they are yet to be translated into legal rights and obligations.

In an important essay, Anrudh Jain and Judith Bruce, two of the long-time senior policy planners in the population council, decry their own policies, propounded and implemented through the population council for nearly 40 years, and advocate a new reproductive health approach to population policy. They call for a redefinition of family planning, a reorientation of its goals, and a reassessment of the results. They are against viewing population policy as a fertility reduction policy and family planning as the instrument to achieve that end. Instead, family planning should be the instrument for safeguarding reproductive health and population policies should be no different from development policies. Reducing class, ethnic, and gender disparities through good social and development policy will turn out to be good population policy also. If Jain and Bruce now conclude, after 20 or more years of experience in implementing family programmes, that good population policy is no different from good development policy and that it can succeed only in an egalitarian environment, we should heed to their wisdom and advice. In this context I am reminded of an exchange between a visiting Chinese delegation of parliamentarians and a former chief minister of Kerala. The chief minister is reported to have asked the leader of the Chinese delegation why the Chinese resorted to compulsion in family planning when it was never used in Kerala and both had almost identical birth rates. The answer probably lies in the fact that Kerala women enjoyed greater freedom in exercising their reproductive rights and therefore a voluntary family planning programme achieved a greater degree of success. The lesson is that egalitarianism should include not only economic and social equality but also reproductive freedom for women.

The final essay in the volume by Zeitlin, Govindaraj and Chen is on financing of reproductive and sexual health services. They examine the existing sources of financing of population programmes and conclude that it is basically for financing contraceptives. Estimates of resources devoted to reproductive and sexual health are weak or non-existent. Total health expenditures in many low-income countries are far below needs. Reduction in military spending—in developing as well as in developed countries—can release much needed resources for this area.

The issues raised in this volume deserve immediate attention. The International Population Conference will meet in Cairo in September to take stock of the achievements and problems in the population field since the last meeting at Mexico. This global gathering will also spell out the new directions in population policy for the next decade. If the issues raised in this volume are not widely debated and understood, there is a good chance that the unwitting alliance of the environmentalists and the 'condom' distributors will carry the flag.

This volume has appeared at the most opportune time for us. The Swaminathan Committee has drawn up a national population policy and it may be adopted by default. This is a time for national debate. We may at last adopt a national population policy at a time when the very basis of such a policy is under examination. When population policy experts advocate a comprehensive developmental approach to population we are probably moving away from such an approach. The new approach is not for abandoning population policy but to make it an integral part of development policy. This is the only approach which can respect reproductive freedom and rights and guarantee equality between women and men.

Note: All quotes are from the volume under review. This publication is funded by the Swedish International Development Authority and copies are available free of cost to scholars from the developing countries. Copies can be had from: Director, Centre for Population and Development Studies, Harvard University, 9 Bow Street, Cambridge, MA 02138, USA.

Complex Patterns

Kanakalatha Mukund

Artisans and Industrialisation—Indian Weaving in the Twentieth Century by Tirthankar Roy; Oxford University Press, New Delhi, 1993; pp xi + 243; Rs 290.

TEXTILES and weaving are inextricably mixed with the cultural identity of India, having been the most important part of our economic life, next only to agriculture, over the centuries. So much so that the effects of colonialism and industrialisation on the textile industry have evoked very strong responses among scholars. The received wisdom is that there was a uniform, across-the-board decline in output and employment in all segments of textile production. Tirthankar Roy argues that such conclusions oversimplify the extremely complex set of responses by indigenous crafts to the wide-ranging transformation ushered in by industrialisation and "urges that, rather than worrying about deindustrialisation, it is more interesting to ask what causes institutional changes in the crafts and what institutions make them viable".

To answer these questions Roy looks at the developments in the textile industry in India since 1900, a point of time when the still surviving segments of the handloom industry began to grow. A point repeatedly emphasised by Roy is that the handloom sector was not homogeneous—not in the textiles produced, nor in the markets catered to, nor in organisational features. The survival of handloom production which could co-exist with powerloom units in spite of their very different capital-labour ratios is often explained as the result of the handloom weaver deliberately lowering his returns—i e, by self-exploitation—to offset the productivity advantage of the powerloom sector. Roy offers an alternative explanation for the survival and even growth of handlooms in the present century,—that it was due to the conscious decision of the weaver to use the advantage of product differentiation and diversifying into high value added textiles. This was accompanied by other changes as well—increasing disparities among weavers, urbanisation of weaving and the adoption of techniques that displaced family labour in yarn processing. To some extent, all the accompanying changes were an outcome of the survival strategy of shifting to varieties which did not face competition from mill cloth, which meant that a home-based production unit had to become more open (or vulnerable) in buying yarn and in marketing its production. Integral to this survival was the growing urbanisation of handloom weaving and the development of more factory-like weaving complexes ('karkhanas'), which also led to growing polarisation between the capitalistic weavers and the poorer weavers. These changes had specific regional patterns, and Roy tries to integrate all these diverse strands in this study.

The first two chapters are devoted to quantitative analysis and the main inferences which can be drawn from the available time series data. Comparing the market shares of imported, Indian mill and handloom cloth (pp 28 and 29) what becomes evident is that between 1900 and 1939 the main gainers were Indian mills, while the market share of imported cloth declined proportionately. Handlooms, in spite of some fluctuations, held steady, and even showed a moderate increase in their market share from 27.6 per cent in 1900-1904 to 31.6 per cent in 1935-39. The author draws some tentative conclusions from the data on output, prices and profits. The main trends were: growing inequality across producers, which also meant that surplus capital for accumulation was available to the more prosperous segments; a large part of the growth in output must be attributed to technical change—shifting to better looms and improved process, which weakened the traditional family-based production unit; and, finally, the noticeable diversification into finer and costlier fabrics, in what Roy calls a "deepening of the product structure".

Roy himself prefaces these chapters with an extensive discussion on data constraints, and some of the assumptions from which the conclusions are derived are also perhaps open to debate. To begin with, the discussion on market shares does not convey much in the absence of any estimates on the total size of the market, and whether it grew or remained stagnant or even declined in the period. Also, the argument for widening disparities among weavers is based on the data on profits and wages per yard, between 1924 and 1940 (pp 38, 39 and Figure 3). While wages show a steady, though gradual, decline over the period, profits, after a sharp fall in 1932, maintained a rising trend till 1939, with the gap between profits and wages also widening. Roy's argument is that profits reflect the earning of capitalist ('labour-hiring corporate') weaver households, while wages represent the earnings of poorer weavers with no direct access to the markets. But what was the proportion of the two classes among weaving households? What was the share of profits accruing to merchant/traders, as compared to weavers? Such troublesome questions recur throughout the chapters devoted to statistical data.

The rest of the book analyses various dimensions of the changing world of textile production—in organisation, product mix, the regional variations and technical options. To begin with, Roy points out that by the 1930s, the general perception that the industry was in general decline or in a state of crisis had changed, and the official reports had turned to accounts of the changing organisational arrangements in handlooms. Weavers with no access to the market could sell their cloth through contracts with merchant/traders, either on a 'wage' contract system, or through a 'price' contract. Explaining the differences in the weavers' status implicit in these terms, Roy also says that in the western and southern parts of the country, weavers were a powerful class, and weaver traders were becoming more and more evident. In the eastern and northern regions, however, the merchant/producer divide remained. The exploitativeness of the contracts also depended on the relative strength of the weavers in different regions. While the weavers were quite powerful in Sholapur, in southern Andhra the weavers were subjected to very exploitative terms under the existing class-caste social relations. The migration of weavers to urban centres also developed a class of proletariat weavers employed in larger weaving units. All these changes led not only to capital formation among the large weavers, but also to different sources of capital—from trading and production, from trading in yarn or cloth.

Perhaps the most interesting part of Roy's study is the chapter which discusses the different kinds of demand for cloth and the adjustment of handloom weavers to the competition from imported cloth, as well as Indian mill production. Roy here distinguishes between 'static' and 'dynamic' adjustment. 'Static' adjustment was characterised by the growing specialisation in fabrics and designs where the imported/mill cloth could not

compete. The former included both the coarse ('country') cloth and the very fine, upmarket range of fabrics, while mill cloth dominated in the medium range of textiles. The comparative advantage of handlooms in producing woven (as opposed to printed) designs was especially marked in cloth with contrasting borders and 'pallus', which were used as draped garments (saris, dhotis, etc). Roy observes that the demand for clothing comprised cloth which could be made into dresses by stitching, and cloth which was draped and was thus a 'finished garment'. The latter was usually made with prominent patterns woven on the loom, and contrasting borders with intricate designs, which became the special market which the handloom sector could cater to.

The importance of culture-specific consumer behaviour and its impact on production activities has not really been highlighted till now. In the Indian context, two patterns of demand were to be seen. While women, by and large, stayed with traditional garments, men shifted to more western-style clothing which involved stitching. To Roy, the response of the industry to this changing demand pattern and shifting to the production of piecegoods was a process of 'dynamic adjustment'. The invention of synthetic chemical dyes in the 19th century revolutionised textile technology. For India this meant the total eclipse of vegetable dyeing and dyers, and following a relative long experimental phase of using the new dyes, gradually more standardised production with more even quality evolved, marked by some more institutional ('dynamic') changes.

One of the noteworthy developments in the period till 1940 was the growing urbanisation of weaving. In 1940, 45 per cent of the looms in Madras presidency were in towns, while the comparable figures for Bombay and central provinces were 35 per cent and 19 per cent. This trend was more prominent in the south and west than in the north and east. Roy concludes that the level of urbanisation of a region was closely linked to the urbanisation of weaving, which also led to more large-scale weaving units and a more diversified product range.

A part of the changing scenario of textile production was the adoption of more cost-effective technologies, both in loom design and the recourse to mill warping. Roy cautions that though the data on these modifications is very unclear, it can be seen that provinces with more progressive industry departments had switched over to fly shuttle looms to a greater extent. The growth of small-scale power looms was also an important development, especially since this was an outcome of capitalistic handloom weaving, and has to be understood in that context.

The book concludes with a review of government policies in the colonial and post-independence period. The author is particularly critical of present-day government policy which treats all handloom weavers as an undifferentiated group, overlooking economic and social disparities within the group.

This book is an interesting addition to the 'new' orthodoxy in economic history writing which stresses that indigenous institutions were not merely passive pawns under the forces of colonialism and industrialisation, but were sturdy survivors who could adapt to the new conditions in a changing world. The book's strength—and its weakness—is that it aims at providing a comprehensive overview of the response of Indian handlooms, a major craft-based production system. The adjustments and processes were extremely complex, with very distinct regional differences and internal differentiation within the producing classes. In trying to capture all these strands within a mere 240 pages, the book is often jumpy, and makes for rather difficult reading. A more straightforward account region by region may have added to the clarity and readability.

Rural Co-operatives: Conditions for Success

H B Shivamaggi

Rural Financial Institutions: Promotion and Performance by Bhupat M Desai and N V Namboodiri; Oxford and IBH Publishing Co, 1993; pp xiii + 78.

AS a result of the ritualistic approach and the lack of genuine concern for the upliftment of the co-operative rural credit structure on the part of political leadership, this credit system continues to stagnate. The real problem lies at the primary level, whereas even today the in-charge apex institution NABARD talks mainly of launching "an action plan for improving the viability of state and district level co-operative banks". When NABARD signs memorandums of understanding with the concerned state governments for this purpose, it will surely insist on a time-bound action programme for the restructuring and activating of the primary societies for enabling them to reach a higher stage of development as multipurpose societies. The question is: to what extent are political interference and lack of co-operative leadership the cause of the present stagnant situation? It is in this context that the study under review acquires significance for policy-makers and programme implementors.

This study is the 161st monograph of the Centre for Management of Agriculture in the Indian Institute of Management, Ahmedabad. Based on the case-study approach, it examines the performance of two rural financial institutions (RFIs)—Anad Farmers' Co-operative Bank and Aruvikara Farmers' Co-operative Bank in Kerala—when they functioned as Primary Agricultural Credit Societies (PACS) and later when they emerged as Farmers' Service Societies (FSS).

The study has addressed the following two questions: (1) what organisational principles are involved in promoting RFIs? and (2) what is the performance of RFIs like PACS and FSS? To start with, the authors enunciate the following four organising principles for promoting any RFI:

(i) Vertical integration of the organisational structure of field-level offices of the RFIs;
(ii) density of field level offices of the RFIs;
(iii) coverage of farmers and other clients by the RFIs; and
(iv) diversified and multiple products which are horizontally integrated, that is multi-functional role of the RFIs.

The performance of the two selected rural co-operative financial institutions is evaluated on the basis of nine criteria derived from the four organising principles mentioned above: (1) vertical organisation, (2) density of field offices, (3) coverage of farmers with special reference to weaker sections, (a) membership and (b) borrowing membership, (4) inequality in the distribution of loans, (5) average transaction costs, financial costs and profitability, (6) size of operations per society to quantify scale of operations, (7) composition of credit and non-credit operations, (8) scale and scope economies in these costs, and (9) loan delinquency rate. In addition, the study also reviews the performance at the level of farmers and other clients by selecting 5 per cent of the rural households

in the sample area of operation of the two selected FSS. The required data for the two FSS were gathered for 25 years so as to obtain a detailed performance picture when they worked as PACS and later when they became FSS.

Besides the introductory chapter, the monograph contains three more chapters, one each on the two FSS followed by the final chapter on conclusions and implications. There are four figures and 48 tables.

The Anad Farmers' Bank started as a Credit Society in 1924, became a service co-operative in 1960, a service co-operative bank in 1974 and in 1978 it was converted to become a Farmers' Service Co-operative Bank covering two panchayat areas with 60,000 population and 4,200 hectares of cultivated land mainly under cash crops. The area has adequate development infrastructure—all-weather pucca roads, electricity, market yards, etc. Without going into further details in this brief review, mention may be made of the fact that the society has a long history of sound financial management and multipurpose functioning. Its deposit mobilisation, on an average, was nearly Rs two lakh when it was only a PAC while this figure jumped to Rs 103 lakh after it became an FSB. Its dependence on funds from DCCB was only around 39 per cent of loanable resources whereas it was as high as 66 per cent when it was only a PAC. It has two branches besides the head office, three field offices, five input depots, six procurement centres and 12 consumer stores. Both the branch offices and head office are housed in their own buildings. The number of members is 13,865 as against 12,352 households in the area. The members borrowing non-agricultural loans formed about 46 per cent of total members, the corresponding percentage for agricultural loans being 28 per cent. Only 22 per cent of the outstanding loans were overdue.

The Aruvikara FSB came up as a society of mutual help in 1924 and became an FSB in 1979. Its area of operation has 6,617 families with 18,432 persons. As in the case of the first bank, the area has adequate development infrastructure. Cash crops are the main crops of the area. The FSB has 9,130 members with the percentage of borrowing members being 75. Its deposits stood at Rs 30 lakh and its dependence on funds from DCCB has come down from 71 per cent when it was a PAC to 61 per cent when it became an FSB. It is a multi-functional bank with one branch, four consumer stores, three input depots and one procurement centre. Its loan recovery position at 10 per cent of overdue loans was better when it was a PAC as compared with the corresponding percentage of 40 now when it is an FSB.

While this research work has brought out that the performance of PACS is distinctly better when they became FSB because of larger area of operation, larger membership and combination of credit and non-credit activities, it could have also highlighted that primary level co-operatives in Kerala are working successfully because of five factors, viz, non-interference by government, higher literacy, larger deposit mobilisation and less dependence on central financing agency, predominance of cash crops and multi-functional operations which meet all the local needs—credit, farm inputs, consumer goods and procurement of produce. Being a case study, a few points about the men behind these two primary level co-operative banks—their age, profession, income, election system, their degree of active involvement as reflected in the managing committee meetings, the main list of agenda items, etc—would have told us to what extent good leadership can make efficient and viable rural financial institutions.

There is a need for more and more such case studies to bring out the success of primary level rural financial institutions in different parts of India and to highlight the factors underlying their success.

Though this is a modest research effort relating to co-operatives, the authors are apparently shy to mention 'co-operative' in the title of the publication.

Restrictive Trade Practices in India, 1969-91

Experience of Control and Agenda for Further Work

J C Sandesara

This paper evaluates the experience of control of restrictive trade practices (RTP) in India by the Monopolies and Restrictive Trade Practices (MRTP) Commission under the MRTP Act, 1969. This experience is examined by a statistical analysis of RTP inquiries instituted and disposed of by the commission since the enactment of this legislation till 1991 to which the latest published information relates. Based on this evaluation, as a second objective, the paper also presents an agenda for further work in this area.

I
Introduction

THIS paper purports to appraise principally the experience of control of Restrictive Trade Practices (RTP) in India by the Monopolies and Restrictive Trade Practices (MRTP) Commission under the MRTP Act, 1969. This experience is examined by a statistical analysis of the RTP inquiries instituted and disposed of by the MRTP Commission since the enactment of this legislation in 1969 till 1991 to which the latest published information relates. Based on this experience, as a second objective, this paper also presents an agenda for further work in this area.

There are, to be sure, a number of books dealing, exclusively or importantly, with RTP in India.[1] Generally speaking, this literature covers this subject by reproducing orders/judgments of the MRTP Commission/Supreme Court/high courts, fully or in a summary form, or by giving the provisions of the MRTP Act and the rules framed thereunder, and explaining and elaborating the same with notes and the case-laws. While useful in its own way, this material is not a substitute for the statistical analysis of the kind referred to in the above para. None of the books which we perused before we embarked upon this study, dealt with such an analysis. There, thus, existed a gap that needed to be filled in for an assessment of the efficacy of control of RTP. This paper is a modest attempt in that direction.

Secondly, this subject is topical. Following the New Industrial Policy of 1991, the MRTP Act was amended in 1991. This amendment has removed the threshold limits of assets in respect of MRTP companies and dominant undertaking and the related provisions on their expansion, etc. The policy also announced that emphasis will now be placed on controlling and regulating monopolistic, restrictive and unfair trade practices. Earlier, some economists had advocated a basic change in the approach to the control of RTP in the MRTP Act from the rule-of-reason to the *per se*.[2] Recently a group of experts have also advocated such a change.[3] In the context of this debate, our views on this subject, based on the above analysis and a scrutiny of the arguments advanced in this behalf, given at the end of this paper, would, we hope, be of some value in the discussion.

This paper is presented in five parts. The following part gives the background of the MRTP Act, and outlines the scope of this study. The third part presents an account of this legislation, and describes the nature of statistics. The fourth part deals with the statistics relating to RTP. The final part lists the agenda for further work. An outline of the subtopics dealt with in these parts will be found at the beginning of each part.

II
Background and Scope

We first trace the developments leading to the enactment of the MRTP legislation in 1969. This is followed by a discussion on the question of priority of the basic objective of the act, namely, prevention of concentration of economic power, and the specifics of concentration covered under the act. Finally, we delineate the scope of this study.

Background

The Constitution of India says, "The State shall, in particular, direct its policy towards securing" (and then continues in parts (b) and (c) respectively), "(b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good, and (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment".[4]

These concerns for a fair distribution of income and wealth and prevention of undue concentration of economic power have always figured prominently in the official policy documents of the government of India since then. Thus, for example, the Industrial Policy Resolution of 1956, the Industrial Policy Statements of 1977 and 1980, and the Five-Year Plans all list these as major objectives of government of India's policy and plans.

Further, the question regarding whether the operation of the economic system has resulted towards progress on these objectives or their retardation, and the extent of change thereon has been investigated by a number of official committees/commissions and researchers, and based on the suggestions/recommendations of these bodies, government have taken a number of legislative and other remedial measures as a follow-up.

To refer to some major and influential works on this subject: In 1964, the P C Mahalanobis Committee[5] reported that the working of the economic system has resulted in an excessive (in the sense of more than what can be justified or considered necessary) concentration of wealth and income in private hands, and pleaded for more comprehensive inquiries into the questions and issues related to such concentration. In 1965, the K C Das Gupta Commission,[6] appointed as a follow-up of this plea, reported that in a large number of industries, markets were monopolistic/oligopolistic, that monopolistic/restrictive trade practices were not rare/prevailed on a large scale, and that concentration at the aggregate level was substantial. To prohibit such practices and to control monopolies/oligopolies and aggregate concentration, the commission recommended a number of non-legislative measures, and also an enactment for which it gave a draft of "The Monopolies and Restrictive Trade Practices Bill, 1965".

The draft Bill was based on two principles: one that the country "needed highest production possible" and two that "it is achieved with the least damage to the people and secures to them the maximum benefit".[7] The bill was widely discussed and debated both in parliament and outside for long, and finally became an act in 1969. The act became operational from the next year.

Of the several noteworthy developments which propelled the enactment, three were

perhaps very influential. The first was R K Hazari's report[8] submitted in 1967 and the second was S Dutt Committee's report[9] submitted in 1969. These reports highlighted how the working of the licensing system had helped increase concentration of economic power in private hands, especially of established business houses, partly by deterring/restricting entry of new groups. This development, in those days was popularly regarded as concentration working to the common detriment. The third development was political when the Congress Party was split in 1969 on the ground of reorienting economic policies, radically to the left. This was perhaps the most influential event. This act, and other measures such as nationalisation of banks in 1969 were considered as providing convincing evidence that the government would keep the promises given at the party platform while announcing the split.

THE QUESTION OF PRIORITY

Although prevention of undue concentration has been one of the major objectives, there have been other objectives also in India's economic policy and planning. So the two questions in this context are : What are these objectives? And how high is the prevention of concentration objective *vis-a-vis* these other objectives?

We may deal with these questions, beginning with the position as given in the Constitution itself. At the outset, reference was made to Article 39(c) from whence it must have been noted that the article does not attack concentration *per se*; what it attacks is only that concentration which produces or leads to common detriment, or is likely to do so.

The phrase common detriment is wide open, and it is not easy to grasp it unambiguously. Thus, for example, Article 39(a) of the Constitution directs the State towards securing "that the citizens, men and women equally, have the right to an adequate means of livelihood", and Article 43 asks the State to endeavour to secure "to all workers .... a living wage", and in particular "to promote cottage industries".[10]

It does not require an in-depth examination to conclude that these objectives conflict in practice, at least in the short run. Thus, for example, high concentration resultant from technological and pecuniary economies of scale, and X- and allocative efficiencies promote in the short run rapid growth and a living wage to those employed. This is common good. But it also promotes in that period only a low employment growth. This is common detriment. Or to put the matter differently, by taking another example, promotion of cottage industries leads to faster employment growth in the short run, but such industries have only low-efficiency and are poor pay-masters. The first is common good; the second is common detriment.

Since the objective of prevention of concentration of economic power in private hands has been largely discussed in the context of industrial policy and planning, it is worthwhile to examine this question elaborately in that context. In industry, we have been having a number of objectives, in particular rapid growth, reduction in regional imbalances, protection/promotion of small industry, besides of course the objective on concentration. Take, for example, the case of establishment of a large plant in an industrially underdeveloped area by a large private company/ business house. On the regional balance objective, this establishment subserves common good. On the other hand, on the concentration objective it produces common detriment. Also, in view of pre-emption of some resources for the needed infrastructural investments in the underdeveloped area when bereft of it, fewer resources are available for investment directly in industrial/manufacturing activity. Thus, industrial/manufacturing growth will only be small in the short run. So this also is common detriment on the growth objective.

As a final illustration on this point, we refer to the Das Gupta Commission's report. While much concerned with the undesirable consequences of excessive concentration it has documented, and for which it has suggested remedial measures, the report has also recorded the achievements of concentration. Of the several passages on the latter, the following three seem to be the most telling: (1) "Big business has done much for the country's economic betterment and as a consequence for the alleviation of the poor men's misery." (2) ". . what little development there is owes much to the adventure and skill of a few men who have in the process succeeded also in becoming 'big business', thus concentrating in their hands a great portion of the economic power controlling and directing the production and distribution of national wealth and income. It is fair also to state that after concentrating power in their hands these men have gone on often to push forward development of further industries, which has been to the advantage of the country." (3) ".... economic power may be relied upon to make important contribution to industrial development in the years to come."[11]

A close reading of the above as also of several other passages on the objectives of industrial policy and planning leaves two things reasonably clear. We have been having several, mutually conflicting objectives, and that there is no clue on the question of priority among these objectives, nor a suggestion as to the method that could be deployed to settle this question. To put it differently, on paper all objectives seem to enjoy or suffer from equality in priority.

If, however, one looks at and observes closely what the government have been doing in practice, rather than what they have been speaking or writing, one gets some inkling on this question. It seems that almost throughout the last four-and-a half decades since independence, but especially since the beginning of the Second Plan in 1956, the objective of rapid industrial growth has been pursued more vigorously than the other objectives of industrial policy and planning, including the objective of prevention of concentration of economic power. We have argued in detail for this conclusion elsewhere,[12] on the basis of relative allocations of outlay to the small and the large industrial sectors and on a chronological listing of policies/measures adopted to subserve these various objectives. So here only references to the points relevant to the concentration question should suffice.

First, whereas industrial growth objective has been pursued vigorously at least since 1956, the legislation to control concentration was enacted in 1969, nearly 20 years after the launching of the planned economic development. Second, the enthusiasm of the government to control concentration, with the help of the MRTP Commission seems to have diluted within three-four years of the enactment, as is seen from a limited number of references for inquiries government began making to the commission relating to the MRTP companies in respect of their application for expansion of their business in various ways. In fact, this has been a major point of tension between the commission and the government as can be seen from their respective reports of the earlier years.[13] Third, from time to time government have been making relaxations for expansions and growth of large companies/ business houses on a variety of grounds such as priority industries, location in backward areas, exports, etc. The most significant and widely noticed relaxation relates to the raising of the asset limit of the MRTP company from the original limit of Rs 20 crore to Rs 100 crore in 1987 and the abandonment of the very concept of the MRTP company itself in 1991. Fourth, the new industrial policy of July 1991 has thrown open a large number of areas earlier reserved for public sector for the private sector, including multinationals. Finally, government have commenced disinvestment from the public sector. The areas vacated by the public sector are expected to be filled in by the private sector, in some of which large companies/business houses will, therefore, play a more prominent role now.

This review highlights the point that since around mid-70s the government have seen more clearly the conflict between the objectives of rapid growth and prevention of concentration of economic power in private hands, and have been moving, especially

since 1991, more openly and more boldly to settle the question of priority, in favour of the growth objective. Thus, the objective of prevention of concentration of economic power in private hands has now become an objective of lower priority than before.

Specifics of Concentration

The foregoing discussion on the antecedents and the priority of the concentration objective has been in general terms. It is time to be specific.

One may distinguish between concentration at the macro-level and concentration at the micro-level. At the former, it relates to the share of a certain specified number of large (generally private) companies/business houses in the total of the corporate sector or the national economy. The share is measured on the criterion of assets, sales, employees, etc. The larger the share of that number, greater the concentration. The concern for high concentration of this kind arises principally on the ground that, coupled with wide distribution of political power as is the case in well-functioning democracies, it may rob political democracy of its good meaning, and may also produce adverse social consequences.

Concentration at the micro-level relates to the share of a certain specified number of large private companies/business houses in the total sales/production in the industry/market in which the companies operate. The larger the share of that number, greater the concentration in the industry/market. The concern for high concentration of this kind arises out of the fear associated with monopolistic/oligopolistic markets which it creates. Firms in such markets are known to suffer from various kinds of static and dynamic inefficiencies—allocative, X- and technological. And that is common detriment.

A third type of situation which may result in the outcome being prejudicial to public interest or producing common detriment relates to the adoption by firms of different types of anti-competitive practices such as monopolistic and restrictive trade practices, or misleading practices such as unfair trade practices. While it is easy and common for firms working in monopolistic/oligopolistic markets to adopt such practices, it is not difficult nor uncommon for firms working in other markets also to do so. Examples of such practices are: limiting technical development, collective price fixation, tie-up sales, exclusive dealings, misleading advertisements, etc.

It is for these reasons that anti-trust legislations of the capitalist countries have provisions to control situations of concentrations and anti-competitive and misleading trade practices, though, as one would expect there are significant differences in their respective legislations.

Scope of the Study

The Preamble of the MRTP Act reads as under: "An Act to provide that the operation of the economic system does not result in the concentration of economic power to the common detriment, for the control of monopolies, for the prohibition of monopolistic and restrictive trade practices and for matters connected therewith or incidental thereto".

Interpreted specifically as per the outline given under the previous heading, the broad objectives of the act, as translated from the Preamble, may be given as under:

(i) *At the Macro-level*: Avoidance and prevention of concentration of economic power that is or that may lead to the common detriment;

(ii) *At the Micro-level*: (a) Control of monopolies, (b) Prohibition of monopolistic and restrictive trade practices.

The act has been amended several times since 1969, in 1980, 1982, 1984, 1985, 1986, 1988 and 1991. Besides, from time to time, rules have been framed to carry out the objectives of the act. Of the amendments referred to, those of 1984 and 1991 are comprehensive and far-reaching relative to others, as they were based, respectively, on the recommendations of the Rajindar Sacher Committee made in 1978[14] and on the recent path-breaking liberalisation policies, in particular of the New Industrial Policy of 1991. To refer to some of these provisions: The 1984 amendment brought into the act the provisions for the regulation of unfair trade practices, and created a new authority of the Director-General of Investigation and Registration, replacing the twin authorities of the Director of Investigations and the Registrar of Restrictive Trade Agreements. The 1991 amendment deleted the concept of the MRTP company, and repealed, as a follow-up, almost all provisions relating to their expansion. It also withdrew generally the exemption of the public sector from the provisions of the act. In brief, the amendments have enlarged the scope of the act by bringing into fold of control unfair trade practices and public sector and reduced its scope by removing from control the situations of aggregate concentration.

The scope of this study is restricted to the working of the act in regard to RTP. The reasons for excluding the working of the act in other areas and limiting it to RTP are spelt out below:

(1) A study of the working of the aggregate concentration under the act has now become only of historical value. As mentioned above, the 1991 amendment has deleted the concept of the MRTP company, and as a follow-up, repealed the provisions regarding their expansion, etc. Secondly, even before that, the commission was asked to inquire into the situations of aggregate concentration in a limited number of cases, and that too during the first three-four years of the act. Almost all cases of the later years were disposed of by the government directly. Thirdly, although the provisions relating to division of

Table 1: Restrictive Trade Practices Agreements—Filed and Registered, 1973-1989

Year (January-December)	Filed: Number during the Year	Filed: Number at the End of the Year	Filed: Percentage Increase in Column (3) over the Previous Year	Registered: Number during the Year	Registered: Number at the End of the Year	Registered: Percentage Increase in Column (6) over the Previous Year
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1973	2823	13969	—	2065	12926	—
1974	3343	17312	24.4	2643	15569	20.4
1975	2398	19710	13.9	2363	17932	15.2
1976	2079	21789	10.5	1787	19719	10.0
1977	1439	23288	6.8	1354	21073	6.9
1978	887	24115	3.4	501	21574	2.4
1979	623	24738	2.6	578	22152	2.7
1980	610	25348	2.5	585	22737	2.6
1981	616	25964	2.4	520	23257	2.3
1982	527	26491	2.0	478	23735	2.0
1983	1157	27648	4.4	1019	24754	4.3
1984	2895	30543	10.5	2787	27541	10.9
1985	7310	37853	23.1	7129	34670	26.3
1986	503	38356	1.3	2645	37315	7.6
1987	310	38666	0.8	236	37551	0.5
1988	208	38874	0.5	107	37658	0.4
1989	111	38985	0.1	128	37788	0.3

Note: For explanations on statistics, refer to the text under the heading *Registration of Agreements* in Part III.

Source: Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, *Annual Reports Pertaining to the Execution of the Provisions of the Monopolies and Restrictive Trade Practices Act, 1969*, New Delhi.

undertaking and severance of inter-connections of undertakings remain, though in a modified form, the work in these areas has been either nil or negligible. Thus, for example, there has so far been no inquiry into the severance; and as regards division, only two inquiries have been instituted of which one reference was withdrawn, and the other is in appeal before the Supreme Court.

(2) The other two exclusions relate to monopolistic trade practices and unfair trade practices. As to the former, between 1973 when the first inquiry was instituted and 1991 for which the latest report is available, only 16 inquiries were instituted. Of these, as at the end of 1991, 6 were pending before the commission on account of stay granted by Supreme Court/high court or other reasons. The remaining 10 inquiries were dropped, withdrawn, or had become infructuous. So in the monopolistic trade practice area, there is precious little available for assessment.

(3) For two compelling reasons, we have excluded unfair trade practices also from this study. First, though they do have economic significance and affect competition, they are more in the nature of unethical practices such as false/misleading advertisement, deceptive bargain sales, sale of unsafe goods, etc. A study of such practices is not particularly relevant from the industrial organisation perspective in which the focus is, among others, on other restrictive trade practices such as collective price fixation, tie-up sales, resale prices maintenance, etc. which, while restrictive of competition, are not unethical. The study was initially designed to focus on such practices. The inclusion of unfair trade practices would have altered the basic thrust of this research. Second, even though the provisions regarding unfair trade practices were inserted only in 1984, the MRTP Commission has done substantial work since then in this area. Between 1984 and 1991, nearly 1900 inquiries were instituted for disposal before the commission, of which about 1400 have been disposed of. Additionally, a lot of work in controlling these practices has been done under the legislations of central and state governments, such as Consumer Protection Act, Food and Drug Adulteration Acts, etc. In fact, in certain areas, unfair trade practices are controlled more expeditiously and more effectively under these legislations than under the MRTP Act. The idea of overlap between the MRTP Act and the Consumer Protection (CP) Act, 1986 can be had from the fact that the two acts have the same meaning of Unfair Trade Practices. In fact, the entire Section 36A of the MRTP Act on the definition is reproduced as clause (r) of Section 2(1) of the CP Act. These practices relate broadly to unfair/deceptive/unethical methods/practices adopted in promoting the sale, use or supply of goods or provision of services. It may also be mentioned that in regard to RTP, whereas the MRTP Act deals with all RTP, the CP Act can deal only with the tie-up sales/services. In order to have a fair idea on the efficacy of control of unfair trade practices, it would be necessary to assess the work under all related legislations, including the one under the MRTP Act. This is a huge task, and was ruled out as being out of bounds of the time and the funds available to us for this study.

(4) On the other hand, a study in the area of RTP under the act commends itself for various reasons. First, unlike in the area of unfair trade practices, the provisions in this area have been in the act from the very beginning since 1969. Also, unlike in the area of aggregate concentration, the inquiries into RTP can be instituted from a number of quarters—consumers/trade or consumer association, central/state governments, director-general and the commission itself. As a result, and as would be seen from Part IV, the commission has done a substantial amount of work in this area relative to other areas and as such. Second, unlike in case of monopolistic trade practices/aggregate concentration, the commission's orders in RTP inquiries are mandatory, subject to appeal only to the Supreme Court on a substantive point of law. This provision gives generally a measure of finality to the commission's orders. Third, in view of the recent liberalisation and pro-competition policies of the government, a study of RTP assumes special significance, and following what is stated in the New Industrial Policy of July, 1991 one may expect the law to control such practices more vigorously than before.

Finally, while the anti-trust policies of a number of countries such as the US, the UK and other EEC countries have been examined by members of varied professionals like lawyers, accountants and economists and a lot of literature has been produced by them, to the best of our knowledge the literature on the Indian legislation is largely by students of commerce and law.[11] Students of economics in India seem to have kept a safe distance from this legislation. This work is a modest attempt in that direction, which, for reasons given above, is limited to the working of the RTP under the MRTP Act.

III
The Act and the Statistics

In this part, we first give and explain the main provisions of the MRTP Act in regard to RTP, and then describe the nature of statistics available under different heads, noting alongwith their limitations also.

Provisions on RTP

The principal provisions in regard to RTP in the MRTP Act are described below. They are presented under the three heads of Definitions, Registration and Inquiries and Orders.

A couple of clarifications are in order here before we go to the description. First, as noted in Part II, the MRTP Act has undergone several amendments since 1969 when the act was promulgated. This description, however, is restricted to presenting the latest position. No references are made to the earlier provisions that may have been there differently. Secondly, the act is a legal document, and the legal language often perplexes or confuses the reader not familiar with that language. This is largely because the law has to be as precise as possible, and in being so the main thrust of the provisions is often accompanied by explanations, qualifications, modifications and exceptions to the thrust—all of which often make it difficult for the ordinary reader to get the essence of the provisions. The description that follows is in simple, non-legal language to facilitate the reader to grasp the main points of the provisions quickly. Such a description can clearly not do full justice to the provisions of the act, but here it is preferred for its simplicity.

Definitions

The phrase in RTP is comprised of three words, and it is well to begin with the meaning of each.

Trade is defined widely, to include, besides trade, business, industry, profession or occupation, and relates to production, supply, distribution or control of goods, and includes the provision of services [Section 2-(s)].

Trade Practice is any practice relating to the carrying of trade. The practice relates

Table 2: Restrictive Trade Practices Agreements in Force, 1979-84

Year	Number of Agreements In Force	Number of Agreements Registered	(2) as Percentage of (3)
(1)	(2)	(3)	(4)
1979	6289	22152	28.4
1980	6874	22737	30.2
1981	7394	23257	31.8
1982	7872	23735	33.2
1983	8891	24754	35.9
1984	11678	27541	42.4

Source: Same as under Table 1.

to anything in regard to the price and related matters involved in trade and includes a single or isolated action [Section 2-(u)]. Central to the definition of RTP is the concept of restriction on competition by trade practice. RTP must have, presently or potentially, the effect of restricting competition, by preventing, distorting or limiting it in any manner. The particulars thereof as specified are: by obstructing the flow of resources into the stream of production or bringing about the manipulation of prices and other terms to effect the flow of supplies in the market in such manner as to impose unjustified costs or restrictions on the consumer [Section 2(o)].

Is the intent of the legislation to promote competition? The answer seems to be both: Yes and No. Yes, in the sense that the law frowns upon prevention, distortion or limitation of competition, which otherwise exists or might exist. It thus promotes competition passively or negatively. And no, in the sense that it does not otherwise actively or positively promote, i e, encourage competition. To put it differently, competition is viewed as a 'natural order' or natural course of events. It should be allowed to move on its own momentum. It is only the obstructions in that order/movement which must be removed.

Registration

All agreements relating to RTP have to be registered with the Director-General of Investigation and Registration. Agreement includes arrangement or understanding, and may or may not be intended to be enforced [Section 2-(a)]. Further, all agreements of the type relating to practices specified separately [Section 33(1)] are deemed to be RTP agreements and therefore have to be registered. The agreements specified relate to (i) restrictions on persons, (ii) tie-up sales/full line forcing, (iii) exclusive dealing, (iv) collective price-fixation, (v) discretionary benefits/price discrimination, (vi) resale price maintenance, (vii) withholding supply/territorial restrictions, (viii) restriction on employment of methods of production, (ix) collective boycott, (x) predatory pricing, (xi) refusal to deal, (xii) collusive bidding, (xiii) agreements notified by central government, and (xiv) enforcement-related practices [Section 33 (1)(a)to(l)]. However, agreements to which the central government is a party or which are authorised/approved by the central government are exempt from registration [Section 33(2)].

One may distinguish between horizontal, vertical and unilateral RTP. Horizontal practices relate to restrictions between competing suppliers in the same market (e g, collective price fixation or collective boycott). Vertical practices relate to the restrictions between non-competing parties, say, in a seller-buyer relationship (e g, resale price maintenance or tie-up sales). Unilateral practices relate to a single or isolated action of a supplier (e g, anything done by a supplier to control or affect price or other terms of sale).

Inquiries and Orders

The inquiries into RTP are made by the MRTP Commission. The commission can initiate an inquiry even without the existence of or the restrictive nature of the practice.

The inquiry may be initiated at the instance of (i) a trade association, a consumer or a registered consumers' association, (ii) central government or a state government, (iii) Director-General, or (iv) the commission itself [Section 10(a)(i) to (iv)]. In case of inquiries originating from the parties other than, (iii) listed above, the commission may ask the Director-General to prepare a preliminary investigation report for the commission to satisfy the latter on whether the matter should be formally inquired into or not [Section 11(1)]. Besides, the Director-General may also prepare such a preliminary report on his own [Section 11(2)].

If after the inquiry, the commission comes to the conclusion that the practice is prejudicial to public interest, it may pass a cease and desist order, or pass an order declaring agreement/ parts thereof relating to restrictions void or asking suitable modifications thereon [Section 37(1)(a) and (b)]. Or instead of passing an order, at the request of the party, give a 'consent order' permitting the party to modify the practice in a manner whereby it ceases to be prejudicial to public interest [Section 37(2)].

There is a presumption in the act that RTP are prejudicial to public interest. If, however, in the inquiry, the practice passes through one or more 'gateways', and further if advantages thereof outweigh the detriment to the public, that presumption is withdrawn. Thus, the passing through the gateway is a necessary, but not a sufficient condition; sufficiency requires the passing of the balancing test also [Sections 38(1)].

The burden of establishing the fact as to the existence of RTP is on the complaining

Table 3: Restrictive Trade Practices Inquiries Instituted, 1972-91

Year/ Section (1)	Number 10 (a) (i) (2)	10 (a) (ii) (3)	10 (a) (iii) (4)	10 (a) (iv) (5)	Total (6)
1972-81	15	2	154	222	393
	(4)	(0.5)	(39)	(57)	(100)
1982-91	156	—	2032	893	3081
	(5)	—	(66)	(29)	(100)
1972-91	171	2	2186	1115	3474
	(5)	(0.05)	(63)	(32)	(100)

(1) Figures in brackets are percentages.
(2) For explanations on statistics, refer to the text under the heading *Inquiries Instituted* in Part III.
Source: Same as under Table 1.

39(2)]. The only exception permitted is in regard to 'a loss leader', i e, when a wholesaler/retailer is selling a product at a low (below cost) price [Section 40]. The loss leader may do so either to attract custom for other products sold by him, or to damage the reputation of the product or its supplier.

Thus, 'no gateways' are available for RPM. But the agreements thereon have to be registered.

The commission may, however, exempt goods from these special provisions on the ground of adverse effect of the prohibition of RPM on quality, variety, price, after-sales service, etc, of the product [Section 41]. The orders of the commission on the exemption application are final.

Rule-of-Reason and *Per Se* Approaches

The legislations to control monopolies and the conduct of firms are viewed as following, generally, either the rule of reason approach or the *per se* approach. The former recognises that certain kinds of situations or conduct/practices may be conducive to the promotion of consumers' welfare or of certain social objectives, such as on exports, employment, regional balance, etc, and that the gains on one or more of these considerations may offset the harm to competition that they cause. Under this approach, the prosecution is on a case-by-case basis. On the other hand, the *per se* approach does not recognise the compensating circumstances or gateways. All that is required there is to establish the facts, and once that is done, RTP are declared to be illegal.

Inasmuch as the point in the dispute under the *per se* approach is limited to the establishment of fact, the prosecution is less expensive and less time-consuming. Also, this approach defines legality of RTP more closely and may better deter abuse. Its limitation arises out of its rigidity, as it does not allow a consideration of possible gains that may arise on efficiency-improving ground or on the ground of promoting social objectives. Here, the rule of reason approach scores over the *per se* approach. Its relative disadvantages, however, are that it is expensive and time-consuming, and its power to deter attempts to bad conduct are limited.

Finally, we may draw attention to a potential danger that lies in adjudication proceedings under the *per se* approach. As this approach provides for dogmatic, immutable rules, rhetoric may get mixed up with thought and information in interpreting the complex, changing real world situations and practices against these rules. Such a possibility is clearly less under the rule-of-reason approach which demands more of information and thought, and so it leaves little room for rhetoric.

It may have been noted that the provisions on the control of RTP in the MRTP Act (and in general indeed for other anti-competitive practices and situations) are based on the rule-of-reason approach. The exception case in RTP is RPM which is sought to be controlled, by and large, under the *per se* approach.

Statistics and Their Limitations

Our statistics relate to four items: the number of agreements, the number of inquiries instituted, the number of inquiries disposed of by order, and the number of inquiries in which different types of RTP were investigated in the inquiries disposed of by order. While we deal with these statistics in the next part, here we describe their nature and note their limitations.

These statistics are taken almost wholly from the annual administrative reports pertaining to the execution of the provisions of the MRTP Act, 1969 issued by the Ministry of Law, Justice and Company Affairs, Department of Company Affairs, Government of India, New Delhi. These reports are in two parts. The first part of the annual report is of the Department of Company Affairs, and the second of the MRTP Commission. While we have examined both of these parts, for a large part of the statistics we have gone by the second part, especially its appendices.

Registration of Agreements

All RTP agreements have to be registered with the Director-General. The agreements must include the particulars regarding the names of the parties to the agreement and the terms of agreement [Section 33(1)]. Certain agreements (specified under 33(1) (a) to (l), summarised earlier in this part, are deemed to be registrable and hence are to be registered. The Director-General is required to maintain a register of these agreements [Section 36].

Our statistics relate to the number of agreements filed and registered during, and at the end, of the year for the years 1973 through 1989. In addition, we have statistics on the number of agreements in force at the end of the year for the period 1979-1984. These are the only years for which these statistics are available.

Inquiries Instituted

Here, as also under the following heading on Inquiries Disposed Of, the statistics relate to the period 1972-1991. 1972 was the year when the first inquiry was instituted and also disposed of, and the latest published report relates to 1991.

As noted earlier in this part, the inquiries can be instituted at the instance of (i) a trade association, a consumer or a registered consumers' association, (ii) central government or a state government, (iii) Director-General, or (iv) the commission itself [Section 10(a)(i) to (iv)].

It must be remembered that the statistics relate to the number of inquiries. In an inquiry, there may be more than one party, and against a party there may be an allegation of more than one RTP. Thus, for example, in the RTP inquiry No 25 of 1979 instituted by the commission, there were nine parties. Or, to take another example in the RTP No 17 of 1981 instituted by the Director-General, five different types of RTP were alleged, namely, resale price maintenance, differential dealing, restriction on persons and on methods of trading, tie-up sales and territorial restriction.

Table 4: Restrictive Trade Practices—Inquiries Instituted, 1972-91

Year/Section	Number				
	10 (a) (i)	10 (a) (ii)	10 (a) (iii)	10 (a) (iv)	Total
(1)	(2)	(3)	(4)	(5)	(6)
1972	—	—	10	—	10
1973	1	—	2	3	6
1974	2	—	19	13	34
1975	1	—	30	66	97
1976	4	—	41	45	90
1977	3	—	3	40	46
1978	2	1	4	28	35
1979	—	—	19	8	27
1980	1	1	12	6	20
1981	1	—	14	13	28
1982	1	—	9	19	29
1983	2	—	12	38	52
1984	8	—	38	109	155
1985	4	—	16	113	133
1986	33	—	63	133	229
1987	12	—	1531	123	1666
1988	41	—	296	140	477
1989	22	—	31	101	154
1990	23	—	22	86	131
1991	10	—	14	31	55

Note: For explanations on statistics, refer to the text under the heading *Inquiries Instituted* in Part III.
Source: Same as under Table 1.

Inquiries Disposed Of by Order

Here we give two types of statistics. The first type relates to the number of inquiries disposed of by cease and desist order and consent order [Section 37 (1) and (2)], and otherwise. Since these statistics are a follow-up of the statistics on the inquiries instituted, the possibilities of more than one party and of more than one RTP being in the inquiry exist here also.

Whether the inquiry is disposed of by cease and desist or consent order is of no substantive significance since in either case the commission's order is based on its opinion that the RTP is prejudicial to public interest. We have therefore, grouped these two types of order.

The group of inquiries disposed of otherwise is a coat of many colours. Against such inquiries, our source mentions various words or phrases the distinction among which, to us, is not quite clear, such as closed, terminated, withdrawn, dropped, notice of inquiry discharged, no order under 37(1), etc. It is, therefore, difficult to be specific, and we were compelled to group these cases under the head 'otherwise'. One thing, however, is clear, namely, that cease and desist or consent order [Section 37(1) or 37(2)] was not passed in these inquiries. To offer some speculations of a positive kind: The otherwise inquiries include RTP not established, RTP not found prejudicial to public interest, RTP approved/authorised by government, and government being/becoming a party in the inquiry. These and possibly some other reasons could be unearthed only if one has an access to the complete proceedings of these inquiries. But even if one is able to trace the records of over 3,000 inquiries disposed of by the commission, it is a huge task, involving a lot of more time, more funds and more manpower assistance than what could be mustered for this study. We have, therefore, to rest content here with only a two-fold division of the disposed of inquiries—those found prejudicial to public interest with cease and desist or consent order, and others.

A point was mentioned earlier that there could be more than one party and more than one RTP in an inquiry. It is not clear how in such cases 'the nature of order' is recorded in the source. We understand that in multi-RTP inquiries even if there is a finding of prejudice against even one, but no such finding on other RTP in that inquiry and the cease and desist or consent order passed only for that, it will be recorded as that order for the inquiry. Similarly, of the several parties in the inquiry, if RTP of only one party are found to be prejudicial to public interest, and cease and desist or consent order passed on that party, it will be recorded as that order for the inquiry. If our understanding is correct, then these statistics do not reflect properly the types of RTP found prejudicial to public interest, and the number of parties involved in such practices. Relative to the realities on this score, our statistics, therefore, overstate the number of RTP found prejudicial to public interest, and the number of parties involved in such practices.

Types of RTP in Inquiries Disposed Of by Order

While the appendices on inquiries instituted and those pending disposal given in our source, mention the type of RTP alleged, the appendix on inquiries disposed of does not mention the same. However, on the basis of the inquiry number given there, one can trace the type of RTP inquired into and against which order is passed by referring to the appendix on the inquiries instituted or on the inquiries pending disposal given in reports of the related years. Such a tracing, as we have done, proved to be a time-consuming exercise, as it involved going back in several cases to the reports of up to the previous four/five years.

We have classified RTP in 11 categories[18] listed in Table 6. Along with the RTP, we have also mentioned the section of the act under which the agreement on that practice is classified. The information on the type of RTP given in the source is not always uniformly reported either in the same annual report or in the reports of different years. In such cases, we had to use our judgment in classifying these practices in terms of Table 6. Further, some of the seemingly same or similar RTP have been put under one head. Finally, to highlight the widely known and the widely adopted practices, the less known and scantily practiced RTP were grouped under the category of 'others', along with such other practices which for various reasons could not be properly labelled.

A point was made earlier that an inquiry may be related to more than one RTP, and that in such cases even if there is a cease and desist or a consent order against that practice, but no such other order against other RTP, it will be recorded as that order against the inquiry. This limitation is with us here also. Thus, even when one or more of the many practices have been subject to cease and desist or consent order, other practices also in that inquiry against which no such orders have been passed are classified as under such orders. Thus, here also, our statistics tend to overstate the magnitude of RTP found prejudicial to public interest.

Reference was made earlier to the manner in which the statistics on RTP in the cases disposed of have been culled to form Table 6. In view of large efforts involved in such to and fro exercises, we have restricted the statistical analysis of practices in the inquiries disposed to the last 10 years, 1982-91. Among the other reasons for not covering the earlier period are the following. First, of the 3033 inquiries disposed of by the commission during 1972-91, as many as 2707 or about 90 per cent were disposed of during 1982-91. The balance of 10 per cent left out is thus small. Second, the tracing of RTP from the previous reports for the inquiries disposed of during the earlier years is a far more difficult task, as the reports for the years 1972 through 1977 do not mention the inquiry numbers for the inquiries disposed of, as is done in the later reports.

Table 5: Number of Restrictive Trade Practices Inquiries Disposed Of, 1972-91

Inquiries/Years (1)	1972-81 (2)	1982-91 (3)	1972-91 (4)
A Instituted under section 10(a)(i) and disposed of:			
1 Under section 37(1) or 37(2)	9 (69)	14 (13)	23 (19)
2 Otherwise	4 (31)	91 (87)	95 (81)
3 Total	13(100)	105(100)	118(100)
B Instituted under section 10(a)(ii) and disposed of:			
1 Under section 37(1) or 37(2)	—	1 (50)	1 (50)
2 Otherwise	—	1 (50)	1 (50)
3 Total	—	2(100)	2 (50)
C Instituted under section 10(a)(iii) and disposed of:			
1 Under section 37(1) or 37(2)	98 (79)	681 (36)	779 (39)
2 Otherwise	26 (21)	1209 (64)	1235 (61)
3 Total	124(100)	1890(100)	2014(100)
D Instituted under section 10(a)(iv) and disposed of:			
1 Under section 37(1) or 37(2)	150 (79)	172 (24)	322 (36)
2 Otherwise	39 (21)	538 (76)	577 (64)
3 Total	189(100)	710(100)	899(100)
E All: Instituted under section 10(a) and disposed of			
1 Under section 37(1) or 37(2)	257 (79)	868 (32)	1125 (37)
2 Otherwise	69 (21)	1839 (68)	1908 (63)
3 Total	326(100)	2707(100)	3033(100)

(1) Figures in brackets are percentages.
(2) For explanations on statistics, refer to the text under the heading *Inquiries Disposed Of by Order* in Part III.
Source: Same as under Table 1.

Finally, the statistics of inquiries disposed of during 1972-76 by the type of RTP and the order thereon for the period 1972-1976 which cover six of the 10 years left out by us are readily available in a tabular form elsewhere.[17] We have, however, not used these statistics as they seem to be based on the full proceedings before the commission, whereas our statistics are based on just the orders as recorded in the annual reports. So a mix-up of those relatively good statistics with our statistics in a comparative form would not have been consistent, and therefore, improper from that angle.

It is against these limitations that the statistics of the next part have to be appreciated.

IV
Statistical Analysis

We now go to the statistics proper. As noted in the previous part, they relate to agreements, inquiries instituted and inquiries disposed of, all related to RTP, and cover the period from the commencement of the Act to 1991.

Registration of Agreement

Table 1 gives the number of agreements registered and filed during and at the end of the year for the years 1973-1989.

The number of agreements filed during the year varied from the lowest of 111 in 1989 to the highest of 7310 in 1985. The number filed as at the end of year increased from 13969 in 1973 to 38985 in 1989 showing an increase of 2.8 times. The yearwise increase in the number at the end of the year varied from 0.1 per cent in 1989 to 24 per cent in 1974.

The number of agreements registered during the year varied from the lowest of 107 in 1988 to the highest of 7129 in 1985. The number registered as at the end of the year increased from 12926 in 1973 to 37788 in 1989 showing an increase of 2.9 times. The yearwise increase in the number at the end of the year varied from 0.3 per cent in 1989 to 20.4 per cent in 1974.

Thus, the trends and the magnitudes in the numbers filed and registered are broadly similar.

It is difficult to account satisfactorily for all of the yearwise changes. However, for some groups of nearby years, some explanations can be offered. First, the large increases of the early years (1974 to 1977) are due to the large response one generally gets in such matters after the act becomes operational when the parties rush to register the existing agreements. Similarly, the small increases of the latter years (1986-89) could be partly because most of the agreements that needed to be registered may already have been registered earlier, and also because having seen the working of the act generally against such agreements, only a few agreements would be entered into by the parties. The reason for changes for intermediate years is of a different kind. The rates of increase are small for the period 1978-83 but are substantial for the years 1984 and 1985. Earlier, before the judgement of the Supreme Court in the TELCO case[18], the MRTP Commission's view on registrable agreements was that all agreements specified in Section 33(1)(a) to (l) are statutory illustrations of RTP and, therefore, to be registered *per se*. In that case, the Supreme Court took the view, that this was not a correct interpretation of the law. The correct interpretation was to put the agreement under the test of Section 2(o) which was couched in terms of restriction on competition. The implication of this judgment was that sufficiency test of restriction of competition was to be applied to every agreement for registration purpose, including the agreements specified under Section 33(1). Following this judgment, several parties seem to have taken the view that in the light of this judgment, their agreements were not registrable and, therefore, they may not have filed their agreements for registration. In fact, in several inquiries that followed this judgment, the commission had to ask the complainants to provide further and better particulars to establish the existence of RTP.

The poor filing/registration of agreements continued up to 1983. By the 1984 amendment, all agreements falling within the categories specified under Section 33(1) were deemed to be restrictive of competition and therefore to be registered *per se*.[19] As a result, there was a big jump in the number of agreements filed/registered in 1984 and 1985.

Agreements in Force

These agreements are supposed to be determined one way or the other in response to the inquiries based on them. With the passage of time, some of them get determined and some may become infructuous. So the more important thing is to know the number of agreements in force at a point of time. Here, the available statistics are limited to the period 1979 to 1984. It will be seen from Table 2 that the number of agreements in force increased from 6289 in 1984 to 11678 in 1989. Relative to the number of agreements registered, the number in force increased continuously from 28 per cent in 1979 to 42 per cent in 1984.

Inquiries Instituted

We now examine the statistics on the number of RTP instituted by different parties under the relevant sections. Table 4 gives the number of inquiries initiated yearwise from 1972 to 1991, and Table 3 summarises these statistics aggregately and by the two 10-year periods.

During the 20-year period, only two inquiries were instituted upon references from government [10(a)(ii)], and both by the

Table 6: Type of Restrictive Trade Practices in the Inquiries Disposed Of by Order, 1982-1991

Restrictive Trade Practices/Section (1)	Number of Inquiries: U/S 37 (1) (2) (2)	Otherwise (3)	Total (4)
1 Collective price fixation/parallel pricing, etc [33 (1) (d)]	36 (2.7) (46)	43 (2.1) (54)	79 (2.3) (100)
2 Collective bidding/tendering [33 (1) (b)]	4 (0.3) (21)	15 (0.7) (79)	19 (0.6) (100)
3 Discriminatory dealings [33 (1) (e)]	304 (22.9) (75)	104 (5.0) (25)	408 (11.9) (100)
4 Exclusive dealings [33 (1) (c)]	132 (9.9) (58)	95 (4.6) (42)	227 (6.6) (100)
5 Manipulation of price/conditions of delivery, etc [2 (0) (ii)]	105 (7.9) (29)	253 (12.1) (71)	358 (10.5) (100)
6 Predatory pricing [33 (1) (j)]	2 (0.2) (11)	16 (0.8) (89)	18 (0.5) (100)
7 Resale price maintenance [33 (1) (f)]	179 (13.5) (23)	588 (28.2) (77)	767 (22.5) (100)
8 Restrictions on persons/boycott, refusal to deal/supply [33 (1) (a) (i) (ja)]	116 (8.7) (55)	95 (4.6) (45)	211 (6.2) (100)
9 Territorial restrictions/withholding of supply [33 (1) (g)]	258 (19.4) (63)	150 (7.2) (37)	408 (11.9) (100)
10 Tie-up/full-line forcing [33 (1) (b)]	162 (12.2) (20)	658 (31.5) (80)	820 (24.0) (100)
11 Others (33 (1) (b) (k) (1), 2 (0), 2 (4), vague, general, no information, etc	30 (2.6) (30)	70 (3.4) (70)	100 (2.9) (100)
12 Total	1328 (100) (39)	2087 (100) (61)	3415 (100) (100)

Notes: (1) Figures in brackets to the right of the numbers are percentages to the total against item 12, and those under the numbers are percentages to the total in column (4).

(2) For explanations on statistics, refer to the text under the heading *Types of RTP in the Inquiries Disposed Of by Order* in Part III.

Source: Same as under Table 1.

central government. The inquiries initiated on the basis of a complaint from trade/consumer associations or consumers [10(a)(i)] while more numerous than in the previous case were only a few. Of the total of 3474 inquiries instituted, this source accounted for 171 or 5 per cent of the total. The principal burden of instituting inquiries has fallen on the Director-General [10(a)(iii)] who had initiated 2186 or 63 per cent of the total inquiries. The commission [10(a)(iv)] was a distant second, with 1115 or 32 per cent of the total.

As between the Director-General and the commission, the latter's role was substantially more than the former's during 1972-81 with 57 and 39 per cent of the total inquiries instituted during this period. The position during 1982-91 was otherwise with their percentages of 29 and 66 in that order.

The yearwise details of Table 4 show clearly the impact of the Supreme Court judgment in the TELCO case, 1977 referred to earlier in this part. Following that judgment, the complainants were expected to give better and further particulars as evidence on the existence of RTP. As a result, more time was needed for preparing the case. So, the total number of inquiries instituted between 1977 and 1984 when the act was amended in the relevant portions, fell drastically from 97 and 90 in 1975 and 1976 to betwen 20 to 52 during 1977-1983. But after the 1984 amendment, the number increased again. The total number was 155, 133, 229, 154 and 131 in 1984, 1985, 1986, 1989 and 1990 respectively.

We are unable to account for the small number of 55 in 1991. But the very large number of the total of 1666 inquiries in 1987 and to a less extent of 477 in 1988 is principally due to an unusually large number of inquiries instituted by the Director-General. These numbers increased from a low of 63 in 1986, and their shares in the total number of inquiries in 1987 and 1988 were 92 and 62 per cent respectively.

Of the 1531 inquiries instituted by the Director-General in 1987, nearly 850 were against parties in two groups of products, namely (i) drugs and pharmaceuticals, and (ii) vanaspati, bakery products, refined oil and soap, with roughly an equal number in each. The RTP alleged in the former was full-line forcing and in the latter resale price maintenance. The other three product groups to which a substantial number of inquiries related were (i) LPG, (ii) V-belts and engineering products, and (iii) automobiles and spare parts, though the numbers in each case here were much less than in the two previous groups. The allegations in the inquiries in the first of these three groups related to tie-up sales, in the second to discriminating dealings/resale price maintenance, and in the third to restriction on persons/territorial restrictions and discriminatory dealings.

Of the 296 inquiries in 1988, 60 related to V-belts and to discriminatory dealings in them. The other activities which accounted for a substantial number of inquiries were, (i) automobiles and spare parts, and (ii) drugs and pharmaceuticals. The RTPs in the inquiries of the former activity were, in general, territorial restriction, tie-up sales and exclusive dealings, and in the latter resale price maintenance; discri-minatory dealings, and territorial restrictions.

Inquiries Disposed Of by Order

We now take up the statistics on the number of inquiries disposed of. Here, we give a two-fold group: (i) inquiries found prejudicial to public interest, and therefore under cease and desist or consent order [37(1)(2)]; and (ii) other inquiries. Of the total 3033 inquiries disposed of during 1972-91, as is seen from Table 5, 1125 or 37 per cent were in the first group, and 1908 or 63 per cent in the second. Relative to these percentages, the first decade had a higher percentage in the first group (79 per cent), and the second decade had a higher percentage in the second group (68 per cent).

Of the two inquiries originating from government [10(a)(ii)] during the twenty-year period, one each was disposed of under consent ordes and otherwise. A majority of inquiries under the other three sources were disposed of otherwise—forming 81, 61 and 64 per cent of the total number of inquiries instituted upon references from the trade/consumer association, etc, the Director-General and the commission [10(a)(i), (iii)] and (iv)] respectively. In each of these three cases, the proportion of inquiries disposed of under cease/desist or consent order was higher during the first decade than during the second—69 and 13 per cent, 79 and 36

Table 7: Draft Proforma for the Inquiries Disposed Of under the MRTP Act for the Period 1.1.1993 to 31.12.1993

Inquiry No	Name of the Respondent	Date of Institution of Inquiry	Product	RTP Alleged	Gateways Pleaded	Date of Disposal	Disposed Of under 37 (1) (a) (b)/ 37 (2)	Otherwise	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1 5/90	ABC	3.9.90	P1	33(1) (e)	—	10.6.93	37 (2)	—	—
2 31/91	1 MNP 2 RST	5.2.91	P2	1 33 (1) (f)	38 (1) (a)	18.7.93	—	1 38 (1) (a) passed	—
				2 i) 33 (1) (f)	38 (1) (a)		—	2 i) 38 (1) (a) passed	—
				ii) 33 (1) (l)	—			ii) RTP not found	—
3 14/92	XYZ	6.6.92	P3	1 Manipulation of prices	—	9.9.93		1 RTP not found	—
				2 33 (1) (b)	38 (1) (f)		2 37 (1) (a)		—
				3 33 (1) (d)	38 (1) (h)			3 38 (1) (h) passed	—
				4 33 (1) (e)			4 37 (2)		—

Notes: (1) The details under the columns are for illustrative purposes only. They are not related to the actual inquiries.

(2) As mentioned in the text, the information under columns (5), (6), (8) and (9) may be given in terms of section numbers. The contents of these sections may be briefly specified in the footnote to the table. Thus, for example, 33 (1) (e)—column (5)—is RTP of discriminatory dealing; 38 (1) (a)—column (6)— is gateway of injury to the public; and 37 (2)—column (8)—is consent order. Information that cannot be classified in terms of sections can be described in words, such as RTP of manipulation of prices in inquiry No 14/92, column (5).

(3) The advantage of this proforma is that it relates the nature of order, to the parties and to the RTPs. Thus, for example, in inquiry 31/91, there were two parties; MNP and RST. The RTP alleged against MNP was that covered under 33 (1) (f); the party pleaded the gateway covered under 38 (1) (a); the commission accepted the pleading—it did not found that RTP prejudicial to public interest, and therefore did not declare the same to be illegal. The RTP alleged against RST were those covered under 33 (1) (f) and 33 (1) (l); the party pleaded the gateway covered under 38 (1) (a) for 33 (1) (f) and pleaded that 33 (1) (l) was not RTP; the commission accepted both the pleadings, and therefore did not pass orders under 37 (1) or 37 (2).

per cent and 79 and 24 per cent. To put it differently, the percentage of inquiries disposed of otherwise was higher during the second decade than during the first in each of these cases—87 and 31 per cent, 64 and 21 per cent and 76 and 21 per cent respectively. Both of the inquiries sponsored by government were in the second decade.[20]

Inquiries Disposed Of by Type of RTP and Order

For reasons discussed in Part III, this discussion is restricted to the inquiries disposed of during 1982-91. The number of such inquiries as noted from Table 5 was 2707. The RTP alleged in these inquiries have been grouped, as explained in Part III, in eleven categories listed in Table 5.

Tie-up/full-line forcing was found in the largest number of inquiries, 820 or 24 per cent of the total. Resale price maintenance was a close second, found in 767 or 23 per cent of the total. Next in strength were discriminatory dealings, territorial restrictions/withholding supply and manipulation of prices/of conditions of delivery, occurring in 408, 408 and 358 or 12, 12 and 11 per cent of the total inquiries. Thus, the first two practices were found in a little under one-half of the total inquiries, and these five in a little over four-fifths of the total inquiries. The percentage in the remaining RTPs varied from 0.5 in predatory pricing to 6.6 in exclusive dealing.

RTP-wise, the analysis by order shows significant differences. Thus, for example, discriminatory dealing was found in the largest number in the inquiries disposed of under cease/desist or consent order [Section 37(1)(2)], in 304 or 23 per cent of the total of 1,328 such inquiries, whereas in the inquiries disposed of otherwise, its number was 104 or 5 per cent of the total of such inquiries. Resale price maintenance is the other case of such a difference, being found in 14 per cent of the inquiries disposed of under the cease and desist order or consent order and in 28 per cent in other inquiries. Two other such practices were territorial restriction/withholding of supplies with 19 and 7 per cent, and tie-up/full-line forcing with 12 and 32 per cent of the total inquiries in the respective groups.

These statistics permit us to answer another question also. How do the proportions of inquiries disposed of under cease and desist and consent orders on the one hand and other inquiries vary by practice? Of the eleven categories of RTP listed in Table 6, in seven, inquiries disposed of otherwise form a majority in the respective totals of inquiries in these practices, varying from 54 per cent in collective price fixation to 89 per cent in predatory pricing. The other five practices in this company are collective bidding/tendering (79 per cent), manipulation of prices/of conditions of delivery (71 per cent), resale price maintenance (77 per cent), tie-up/full-line forcing (80 per cent) and others (70 per cent).

In the remaining four RTP, the inquiries disposed of under cease and desist order and consent order are in the majority—with 75 per cent in discriminatory dealing, 58 per cent in exclusive dealing, 55 per cent in restrictions on persons, etc, and 63 per cent in territorial restrictions/withholding of supply.

It should be further observed that in three of the above four practices, excepting discriminatory dealing, the difference in favour of cease and desist and consent orders is small, within 13 per cent. On the other hand, such a small difference in favour of other inquiries is found only in one of seven RTP where they had a majority, namely, collective price fixation.

The number of inquiries in which prejudice to public interest was found in their RTP during 1972-91, and the number of RTP against which such prejudice was found in the inquiries during 1982-91 were each relatively small, nearly two-fifths of the respective totals. The large balance of over three-fifths in each leaves in one's mind a feeling of unease, and provokes a number of questions whose answers have to be sought from further investigations. These questions and related issues are taken up in the next part.

V
Agenda for Further Work

This final part is comprised of five different types of item. The first suggests a change in the preamble of the MRTP Act, and the second a change in the proforma for presenting the information on the inquiries disposed of. The third item draws attention to the long time taken in the disposal of the inquiries since their institution in a large number of inquiries, and suggests a probe into the reasons thereof. The fourth item lists the specific studies for improving our knowledge on this subject. They relate to the composition of inquiries disposed of, impact of control, and general effect on the public interest of certain RTP as such as also in relation to some products/services. This part is concluded with a comment on the switchover to the *per se* approach from the rule-of-reason approach advocated by some authors on this subject.

(1) *Preamble*

The Preamble to the MRTP Act has become dated because of two major developments since the enactment in 1969. It suffers from one omission and one commission. The 1984 amendment has incorporated the provisions on Unfair Trade Practices, and the reference to the same does not figure in the Preamble. The 1991 amendment has repealed almost all the provisions on the (aggregate) concentration, and yet the reference to the same continues in it. A change of, or in, the Preamble is, therefore, due. Herewith is a draft for consideration: "An Act to provide for the control of monopolies and for the prohibition of monopolistic, restrictive and unfair trade practices which are or which may be prejudicial to public interest (or which have or may have the effect of producing common detriment), and for matters connected therewith and incidental thereto. If, however, for some reason such as that by virtue of it being specifically mentioned in the Constitution (in Article 39-C), the word 'concentration' ought to be there in the preamble of the MRTP Act, we suggest that it be properly specified in the Preamble to reflect the spirit of recent changes in policy, and this can be done by specifying that 'concentration' is in the 'productwise concentration' context. Accordingly, the alternative draft of the Preamble would be as under: "An Act to provide for the control of productwise concentration and of monopolies and for the prohibition of monopolistic, restrictive and unfair trade practices which are or which may be prejudicial to public interest (or which have or may have the effect of producing common detriment), and for matters connected therewith and incidental thereto."

Table 8: Inquiries Disposed Of by Time Taken since Their Institution, 1982 and 1991

Number of Months	1982		1991	
	Number	Percentage	Number	Percentage
(1)	(2)	(3)	(4)	(5)
Less than 3	12	28.6	8	2.7
3-6	4	9.5	8	2.7
6-12	6	14.3	27	9.1
12-24	8	19.0	29	9.8
24-36	5	11.9	60	20.3
36-48	5	11.9	71	24.0
48-60	1	2.4	82	27.7
60 and above	1	2.4	11	3.7
Total	42	100.0	296	100.0

Source: Same as under Table 1, 1982 and 1991 reports.

(2) *Proforma for Inquiries Disposed Of*

As we have described in detail earlier (in Part III, under the heading Statistics and their Limitations) the nature of statistics used in this study, that description will not bear repetition here. We, therefore, restrict in what follows to offering suggestions for improvement in the presentation of statistics with further and better particulars on this topic. Also, since our principal concern has been with the statistics on the inquiries disposed of, the suggestions are by and large limited to the related proforma.

The statistics on the inquiries disposed of are presented in four appendices, one on each: inquiries instituted under section 10(a)(i), 10(a)(ii), 10(a)(iii) and 10(a)(iv), i e, at the instance of consumers, etc, central/state government, Director-General and the commission itself. The statistics may continue to be presented separately for each category as done presently.

The information given in these appendices relates to six items: (i) name of the party, (ii) inquiry number, (iii) date of institution of inquiry, (iv) products covered, (v) date of disposal, and (vi) nature of order. Presentation of information on items (ii), (iii), (iv) and (v) is by and large all right. Our suggestions relate to item (i), item (vi) the insertion of two new columns on RTP alleged and gateways pleaded, and to presenting the related information in a manner which makes it more meaningful than what it is at present. We believe that this can be done without much extra effort, as the information is already available.

Although the name of the respondents in the inquiry is given, it is not clear whether it is the sole or the first named party. It is suggested that the names of all the respondents should be given in the proforma.

Second, the information on the nature of order as presently given leaves a lot to be desired. It is presented under varying degrees of specificity, and even when the contents of the order are the same, different nomenclatures are used. Thus, for example, the order may be listed as under 37(1), without specifying whether it is under 37(1)(a) or 37(1)(b) or under 37(1)(a) and (b). Or the order may be listed as order 37(2) or consent order. The position in regard to the inquiries disposed of otherwise is worse. They are reported as closed, withdrawn, terminated, notice of inquiry disposed and the like. One would like to know the details on the orders on these inquiries. Why that particular outcome: Was RTP not established? If established, was it not found prejudicial to public interest? If so, through which gateway/s did RTP pass? Other reasons in this category include: stay order by Supreme Court/high courts, government becoming a party, agreement approved/authorised by government, agreement/practice, expired/abandoned, subsequently, etc. It is, therefore, suggested that for the inquiries found prejudicial to public interest, nature of order should be specifically indicated and the same nomenclature may be used for conveying the same contents. For the other inquiries disposed of, the reasons for the absence of such an order should be specified in the terms listed above and as illustrated in Table 7.

Our third suggestion relates to the insertion of two new columns in the present forms: one on the RTP inquired into, and the other on gateways pleaded.

As mentioned earlier (in Part III, under the heading Statistics and their Limitations), the appendix on inquiries disposed of does not give information on RTP inquired into. If, therefore, one wants to know the nature of order against RTP indulged in, one has to trace them from the appendices on the inquiries instituted/pending disposal. Our Table 6 is the outcome of that effort.

If, therefore, the appendix on the inquiries disposed of has an additional column on RTP alleged, it would enable one to know from the same appendix the cases RTP inquired into and the order thereon.

The listing of RTP as presently done under the other two appendices on the inquiries instituted and the inquires pending disposal leaves much to be desired. It is not clear whether the list relates to all or to a limited number of RTP, as at some places the word, etc, is given after the last-named party. Also, some times RTP are listed generally such as "Acting in Concert". One cannot be sure whether this practice relates to price-fixation or output restriction or to any other specific practice, singly or jointly. Further, different nomenclatures are used to denote what seem to be the same RTP, for example, fixing prices in concert, price-fixation in concert, joint-price fixation, etc. The listing of RTP in the appendix on the inquiries disposed of, as also in the other two appendices on the inquiries instituted and the inquiries pending disposal, should therefore list all RTP, list them specifically and use the same nomenclature for the same RTP.

In early part under this heading, we have given the suggestion on giving further and better particulars on the nature of order, on the lines indicated therein. Related to that suggestion is the suggestion of inserting a column on 'gateways' pleaded for the RTP under inquiry. This would enable us to know the outcome on that pleading from one place. Here again, the same nomenclature should be used to denote the pleading on the same/similar ground.

As to the terminology of the nomenclature, one could use either brief headings or indicate the same in terms of the relevant sections/sub-sections of the MRTP Act. We prefer the latter for two reasons: they label the same/similar situations without ambiguity; they make for saving of space in presentation. The broad contents of the sections/sub-sections may be explained briefly in a footnote to the appendix.

To sum up: the statistics on the inquiries disposed of as they are presented in the related appendix have a limited value for a variety of reasons given above. All they convey clearly is whether there was a finding of prejudice to public interest against the sole/the first-named party engaged in the supply of products/service specified. The presentation of statistics in a manner suggested above would enable one to know from that appendix the details on the categories of RTP inquired into, on the nature of order and on the names of all parties as such and in relation to one another of these items. A draft of the proforma based on these suggestions is given in Table 7. A study based on this information could yield useful lessons for changes in the MRTP Act.

(3) *Time Taken*

While some inquiries have been disposed of expeditiously by the commission, time taken in the disposal of a large number has been truly long. We illustrate this point by giving statistics of time taken in the inquiries disposed of in 1982 and 1991 since their institution. Table 8 gives these data. Of the 296 inquiries disposed of in 1991, time taken in 224 or 76 per cent was two years or more. The numbers and percentages in 2-3, 3-4, 4-5 and 5 years or more were 60, 71, 82 and 11 or 20, 24, 28 and 4 per cent respectively. The longest time recorded in case of one inquiry was 7 years, 2 months and 3 days.

The situation seems to have deteriorated over time. Of the 42 inquiries disposed of in 1982, time taken in 12 or 29 per cent of the total was 2 years or more as against the corresponding percentage of 76 in 1991 as noted above.

Why such a long time in such a large number later? And how can it be reduced to a reasonable limit? There is clearly a need for a diagnostic and prescriptive study.

(4) *Studies*

(a) Composition of Inquiries Disposed of: The statistics of Tables 5 and 6 leave one with a feeling of much unease. The number of inquiries and the number of RTP therein found prejudicial to public interest are each small relative to the respective numbers in the inquiries and the RTPs found otherwise. This is more true for the second decade than for the first one.

There is no doubt that this group of inquiries/practices includes numbers in which there was good evidence, and yet the commission concluded contrarily in the sense that there were no RTP, or when they were, they were not prejudicial to public interest. But the total numbers of inquiries and

practices in these 'otherwise' cases are truly large, and even when these numbers are discounted by deducting the above-mentioned numbers, the balance is likely to remain substantial, so that there is no room for complacency. It is, therefore, essential to know the break-up of the inquiries/practices disposed of otherwise in a more meaningful way, such as RTP not found, RTP not found prejudicial to public interest, having passed through the specified gateways and also the balancing test, inquiry withdrawn because of change in circumstances such as expiry of agreement, agreement approved by government, government take-over of the company, etc. If the information on the inquiries disposed of is presented in the proforma suggested in Table 7, it would be possible to know meaningfully the composition of inquiries disposed of.

In the context of the relatively large numbers in the inquiries/practices disposed of otherwise, we raise a number of questions. Is the law as it is, so very rigid that the required evidence to prove the allegation is not capable of being put together? Is the material in evidence put up before the commission so weak that it does not pass the muster? Do the authorities have adequate and competent staff to collect the needed material and prepare a good case? These questions are important not merely because the relative numbers here are large, but especially because they are so in seven of the 11 RTP categories, as noted from Table 6.

We need detailed studies to answer these questions. These studies will have to be based on the proceedings of the inquiries disposed of. The studies should first sort out the nature of findings/orders of these inquiries by the commission, and then examine critically the reasons thereof as given in the proceedings, supplemented by the inquiries from other quarters, namely, legal profession, business circles, etc.

(b) Impact of Control: The legality of RTP is determined with the touchstone of public interest defined broadly as consumers' welfare. Competition is a means to that end. So if a RTP has or may have the effect of reducing competition, it is presumed to be illegal. It may, however, be permitted if on balance the harm caused by reduction of competition is outweighed by the advantages gained in terms specified under the gateways [38(1)].

In general, when the commission declares RTP to be illegal, the implication is that the discontinuance of the RTP promotes or may promote competition in the trade/industry concerned. Has this really happened?

This is a question which has to be examined with reference to the companies/trades/industries, comparing the conditions when restrictions were practised and when they were given up. Has the abandonment of RTP improved the efficiency of the companies/trades/industries affected by the change? The differential performance in efficiency may be measured on various well known financial, economic and technical measures. To put the point specifically in terms of consumers' welfare: Have the prices of affected products/services fallen or their quality improved, or have the new products been put in the market afterwards, following the abandonment of RTP? How much of these improvements can be attributed to the abandonment of RTP, and how much to other favourable factors? If in spite of abandonments, efficiency has not improved or consumers' welfare not increased, what are the factors that counteracted that tendency?

If, on the other hand, the commission has not found RTP to be prejudicial to public interest on one or more gateways and also on a balancing test, their continuance serves one or the other purposes specified in 'gateways' [38(1)]. So here, the questions to be addressed are: Have these purposes been subserved by RTP afterwords? To illustrate with reference to some gateways: Have the exports increased? Has employment grown? Have the consumers benefited substantially in specific ways?

It is really from the answers to these and related questions that one can form a more informed judgment on the efficacy of control on RTP under the MRTP Act, and can get clues on the lines of change in the legislation.

(c) General Effects on the Public Interest: It was noted from Table 6 that of the 11 categories of RTP, a majority of RTP in four categories (namely, discriminating dealings, exclusive dealings, restrictions on persons, etc, and territorial restrictions/withholding of supplies) in the inquiries disposed of were found to be prejudicial to public interest. It may therefore be worthwhile to investigate whether these RTP in general are or may be prejudicial to public interest. And if the investigation yields a positive answer, it may be considered whether the law on these RTP should be tilted towards a *per se* approach, permitting a limited number of exemptions/exceptions as is presently the case with respect of RPM. Later, on availability of further and better evidence, other RTP may be similarly investigated.

A cursory examination of RTP declared illegal by type of product/service shows that certain types of RTP may be found more frequently in some products/services than others. Thus, for example, sale of a machine or a consumer durable like refrigerator is often tied up with the condition of installation and the demonstration of its operation at the purchaser's place, and the price of the product is inclusive of the cost of these services. Or as was the case earlier before the MRTP Commission's orders, LPG dealers used to give the gas connection to the customers on the condition of purchase of stove from them. A third example relates to the supply of consumer products by a manufacturer to the dealer on the condition that the latter will resell them only at a price stipulated by the former.

Such productwise investigations may help spot out product-RTP links. They may examine whether such specific product-RTP attachments in general are or may be prejudicial to public interest. In the light of these studies, it may be considered whether there is a case for tilting the law in favour of *per se* approach to such RTP when found prevailing in certain products/ services as suggested above.

Such studies would be of great value in forming judgments on the question of change in the MRTP Act. The issues on which judgments need to be formed are: Are the present provisions in respect of various RTP all right? If a change is needed, should it be selective or all-embracing? If selective, in which RTP and in which products/services and in what direction? If all embracing, should there be a basic change in the approach to the MRTP Act from the rule-of-reason to the *per se*?

The British Monopolies Commission has carried out a number of investigations on the general effect on the public interest of a number of RTP, and also insofar as they prevail in relation to the supply of goods/services.[21] No such study has been carried out by the Indian MRTP Commission. Attention may be drawn here to Section 61 of the MRTP Act under which the central government is empowered to ask the commission to submit such reports. This power has not yet been exercised. It is time to exercise it.

(5) *Per Se Approach*

As we have discussed generally the relative merits and disadvantages of the rule-of-reason and the *per se* approaches at the end of Section III, we discuss here only the particular arguments made by the advocates of change in the basic approach—from the rule-of-reason to the *per se* in the MRTP Act, the reference to which was made in Section I.

In brief, these arguments are two-fold: (a) The British and the Indian experiences show a very large proportion of RTP found prejudicial to public interest. (b) The rule-of-reason approach is unfair. It is only when the commission has inquired into RTP and declared them to be illegal that they are abandoned. RTP not enquired into even when they are alike the former may continue to be practised. Why, therefore, continue with a time-consuming, expensive and unfair (rule-of-reason) approach, and not change to the other approach (*per se*)?

On a close examination, we find these arguments not appealing. As to the first point,

the British experience may or may not be relevant. This experience has to be examined in detail, and its relevance to the Indian conditions has to be shown for a serious consideration of this argument. To the best of our knowledge, there is no such study, and views and opinions based on impressions or cursory studies should not be regarded seriously, especially when one is considering a fundamental change of the approach itself.

As regards Indian evidence, A N Oza's data of the 275 inquiries disposed by the commission during 1970-79, show that 200 or 73 per cent were found to be (wholly) prejudicial to public interest with the follow-up of cease and desist or consent order, and 75 or 27 per cent were disposed of otherwise.[22] This evidence must be juxtaposed against the other evidence presented in this paper, and when done so, the picture looks considerably less favourable. As Table 5 has shown, in only a third of the total inquiries disposed of during 1982-91 was there a finding of prejudice to public interest; and in view of the preponderance of the number of inquiries disposed of during this period relative to the earlier period (1972-81, which is also covered in that table), the percentage for the entire period is pretty close to that for the earlier period, 37 and 32 per cent respectively. The finding by RTP in the inquiries disposed of during 1982-91 tells a similar tale. A finding of prejudice was only against 39 per cent of RTP in these inquiries. All in all, the Indian evidence cannot be taken as supporting satisfactorily the proposal of such a major change in the approach.

The second point on fairness has no doubt some merit. But it must be put in a proper perspective. The case for change must be based on a balance of net advantage arrived at on a full consideration of relative merits/disadvantages of the two approaches—the felt ones under the rule-of-reason approach and the expected ones under the *per se* approach, and not just on the ground of unfairness patent in the former. But until this is done, the rule-of-reason approach should continue, and steps should be taken to mitigate the unfairness. Here, the remedy lies in preparing the cases to be put before the commission well and early, and the commission disposing them of expeditiously. It is perhaps not possible to do so under the present set-up. So the set-up must be strengthened and enlarged. The director-general and the MRTP Commission should be equipped with more staff, with better expertise and experience in the branches of knowledge required for their work. The number of members of the MRTP Commission should be suitably increased, the commission should sit in benches, and these benches should be located at three/four places. So far the commission has been having only three or four members and has been sitting as a whole and only in Delhi. The strengthening proposed here is all the more necessary now, as since the early 80s the work-load has increased due to increase in the number of RTP inquiries and also due to the inquiries into the Unfair Trade Practices which have been brought within the purview of the act. So, if such a strengthening is not done, the number of agreements and inquiries of agreements and inquiries pending disposal will increase, and the feeling of unfairness will not only persist, but will get accentuated.

All in all, the available evidence on, and the known arguments for a change in favour of, the *per se* approach at present are not sufficiently pursuasive. Knowledge of the Indian conditions in this area is limited and tentative. A well-informed judgment on the question of change in the approach to the MRTP legislation will, therefore, have to be formed later after we get the light from the studies referred to above.

Notes

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1 (1) S M Dugar, *Law of Restrictive Trade Practices*, Taxman's Publication, Delhi, 1976; (2) B B L Mittal, *Restrictive Trade Practices in India*, Vol I, II, III, Ministry of Law, Justice and Company Affairs, government of India, New Delhi, 1978; (3) Rajendra, *Case Book of MRTP Cases*, Taxman Publication, Delhi, 1981; (4) Rakesh Khurana, *Growth of Large Business*, Wiley Eastern, New Delhi, 1981; (5) S Krishnamurthy, *Principles of Law Relating to MRTP*, Orient Law House, New Delhi, 1989; (6) K K Mitra, *Commentaries on the Monopolies and Restrictive Trade Practices Act, 1969*, Book-in-Trade, Calcutta, 1990; (7) D P S Verma, *MRTP Law, Principles, Provisions and Cases*, Manas Publications, Delhi, 1992; and (8) Avtar Singh, *Law of Monopolies, Restrictive and Unfair Trade Practices*, Eastern Book Company, Lucknow, 1993.

Dugar (1976) has given/explained the MRTP Act/Rules, the cases decided and summarised the anti-trust legislation of a number of advanced countries. Mittal has reproduced in full orders/judgments of the MRTP Commission and of the judgments of the Supreme Court/high courts. Rajendra has given a summary of cases decided. Other authors have given/explained the provisions of the MRTP Act/Rules, together with the notes thereon and the case-laws under the important provisions of the act. In general, these books cover the developments up to the close of the date of their publications. Some of the above books had earlier and some may have later editions also than those referred to above.

2 See, for example, A N Oza, *Anti-Trust Policy in India* (unpublished), PhD Thesis, University of Bombay, Bombay, 1985, especially pp 963 and 987-88; and N K Chandra, *The Retarded Economies*, Sameeksha Trust and Oxford University Press, Bombay, 1988, p 323.

3 *Making Liberalisation Work: Suggested Administrative Innovations: Issues for Submission to the Prime Minister* (mimeo), Indian Institute of Management, Ahmedabad, 1992, pp 15-16.

4 Government of India, *The Constitution of India*, Ch IV, The Directive Principles of State Policy, New Delhi, 1963, p 25.

5 Government of India, *Report of the Committee on Distribution of Income and Levels of Living*, Part I, New Delhi, 1964.

6 Government of India, *Report of the Monopolies Inquiry Commission*, New Delhi, 1965.

7 Ibid, p 159.

8 R K Hazari, *Industrial Planning and Licensing Policy*, government of India, New Delhi, 1967.

9 Government of India, *Report of the Industrial Licensing Policy Inquiry Committee*, New Delhi, 1969.

10 Same as in note 4, pp 25 and 26.

11 Same as in note 6, pp 135, 136 and 137.

12 J C Sandesara, *Industrial Policy and Planning, 1947-91—Tendencies, Interpretations and Issues*, Sage, New Delhi, 1992, pp 109-115.

13 The following quotations bear this out. The first and the third quotations are from administrative reports of the Monopolies and Restrictive Trade Practices Commission for the years 1973 and 1975 and the second is from the report of its administration department, Department of Company Affairs of the Government of India for the year 1974.

(i) "The Commission has drawn the attention of Government in its last Annual Report to the declining number of references received by the Commission under Chapter III... It appears that about 10 per cent of the applications received under Chapter III of the MRTP Act have been referred to the Commission up to now... The Commission has ... observed that a number of cases of large magnitude and importance to the economy were decided by the Central Government without reference to the Commission... The Commission is not able to understand the policy which is being pursued in this respect. The Commission cannot help feeling that there is some incongruity in that some times cases not involving any major issues are referred to the Commission while others, which would *prima facie* involve important considerations, are not so referred" (Part II, Chapter V, p 87).

(ii) "In order to remove certain misconceptions about the objectives of this important legislation (MRTP Act) in certain quarters, it is necessary to reiterate what the then Minister had stated (Lok Sabha Debates, 17-9-1969, p 415), while piloting the Monopolies and Restrictive Trade Practices Bill in Parliament with regard to the purpose sought to be achieved by the legislation.

"I would like to reiterate once again that as far as the basic goal of the industrial policy of the Government is concerned and which goal this government wishes to pursue, it is the goal that we must work for achieving an accelerated growth both of industry and economy. While this shall be our pursuit, at the same time, one cannot be oblivious to the socio-economic objectives... I must emphasise that the aim of this legislation is certainly not to inhibit industrial growth in any manner, but only to ensure that such growth, that does and must take place, is chanellised for the common good and is not used to increase and perpetuate concentration of wealth and economic power in the hands of a few business groups or those who are enjoying privileged positions arising out of product monopolies and semi-monopolies" (Part I, Chapter I, p 2).

(iii) "The observations of the Department of Company Affairs in the 4th Annual Report on the working of the Monopolies and Restrictive Trade Practices Act, 1969 for the year, 1974 (a sample of which is given above) indicate that the number of references under Chapter III is going to be very few in future... it appears that the Commission will have little role to play in the matter of checking of the concentration of economic power ..." (Part II, Chapter V, pp 73-74).

14 Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, *Report of the High-Powered Expert Committee on Companies and MRTP Acts*, New Delhi, 1978.

15 A shortlist of such books will be found in note 1.

16 For want of space, we do not give here the meanings and explanations, and advantages and detriment to the consumers' welfare of these and other restrictive trade practices, and rest content by drawing attention of the reader to the references. See, among others, Russell, G Warren, *Anti-Trust in Theory and Practice*, Grid, Inc, 1975 (Sections IV and V); Roger Alan Boner and Reinald Krueger, *The Basics of Anti-Trust Policy*, The World Bank, Washington, DC 1991 (Ch IV); Verma (Ch VI) and Singh (Ch V, Pt A), both cited in note 1. The last two references will be of particular value for understanding these practices in the Indian context.

17 S M Dugar (1976), cited in note 1, pp iii-lxiv.

18 In the Supreme Court of India, Civil Appeal No 1147 (NCM) of 1975, Tata Engineering and Locomotive Company (TELCO) v/s The Registrar of Restrictive Trade Agreement, New Delhi: Decision, January 21, 1977, quoted in Mittal, cited in note 1, Vol III, pp 449-59. In fact, in several inquiries that followed this judgment, the commission had to ask the complainants to provide further and better particulars to establish the existence of RTP.

19 Section 33(1) as per the 1984 amendment reads as under: "Every agreement falling within one or more of the following categories shall be deemed, for the purposes of this Act to be an agreement relating to restrictive trade practices, and shall be subject to registration in accordance with the provisions of this chapter, namely...".

The earlier version of 33(1) was: "Any agreement relating to a restrictive trade practice falling within one or more of the following categories shall be subject to registration in accordance with the provisions of this chapter, namely...".

20 The feature of a small percentage of inquiries disposed of under cease and desist or consent order relative to the inquiries disposed of otherwise seems to be common to other types of similar legislations also. For example, of the total 10,359 cases disposed of during 1991-92 (November-October) by 14 Consumer Dispute Redressal Forums of Kerala, 4,713 or 45 per cent went in favour of consumers and 5,646 or 55 per cent were rejected or otherwise disposed of. *Vide*, Lizzy, E A, 'Consumer Redressal Agencies: How Effective? Kerala Experience', *Economic and Political Weekly*, Bombay, August 7-14, 1993, p 1637, Table 2.

21 See, for example, The Monopolies and Restrictive Trade Practices Commission, *Collective Discrimination* (1955, reprinted 1972); and The Monopolies Commission, *Recommended Resale Prices* (1969). *Refusal to Supply (1970); A Report on the General Effect on the Public Interest of Certain Restrictive Practice So Far as They Prevail in Relation to the Supply of Professional Services*, Part 1: *The Report (1970); Cross-Channel Car Ferry Services: A Report on the Supply of Certain Cross-Channel Car Ferry Services* (1974), all by Her Majesty's Stationery Office, London.

22 A N Oza, cited in footnote 2, pp 912-993, Table 24.2. The breakdown of 75 inquiries disposed of otherwise was: not prejudicial, wholly or partly to public interest (10), no RTP (2), withdrawn (12), orders contested (25) and no data (26).

Politics of a By-Election

Nakodar and Ajnala Assembly Constituencies in Punjab

P S Verma

The results of the by-elections to two assembly constituencies in Punjab, Nakodar and Ajnala, have far-reaching implications for politics in the state. This article examines the dynamics of electoral politics in the two assembly constituencies against the background of economic changes which have taken place there.

BY-ELECTIONS in a democratic polity are significant pointers to the stresses and strains of the infrastructure as also to fluctuations in party alignments and fortunes. This article seeks to examine the dynamics of electoral politics in the two assembly constituencies of Punjab out of which the voters in one (i e, Nakodar) allowed the ruling party to retain its hold but in the other (i e, Ajnala) the seat was wrested from it by the Akali Dal (Badal). In Nakodar too, the difference between the Congress and the Akali candidate was only of 5,210 votes. Whereas in the Ajnala seat the Akali candidate, trounced his Congress(I) opponent by a sizeable margin of 10,314 votes. This obviously shocked the ruling party which has a huge election machinery and resources at its command. Besides, the ruling party has had a free run ever since it came to power in February 1992. The major Akali factions not only boycotted the February 1992 assembly polls but also failed to emerge from the shadows of a militant stricken state to become a formidable rival in the municipal and panchayat elections. Likewise in the Jullundur parliamentary by-election (May 1993) they had failed to pose any serious challenge to the Congress(I) which trounced the Akali Dal (Badal) by a big margin of 1,15,984 votes. Even in the Nakodar assembly segment of the parliamentary seat the Congress candidate's lead in the parliamentary poll was as high as 13,459 votes.

The Ajnala defeat of the Congress(I) seems to have heralded an Akali revival and put the ruling party on the defensive. How could that happen and why did the Congress(I) candidate fail to retain the constituency? Also how could the opposition candidate not only stage a come back but could defeat the ruling party in a short period of two years and three months? An effort to answer these questions should incidentally provide an insight into the process of rejection and acceptance of a party by the electorate, emerging trends of inter-party electoral adjustments and the patterns of political polarisation and hopes and fears of the ruling party in view of its declining image in the state in which even the return of peace has not yet wiped out fears of the people about the recurrence of violence, the government assertions notwithstanding.

In Ajnala, the by-election was caused by the death of Harcharan Singh Ajnala, speaker of the Punjab Vidhan Sabha, while the election of Umrao Singh, who represented Nakodar constituency in the state legislature, to the Lok Sabha from Jullundur on May 19, 1993 caused the by-election in Nakodar. These by-elections provided an opportunity for both the major parties to test their popularity among the people in the Doaba (lying between Sutlej and Beas rivers and consisting of Jullundur, Hoshiarpur and Kapurthala districts) and Majha (lying between Beas and Ravi rivers consisting of Amritsar and Gurdaspur districts) regions of the state. Doaba has been a traditional stronghold of the Congress Party. Unlike the Majha and Malwa (lying on the left bank of river Sutlej consisting of the districts of Ferozepur, Ludhiana, Ropar, Anandpur Saheb, Patiala, Sangrur, Bhatinda, Moga and Faridkot) regions, Doaba is dominated by the Hindus and scheduled castes. In Majha too, the Congress Party, prior to the state's reorganisation in 1966, had held an edge over its rivals. But in the post-reorganisation period the Akalis have surpassed Congress in the Sikh-dominated areas. Both these regions have a sizeable urban population and are dominated by the small and middle farmers in the countryside. The Malwa region on the other hand is dominated by the middle and large landholders who have also established their supremacy in the Akali Dal in particular and the 'panthic' politics in general. Owing to the increasing hold of the Akalis on the dominant jat Sikh peasantry, the base of the Congress Party or, for that matter, most other groups in the countryside has faced a considerable erosion.

Further, with the onset of green revolution and state's reorganisation, the electoral base of the Congress Party has shifted to and got concentrated in the areas dominated by the Hindus and scheduled castes. The Doaba region including the Nakodar assembly seat entails a big chunk of Hindu and scheduled castes population. Roughly speaking, about 34 per cent of the electors in Nakodar belong to the scheduled castes, 20 per cent Hindus, 38 per cent Jat-Sikhs, 5 per cent ramgarhia Sikhs, 2 per cent kumhars and 1 per cent Christians and others. Whereas in the Ajnala assembly constituency, which falls in the Sikh-dominated Majha region, the social complexion of voters is made up of 46 per cent jat-Sikhs, 14.24 per cent majhbi Sikhs, 12.65 per cent Christians, 12.25 per cent rai Sikhs, 7.91 per cent Hindus and 4 per cent balmikis, sansis and harijans. Jat-Sikhs happen to be most decisive in this constituency. The Hindus and scheduled castes form around one-fourth of the total electors. The Akalis consider Ajnala as a 'panthic' constituency as 90 per cent of its voters come from the rural areas. It has only two small towns named Ajnala and Ramdass with only 11,000 and 6,000 voters respectively. There is only one sugar factory in the entire constituency which was founded during the tenure of the former speaker, late Harcharan Singh Ajnala. Most areas of the constituency are flood-prone and have invariably faced the fury of the Ravi river and an adjoining 'Sakki nalla'. In addition, a series of villages bordering Pakistan have no link roads and adequate sources of passenger transport. Likewise there exists hardly any adequate power supply in the different parts of the constituency.

Strangely enough, most of the rai Sikh peasants (small and marginal farmers) along the border have yet to acquire permanent ownership rights as a part of the land which they cultivate is leased out to them on a 'patta' (contract) basis. There exist about 9,000 acres of land in the constituency which has been allotted on the 'patta' basis. It has also made them vulnerable to frequent exploitation by the state functionaries including the revenue officials. A major chunk of the agricultural land in the constituency is owned by the prosperous jat-Sikh peasants. The Christians, Majhbis, Sansis, etc, generally form the group of landless labourers. During the terrorist violence it was one of the worst affected areas in which class I militants including

Satnam Singh Changiada, Malkiat Singh Ajnala, Chhina, etc, ruled the root. Many Hindus had to migrate to the towns for safety; some even sold their property assets (land and houses) to the jat-Sikh peasants. In addition to the farm income, many people near the border earn from smuggling and other related activities. All these factors had a close bearing on the electoral politics in the constituency.

Nakodar in comparison to Ajnala tends to be better developed in both agriculture and industry. Around 26 per cent population of the constituency lives in the urban areas. In the towns of Nakodar and Goraya the industrial activity, mainly under the stewardship of the flourishing Ramgarhia businessmen, has taken firm roots. Like the other urban areas of the state, both the towns are Hindu-dominated and jointly command around 25.47 per cent voters of the constituency. The location of the Goraya town on the G T road has also given it a big boost in terms of economic development. The countryside is dominated by the medium and small size jat-Sikh farmers. The people often face the fury of Sutlej in the rainy season. Brick kilns and local carpet manufacturing are the other economic activities in the area. Many people on account of being small landholders have gone abroad to earn their livelihood from time to time. According to some rough estimates around four-five per cent people from this area have gone to various countries.

The Akali Dal's support structure in this area usually confines to the jat-Sikh peasantry whereas the Congress(I) has its traditional strongholds among the Hindus, scheduled castes, ramgarhias, etc. As the Congress Party has also often nominated jat-Sikh candidates, it has obviously attracted a section of the jat-Sikh candidates, it has obviously attracted a section of the jat-Sikh peasantry in most elections.

A look at the political complexion of the Nakodar constituency shows that the Congress has dominated it since independence. In all there have been 12 assembly elections, including the two by-elections held on July 31, 1955 and May 26, 1994, out of which the Congress Party has won as many as eight elections. In addition, a rebel Congress candidate also won twice in 1967 and 1969. The Akalis have won only once in 1985 when the Congress(I) had participated in the assembly elections in a reluctant manner. The general impression in 1985 was that the Congress wanted to handover power to Akalis so that they would tackle the problem of terrorism on their own. However, in the July 1955 assembly by-elections the CPI nominee, Harkishan Singh Surjit (general secretary CPM), trounced the Congress candidate by securing 55.5 per cent valid votes cast in the constituency. The communists in the initial years were in fact a force to reckon with in this area. Many pockets of Doaba had been under the influence of the left in the past.

In the post-independence period too, the CPI-led 'anti-betterment levy' movement (1958-59) received a maximum support of the peasants in this belt. Moreover, the Nakodar assembly constituency happens to be the native place of some top communist stalwarts like Harkishan Singh Surjit, G S Randhawa and Rajinder Singh Sarinh. Though there is a sizeable population of the scheduled castes in this constituency, the organisations like Scheduled Castes Federation, DS-4, BSP, etc have hardly received encouraging response so far. Similarly, BJS/BJP has never been able to impress upon the Hindu voters. Unlike many other areas, this constituency has been averse to fundamentalist forces. It has had the privilege of being represented by leaders of the stature of Sardar Swaran Singh, Harikishan Singh Surjit and Darbara Singh. Sardar Swaran Singh was born in a vilage called Shanker, which is also the native place of some other important political leaders of Punjab like Balbir Singh, Chaudhary Darshan Singh, Joginder Pal Pande, Rakesh Pande, etc. As regards electoral politics, Table 1 provides data about the party position during the preceding assembly elections in the Nakodar seat.

In the case of Ajnala it is a sort of hybrid politics that has grown under the influence of communists, Akalis and the Congress Party. The first two elections in 1952 and 1957 were won by the Communist Party of India. Achhar Singh Chhina, a known and fiery communist, won both the times. In the first general election he humbled the Akali Dal as well as the Congress Party. Whereas in the second, the contest was between the communist and the Congress candidate. The Akali Dal did not contest and supported the communist nominee. It kept on supporting the communists till 1977. However, the communists could win only in 1967. The Congress on the other hand captured the seat in 1969 and 1972. In the case of 1967 it was an atmosphere of 'anti-Congressism' that favoured the CPI(M) stalwart, Dalip Singh Tapiala, to win the Ajnala seat. In 1977, the Akali Dal itself contested in alliance with the CPI(M) and wrested the seat from the Congress Party with a margin of 2,036 votes. In the subsequent election (1980) the Congress candidate, Harcharan Singh Ajnala, defeated the Akali nominee, Shishpal Singh with a margin of 3,441 votes. However, in the post-Blue Star period, i e, in the 1985 assembly polls, the Akali candidate again wrested the seat from the Congress Party by a big margin of 18,958 votes. The CPI(M) this time instead of supporting Akalis had contested separately but failed to secure more than 3,952 votes in all. It was for the first time that the CPI(M) had opposed the Akali Dal in the Ajnala seat. What a fall in the CPI(M)'s support? In the 1950s and 1960s the communists under the stewardship of comrade Sohan Singh Josh, Achhar Singh Chhina, Fauja Singh Bhullar, Dalip Singh Tapiala, etc, were a force to reckon with in this region. The growing pace of communal polarisation and opportunistic alliances by the communists themselves have reduced them to a marginal point. The electoral performance of different parties in the Ajnala assembly seat may further be seen from Table 2.

Nomination Politics, 1994

Originally, both the by-elections were scheduled to be held on May 26, 1994 but subsequently in the case of Ajnala the Election Commission postponed it to August 27, 1994. The ground was that the state government had violated the model code of conduct by announcing the intention to include 'dalit' Christians in the scheduled caste category. The Akalis perceived postponement of election to be the ruling party's strategy to evade defeat at the

Table 1: Partywise Performance in Past Elections

Year	Assembly Seats	Per Cent of Valid Votes Polled	Congress	Akali Dal	BJS/BJP	Communists
1951-52	2	56.06	45.03	19.67	8.58	10.06
1955	1	44.11	39.40	–	–	55.5
1957	2	50.49	56.28	–	5.07	12.68
1962	1	54.27	56.50	23.36	–	–
1967	1	62.30	22.7	9.8	15.2	–
1969	1	73.49	39.91	–	3.09	–
1972	1	69.32	62.43	–	–	–
1977	1	67.25	41.50	39.13	–	–
1980	1	67.01	49.66	48.45	–	–
1985	1	72.79	40.75	41.88	–	6.52
1992	1	23.16	50.62	–	10.41	–

Source: The data have been compiled from the Election Commission Reports.

hands of their candidate. They thus termed the Commission's decision as "a murder of democracy". The criticism of postponement added a new strength to the Akali Dal in Ajnala. However, the Congress also criticised the decision and challenged it in the court. Three writ petitions were filed by the Punjab government, the Congress candidate and the Akali Dal (Badal) nominee. The government and the Congress nominee denied the violation of the model code of conduct while the Akali Dal (Badal) candidate alleged that the Congress got the election postponed in the arbitrary manner because it feared defeat in the wake of rampant corruption, price rise and violation of human rights. Consequently the Election Commission in view of the Supreme Court's decision agreed to hold the by-election on May 31, 1994.

Regarding nominations, the Congress(I) nominated Amarjit Singh Samra for the Nakodar seat and Major Rajbir Singh for Ajnala. Both of them belong to the jat-Sikh community. Samra was holding the chairmanship of the Punjab Markfed. In the past he had been elected to the positions of panch, sarpanch and chairman of the Block Samiti. Traditionally, he represented an agriculturist family but presently his major sources of income include transport, financing and business. He is known financier and owner of the famous 'Prince' transport in Jullundur. His family relations cut across party lines. He is related to another big transporter, owner of the 'libra' transport, who is affiliated with the Akali Dal. Samra's son filed his nomination papers as a covering candidate. The owner of Dhiman enterprise, Gurbachan Singh Dhiman, a leading Ramgarhia industrialist of the Nakodar area, was also an aspirant of the Congress ticket but failed to get the party nomination. Initially he was non-committal but gradually started supporting Samra. The Ramgarhia community is concentrated in some pockets of Goraya and Nakodar town. Another very serious aspirant was Surinder Singh Babla, president of Jullundur District Youth Congress (rural), who played a key role in getting the Congress(I) candidate Umrao Singh elected to the Lok Sabha in 1993. Not only did he fund the campaign but also led the campaign with scores of his supporters. Senior leaders admit that it was because of him that the Congress got a wide margin in the Nakodar segment of the parliamentary constituency.[1] However, he was denied the nomination because of feud between the All-India Youth Congress president, Maninderjit Singh Bitta, and the chief minister Beant Singh. Darbara Singh, thrice MLA and speaker of Punjab Vidhan Sabha, was also ignored. Umrao Singh, who had vacated the seat after his election to the Lok Sabha seat from Jullundur, was also keen to get Congress nomination for his son, Amarjit Singh. But he lost the race. The Congress working committee's resolution that the practice of giving the party ticket to relatives of party leaders should be discouraged was also used as an excuse for denying nomination to his son. Umrao Singh, as a result, became lukewarm. In fact, he had fielded two rebel candidates who, however, had withdrawn from the contest.[2] The Congress(I), unlike the parliamentary-poll (1993), was thus divided and "plagued with internal dissensions". Though the chief minister succeeded in bringing these leaders to the fold of campaigning, some of their supporters including sarpanches and municipal members still remained lukewarm.

In Ajnala, the Congress(I) nominated major Rajbir Singh, Ajnala (retired), son of the former Punjab Vidhan Sabha speaker, late Harcharan Singh Ajnala, whose death caused the by-poll in the constituency. His younger brother, Har Pratap Singh filed as the covering candidate. Major Ajnala belongs to a leading family of jat-Sikhs. Not only that his father represented this constituency thrice and became speaker of the Punjab Vidhan Sabha but it is also a family of prosperous agriculturists having family relations with other leading agriculturist families of the area. His family has rice shellers and some partnership in business at Meerakot near Amritsar. The chief minister was initially interested in giving party ticket to a local businessman, Rajbir Singh Ravi, a youth Congress leader from Ramdas town, but ultimately agreed to nominate major Ajnala. Ravi and his supporters remained considerably lukewarm in their approach. He had considerable influence in about 50 border villages. However, the dissidence was managed by the chief minister and most party workers supported the party nominee.

As regards the Akali Dal (Badal), Parkash Singh Badal had a free hand in nominating the party candidate at both places. In Nakodar he nominated Kuldeep Singh Wadala, senior vice-president of his party. His two sons filed as his covering candidates. Wadala's family happens to be a leading agriculturist family of the area. His close relatives in some other villages of the constituency also wield considerable political influence. He was elected to the Punjab Vidhan Sabha in 1985 from the Nakodar seat by defeating his first cousin Umrao Singh of the Congress(I). However, he lost to Umrao Singh in the Jullundur parliamentary by-poll in 1993. In the case of Ajnala seat, Badal nominated Rattan Singh, president of the district party (rural) unit and once MLA in 1985 and who is a famous medico running a private clinic along with his wife in Ajnala town. He also belongs to a jat-Sikh family and happens to be financially well off. Among the other serious Akali aspirants were Mohan Singh Mattian and Sardul Singh Dhariwal. Badal tried to persuade but his efforts failed to rope in Sardul Singh who remained in the fray till the last and polled 1,075 votes, all of these would have gone to Rattan Singh of the Akali Dal (Badal). The newly formed United Akali Dal (Amritsar) had rendered some indirect help to Sardul Singh. However, none of the top leader (Tohra, Barnala, Mann, etc) of the Akali Dal (Amritsar) came to the constituency in support of Sardul Singh. This provided a good opportunity to the Akali Dal (Badal) candidate in ascertaining maximum support of the Sikhs for being the only serious 'panthic' nominee in the election fray. Besides, the other opposition groups such as CPI(M), Bharatiya Kisan Union, BJP, etc, also extended full support to the Badal group in Ajnala. The Congress(I) in this seat had faced the united opposition whereas in Nakodar there was hardly any emphatic announcement by the BJP in support of Kuldeep Singh Wadala. Moreover, Wadala's image among the Hindus during the militancy was of a hardliner. Many people said that he had often spoken the language of the militants. The Congress(I) exploited it to the hilt. Besides this, the CPI(M) candidate, a jat-Sikh and economically well-to do person who had been to England for years, contested the by-poll in Nakodar. His presence in the fray cut into the Akali votes.

TABLE 2: PARTYWISE PERFORMANCE IN PAST ELECTIONS

Year	Assembly Seats	Per Cent of Valid Votes Polled	Congress	Akali Dal	BJS/BJP	Communists
1951-52	1	58.74	29.43	32.55	–	32.88
1957	1	64.70	29.74	–	–	31.53
1962	1	68.44	73.33	–	–	26.67
1967	1	64.73	28.00	–	–	47.30
1969	1	72.50	52.06	–	–	40.90
1972	1	72.26	72.05	–	–	27 94
1977	1	70.18	46.52	50.08	–	–
1980	1	70.44	46.87	41.07	–	-
1985	1	61.91	26.65	57.09	–	6.35
1992	1	10.27	75.89	–	12.47	–

Source: The data have been compiled from the Election Commission Reports.

In brief, the strategy of nomination of candidates in the case of both the major parties was of selecting known political figures and financially well-off persons belonging to the jat-Sikh community, a dominant caste in both the assembly constituencies. Moreover, the most decisive factor in selecting party nominees was not the organisation but personality of the two leaders, viz, Beant Singh and Parkash Singh Badal.

The Campaign

Once the formal nominations were announced, the campaign got momentum. Both the major parties got together a large number of party workers and hectic campaigning was launched. The Congress Party had both vertical and horizontal arrangements to support its candidates in the two assembly seats. The campaign was mounted by a virtual army of local, district and state level leaders who enjoyed a strong infrastructure of automobiles, posters, leaflets, pamphlets and party flags. Caste and community leaders were called upon to campaign for the party candidates. Both the constituencies were divided into zones by making groups of five to eight villages which were put under the direct charge of ministers who were further helped by the legislators, sarpanches and other workers. Keeping in view T N Seshan's diktats, the ministers and other leaders used private cars with party flags each escorted by two police vehicles. The entire Congress ministry and the legislative elites kept on holding their positions till the last day. The chief minister, Beant Singh, reached every corner of the two constituencies and moved along with dozens of cars packed with ministers, MLAs and other leaders.

The Akali Dal candidates leaned heavily on the charisma of Parkash Singh Badal who had joined the battle with full enthusiasm and worked round-the-clock till the polling was over. He undertook trips to the remotest areas of the two constituencies, held rallies, public meetings and discussions with the groups of voters and party workers. He was helped by the other opposition groups and his own party workers, many of them were brought from the Malwa region, a bastion of Akali politics. Most Akali workers representing the middle and younger age category worked strictly under the directions of their leader. The Akali Dal had no dearth of workers and resources at its command. However, it was unable to match the ruling party, particularly in terms of resources.

Interestingly enough, the decision of the newly-floated United Akali Dal (Amritsar), a conglomerate of six Akali factions led by S S Barnala, Jasmer Singh, Jagdev Singh Talwandi, Simran Jit Singh Mann, Bhai Manjit Singh, Amrinder Singh, Sukhjinder Singh, etc, to keep away from the by-elections introduced a new feature into the election campaign which changed the tone and tenor of canvassing by the Akali leaders in Ajnala and Nakodar. This needs to be briefly discussed here for purposes of knowing the new developments which determined the election strategy of the Akali Dal in the two by-elections. The rhetorical panthic propaganda combined with anti-centre, anti-Hindi, or for that matter, anti-India stances along with emotional outbursts remained absent from the election scene. There was hardly any trading of religion for political gains. The old panthic stalwarts neither participated nor made any direct appeals to the Sikh masses. The electoral politics moved away from religious domination.

This new scenario of electoral politics was mainly a result of the existing feuds and factions within the panthic politics. Certain top Akali stalwarts allegedly wanted to serve their political ends by using the Akal Takht (supreme religious-cum-temporal seat of the Sikhs) in the name of unifying the fragmented Akalis. The whole effort at achieving unity was being done in accordance with the directions of the acting jathedar of Akal Takht, Manjit Singh. The Jathedar told the leaders of various factions to perform 'seva' (religious services) in order to "purify their minds and hearts, make them humble and to accord due respect to other Sikhs in accordance with the principles of Sikhism". He also said that because of Akali factionalism the entire Sikh community had to face "traumatic situations".[3] In response to his call six panthic groups agreed to merge into the United Akali Dal aimed at waging a struggle for establishing an autonomous region within the federal structure where the Sikhs could enjoy a glow of freedom and in case of non-fulfilment of this demand, the Dal would wage a struggle for a sovereign Sikh state, which obviously sparked off sharp reactions from different corners of the country. Parkash Singh Badal dissociated his group from these unity efforts. He did so at the risk of inviting the wrath of the Sikh clergy involved in the unity drive. Instead he objected to Akal Takht's intervention in Akali politics. In a letter to the Akal Takht Jathedar on April 17, 1994 he advised him to keep Akal Takht out of power politics.

Moreover, Badal abstained from joining the United Akali Dal leaders when they jointly performed 'seva' in the Golden Temple for five days as directed by the Sikh clergy. While starting their 'seva' on April 27, 1994 they criticised Badal for turning his back towards the Akal Takht at a time when the Sikh clergy was striving to forge Akali unity in order to fulfil Sikh aspirations.[4] The Akal Takht Jathedar also deplored it by stating that the refusal of Badal to appear at Akal Takht after his commitment at Talwandi Sabo was "very unfortunate".[5] His defiance was termed as sinful by the rival Akalis. Some of them called him a traitor and stated that "those Sikhs who have no regard for Akal Takht are greater sinners than those who demolished it". Later they appealed to Akal Takht to take action against such leaders. Badal, according to G S Tohra, had posed a grave threat to the authority of Akal Takht with controversial references. Further Tohra said "whosoever come in confrontation with Akal Takht would get isolation from the Sikh Panth".[6]

In a tactical move, Badal on April 21, 1994 resigned from the presidentship of his party and set up a five-member presidium to run the party affairs. He said that it was not possible for him to run the affairs of the party because he was deeply hurt by the developments in 'panthic' politics. Sources close to him indicated that the resignation was a tactic to thwart a bid by the SGPC chief, G S Tohra, and his supporters to free Badal to appear before Akal Takht for blasphemy and get him excommunicated from the Panth for defying the call of Akal Takht.[7] Badal himself said that there were calls for his social boycott issued by the Akal Takht Jathedar at hebest of the United Akali Dal.[7b]

Badal appeared at the Akal Takht only on May 6, 1994 and had a meeting with the five Sikh high priests for over five hours. He withdrew his controversial letter written to the Akal Takht jathedar and submitted apologies for any reference that had hurt the Jathedar. He also affirmed faith in Akal Takht and its jathedar. However, he did not agree to merge his party into the United Akali Dal and claimed that the 'Singh Sahiban' had allowed the Akali Dal (Badal) to retain a separate identity.[8] According to him, unity should be based on principles and should emerge from the very core of the heart.[9] Mention may be made here that about 25,000 to 30,000 supporters of Badal had also gathered there when he arrived at the Golden Temple and Akal Takht on May 6, 1994. All this was to show that "he had not challenged the supremacy of Akal Takht but also had not accepted unity". He foiled all attempts to force him to merge his party. This made him much stronger than before and gave a severe blow to the rival Akalis. After a while on June 6, 1994 he again took over as president of the Akali Dal (Badal), a party which has since then attracted lots of senior Akali leaders, the youth Akali Dal wings and grass roots level workers. Big conventions have been held to formalise merger of the different factions with the Akali Dal headed by Parkash Singh Badal. A resolution adopted

at one of the conventions said "Unfortunately, a section of the Akali Dal stands influenced by leaders who attach more importance to their own narrow political ends and who have never hesitated in the past to sacrifice the larger interests of the Punjabis and the Sikhs to gain personal political advantage. Our commitment to the nation, panth and Punjab demands that these leaders be isolated."[10]

In the unity efforts Badal's group apprehended that it was an exercise to isolate Badal and put the United Akali Dal under the command of G S Tohra. Badal, therefore, opposed it and stuck to his stand to retain a separate identity of his own group. His victory over his rivals was appreciated in most circles and considered to be a positive development in the Akali politics in the post-militancy period. This victory also established him as the indisputed leader of the Sikh peasantry. Criticism of Akal Takht's intervention in politics and the controversial resolution of the newly founded United Akali Dal strengthened Badal's position considerably. In fact his emphasis on Hindu-Sikh unity and call for greater autonomy within the federal structure raised his stature quite high among the diverse group of people.

It was against this background that the Badal Akali Dal entered the two by-elections in Punjab. His major thrust during the course of campaigning remained on issues such as 'misrule' of ruling Congress(I), misuse of official machinery, widespread corruption, nepotism, inflation, hike in the prices, river waters, police excesses, rigging, bogus voting, unemployment and problems of employees, Hindu-Sikh unity, etc. He cited examples of Guru Teg Bahadur who had sacrificed his life for Hindus. He termed the present Congress(I) ministers as a team of corrupt people who had looted Punjab government during the past two years.[11] He asked the chief minister, Beant Singh, to quit and seek a fresh mandate because his government was "illegitimate" one as it came to power with just 10 per cent votes in 1992. Moreover, he said that the Congress government was "anti-people, anti-farmer and anti-trader" and failed on all fronts and people were fed up with it. He also appealed to the government employees not to play in the hands of the ruling party and be impartial. "This government is on its way out, do not be afraid of the ministers",[12] Badal suggested.

He had launched his party's campaign quite late as he was "entangled in the Akal Takht affairs". He, in fact, fought on two fronts. While on the one side he was facing the ruling Congress(I) and on the other onslaughts from the rival Akalis in Amritsar. Badal blamed the Congress(I) for the creation of the Punjab problem. While refuting the charge of Beant Singh that he was responsible for the rise of militancy, Badal said that "militancy was the Congress baby". Further, he maintained that had he been responsible for it "why then very senior leaders of his party had been felled by the bullets of the militants". Likewise, he refuted Beant Singh's charge of calling Akali Dal anti-national. He said that if it was so then why Beant Singh had been functioning in that party and contesting elections as Akali nominee not once but twice, Beant Singh and several of his Congress ministers, according to Badal, were 'fugitive' Akalis in the Congress Party.[13]

Apart from this, Badal blamed G S Tohra for egging on the Akali factions to boycott the elections and handing the state over to the Congress on a platter.[14] He also accused the panthic leaders of extending help to a rebel Akali candidate in Ajnala. Even the Akal Takht jathedar, reportedly, sent pamphlets "appealing to the voters to put down Badal". Badal had also alerted his party workers about the electoral malpractices by the ruling Congress. When this author met him, Badal made a pointed reference to this aspect. However, he was quite confident about the victory of his party's nominee in Ajnala. He and his colleagues were very much agitated on the misuse of official machinery by the Congress(I). His party's nominees even pleaded for the deployment of the CRPF and BSF for all poll-related works instead of Punjab police. The BJP workers also lent support to Akali Dal (Badal) because of Badal's stand before the Akal Takht jathedar.

Badal undertook hurricane tours and covered every part of the two assembly constituencies. He moved with dozens of vehicles. He and his supporters refrained from mixing religion with politics. Nor did they arouse any unnecessary fears. Regarding this it has been aptly remarked that "For the first time in many years a Sikh leader has tried to take the debate on politics from the podium of gurudwaras to the podium of public platform, a feature that distinguishes secular democracies from theocratic states".[15] It was interesting to note that the BJP distributed 'ladoos' and played 'bhangra' on the victory of the Akali Dal candidate in the Ajnala assembly constituency. The by-polls in both the constituencies were characterised by people as battles between "Badal and the Punjab government". Many viewed it as a 'Beant vs Badal contest'. The candidates hardly mattered. There were candidates other than those of the two parties but none could make their presence felt in an atmosphere charged with personalities and dominant parties. Beant Singh had also emerged as a popular leader because of his achievements on the law and order front. These achievements had already rewarded him in the municipal and panchayat elections and added considerable charisma to his personality.

Beant Singh's attack in the campaign remained concentrated around the personality of Badal. He rated Badal as a weak leader and said it was during the chief ministership of Badal that the Sutlej-Yamuna link canal dispute had originated. Badal, according to him, took Rs two crore from Devi Lal, the then chief minister of Haryana for the construction of the canal. "Later, when Mr Badal was out of power, he and other Akali leaders, including Mr Tohra, launched a morcha against construction of the canal. In fact, that was the beginning of the period of bloodshed which Punjab witnessed for more than 10 years", he said.[16] In every election meeting/rally he lashed out at the Akalis "for ruining Punjab by staking terrorism for their vested political interests". He also warned people that the Akali Dal (Badal) candidate in Nakodar had "links with militants". For this he appealed people to reject "such anti-national forces which could ruin Punjab once again". He called it as a fight between the nationalists and anti-nationalists. He also lampooned the Akalis for their infighting and remarked "they were the same whether it was the United Akali Dal or the re-united Akali Dal".[17] Further, he alleged that the Akali Dal (Badal) had supported militancy and terrorism in Punjab. Instead of condemning the killings of innocent people during a decade-long turmoil in the state, he said Parkash Singh Badal

TABLE 3: VOTES POLLED IN TWO ASSEMBLY CONSTITUENCIES (1951-52 TO 1994)

Constituencies	1951-1952	1955	1957	1962	1967	1969	1972	1977	1980	1985	1992	1994
Nakodar	56.06	44.11	50.49	54.27	62.30	73.49	69.32	67.25	67.01	72.79	23.16	68.09
Ajnala	58.74	-	64.70	68.44	64.73	72.50	72.26	70.18	70.44	61.91	10.27	72.33

TABLE 4: RESULTS AND PARTYWISE PERFORMANCE IN TWO ASSEMBLY ELECTIONS (1994)

Constituencies	Total Votes	Valid Votes Polled	Congress(I)	Akali Dal (Badal)	CPI(M)	Others (Independent, etc)
Nakodar	1,17,803	80,211 (68.09)	37,526 (46.78)	32,316 (40.29)	5,995 (7.48)	4,374 (5.45)
Ajnala	1,26,435	91,452 (72.33)	36,542 (39.96)	46,856 (51.24)	—	8,054 (8.80)

went to attend the Bhog ceremonies of the terrorists.[18] The chief minister also alleged that both Badal and Gurcharan Singh Tohra were party to the conspiracy to eliminate Sant Harcharan Singh Longowal for their vested interests.[19] While referring to the Akali Dal (Badal) and BJP alliance, Beant Singh said it was a strange case of two opposite poles meeting each other. He said perhaps the BJP people had forgotten the gory incident in Moga where 28 BJP supporters were killed by terrorists.[20] To play the militancy card, the government displayed posters of a dreaded militant of the Khalistan Commando Force in the Nakodar constituency. The police said that he was spotted in the region.[21] The chief minister claimed for the return of peace to the strife-torn state and reiterated his government's resolve to fight the separatist elements and safeguard the unity and integrity of the country. In addition he emphasised that as peace had been restored his government would now concentrate on developmental schemes and enable employment opportunities to the youth. All through the campaigning, the ruling party emphasised on its victory over terrorism, stability and establishing peoples govenmment up to the grass roots levels. The chief minister and his entourage covered every nook and corner of the two constituencies.

Both the major parties left no stone unturned in reaching the voters by making very hectic and brisk campaigning. Meetings and rallies addressed by the chief minister and Parkash Singh Badal were a key feature of the electioneering. In addition, both the major groups made very sound arrangements by dividing the constituencies into zones and putting each zone under the command of responsible and senior leaders. The Congress largely harped on the restoration of peace and criticism of Akalis about their role during militancy and the Akalis on the Congress(I)'s misrule, corruption, price rise and discrimination against Punjab and Sikhs. The Akalis, among others, also made elaborate arrangements to check electoral malpractices. Both the parties were fully equipped and saturated the assembly constituencies with their resources. Moreover, Beant Singh and Parkash Singh Badal camped in these constituencies and made these contests as their prestige points.

Voter Turnout and Poll Verdict

The intense competition between the two major rival groups resulted in a greater participation of the electorate in voting. As much as 68.09 per cent valid votes were polled in Nakodar and 72.33 in Ajnala. Comparatively the turnout was higher in the rural areas dominated by the jat-Sikh peasantry. Three villages in Ajnala recorded as high as 85 per cent polling and nine others 75 per cent.[22] The reason for a comparatively higher polling in Ajnala was mainly of its being a rural constituency. Interestingly enough, in the case of the previous assembly elections of 1992 the reverse had happened. In the rural dominated Ajnala it was only 10.27 per cent polling whereas in Nakodar it came to 23.16 per cent. Incidentally, the voters in the Sikh-dominated countryside in the 1992 assembly polls largely remained indoors and kept away from polling. It was because of this that the turnout of valid votes in the assembly poll of 1992 was lowered down to 22.82 per cent in the state. However, with the return of normalcy, the voters in the countryside of Punjab first showed a higher polling (82 per cent) in the panchayat polls in 1993 and then in the current by-elections in Ajnala and Nakodar. In the Jullundur parliamentary by-poll of May 19, 1993 too, the number of valid votes cast was 58.03 per cent. The percentage of votes in the current two by-polls tended to be as enthusiastic as ever in these two constituencies. This may further be seen from Table 3.

The relatively lower polling in Nakodar was partly because of a slightly lower turnout in the town areas where voters showed less enthusiasm than those in the villages. Another factor of a comparatively lower percentage was that lots of voters from the constituency had gone abroad.

In terms of results, the Nakodar seat, as mentioned, was retained by the Congress(I) whereas the Ajnala was wrested by the Akali Dal(Badal). The margin of victory in Nakodar came to the tune of 5,210 votes whereas in Ajnala it went as high as 10,314 votes. This shows that the victory of the Badal group in Ajnala was more spectacular than the Congress(I). Moreover, the Congress though it had retained the Nakodar seat, its performance had gone down considerably in comparison to the votes polled by the party a year ago in the Jullundur parliamentary by-poll. The total number of votes polled in the Nakodar segment during this parliamentary by-poll was 77,477 out of which the Congress(I)'s share was to the tune of 47.79 per cent whereas that of the Akali Dal (Badal) remained only 30.57 per cent. This time the number of valid votes polled in the assembly election was 80,211 (i e, 68.09 per cent of the total 1,17,803 votes in the constituency) out of which the Congress(I) got 46.78 per cent and the Badal group 40.29. This showed a decline of 1.01 per cent votes in the Congress's account and a spectacular rise of 9.72 per cent in the poll performance of Akalis. Increasing cognitive level of voters about the inefficiency and non-performance of the ruling party led to a decline in its vote percentage. The rival group seemed to have taken advantage of this and raised its tally of votes quite high. However, if compared with the previous assembly polls in Nakodar in 1985, the Congress has registered an increase of 6.03 per cent votes over its performance of 40.75 per cent in the previous election. The Akali candidate, Kuldeep Singh Wadala, this time, on the contrary, was polled 1.59 per cent less than his own score of 41.88 per cent votes in 1985. This clearly indicates that the Congress(I) has been able to make some inroads in the rural areas of Punjab. It may be mainly attributed to its recent performance on the law and order front. Had it been complemented by some developmental activities, the scenario perhaps would have been different.

Even in the case of Ajnala, though the Congress(I) in the current by-election lost to the Akali Dal with a fair margin, the score of the party candidate in comparison to the previous assembly poll in 1985 has considerably gone up. This time the score was 39.96 per cent whereas in 1985 it did not exceed 26.65 per cent. On the contrary, the Akali candidate's score of 51.24 per cent votes in 1994 has gone down considerably in comparison to 57.09 per cent in 1985. Like Nakodar, it suggests an improvement in the performance of the Congress(I) in Ajnala too. Whereas in the case of the Akali Dal its grip over the rural voters seemed to have somewhat loosened. The general impression that the recent imbroglio of violence in Punjab had totally alienated the Congress Party from the Sikh voters in the countryside does not hold good. Likewise, the talk of further consolidation of the Akalis in the villages hardly sound realistic. No doubt their hold on the Sikh peasantry tends to be far more greater than that of the Congress Party.

However, the decline in the Congress votes in about one year's time suggests many things and it needs a systematic analysis and explanation.

Factors and Implications

Of the two election results, the spectacular victory of the Akali Dal (Badal) at Ajnala, which gave a severe jolt to the Congress(I), had attracted major comments and reactions from different circles in Punjab and outside. Before analysing the major socio-economic and political factors which helped the Akalis to win the Ajnala seat, it would be quite relevant to record here the views of different political stalwarts who had participated in the electoral process in an intensive manner. Their reactions which appeared in different sources may be biased and spontaneous but were based on the keen observations which they had made about the contextual characteristics of politics in the two constituencies. Parkash Singh Badal regarded it as a turning point in the state politics and termed the victory of his party a victory in

a war against the 'unjust' and 'corrupt' Congress rule of Beant Singh. He sought the resignation of the Congress(I) government and treated his party's victory as a 'fatwa' (verdict) against the Congress rule. In a victory rally in Ajnala he said that the outcome was a verdict against the minority Beant Singh government and "an eye-opener to our Akali friends who were misusing religion for their own vested interests".[23]

In the national and local press there was a common impression that Badal had emerged as a rallying point after the poll result in Ajnala. Some have interpreted his party's victory as useful in countering two unhealthy trends in Punjab politics. One is the mindless factionalism among the Akalis. The other is the Beant Singh government's indifference to the vital need to check police high-handedness.[24] However, the rival panthic leaders belonging to the newly floated United Akali Dal did not credit Badal for his party's victory in Ajnala. They instead attributed it to the failures of Beant Singh's government. To the BJP leaders, who supported Akali Dal (Badal), the defeat of Congress(I) in Ajnala implied a public censure of political terrorism, large-scale corruption and wrong policies "of the state government".[25] Likewise, the Lakhowal group of the Bhartiya Kisan Union (BKU), an ally of Badal group, welcomed the verdict and termed it as a jolt to the Congress(I) government for its anti-Punjab policies. Sat Pal Dang, a veteran CPI leader, said "Congress again tried the peace card not realising that the same plank cannot go on paying dividends." Corruption was another major factor, according to Dang, which attributed to Congress(I)'s defeat in Ajnala.

Even some top Congress(I) leaders from Punjab (Buta Singh, etc) ascribed the Congress defeat in the Ajnala by-election to "rampant corruption, nepotism, police excesses and maladministration" in the state.[26] The chief minister, Beant Singh, neither found any substance in these factors nor agreed with the view that Badal had emerged as the most popular Akali leader after the poll results. While reiterating that his government would continue its fight against communal and separatist forces, he said that militancy would get a boost following the victory of Akali candidates.[27] He also said that the result was not unexpected. However, he maintained that it was a healthy sign that the Badal group, which boycotted the 1992 assembly poll, had opted for the democratic process. Broadly, he spelt out three main reasons for the defeat of his party candidate in Ajnala. First was the legacy of terrorism as this area had been the hotbed of terrorism. Many people in the border villages, according to him, used to indulge in anti-social activities including smuggling. These people, he felt, had not digested the return of peace and hence they opposed the Congress. Second, he said that the BJP support for the Akali candidate also contributed to the defeat of the Congress candidate. About 2,000 BJP supporters, according to him, voted for the Akali candidate. Third was the factor of the independent Christian candidate, Umar Masih, who polled 4,090 votes, which, according to him, would have otherwise gone to the ruling party. As regards factional fights in his party, he admitted that few ministers had not campaigned satisfactorily. However, he denied any cabinet reshuffle on this account.[28] The above observations and comments have some element of truth and explanatory utility but do not provide a detailed and comprehensive account about the peoples verdict.

From the social and demographic point of view, the Ajnala assembly constituency because of being a jat-Sikh dominated rural hinterland gave an obvious advantage to the Akali Dal which claimed to be the sole spokesman of the peasantry in Punjab. The Congress(I), with a majority of jat-Sikhs in the council of ministers, no doubt, made some inroads in the villages but was still not comparable with the Akalis. Like Nakodar, there was no CPI(M) candidate in Ajnala to cut into the jat-Sikh vote-bank of the Akalis. In Nakodar all the 5,995 votes polled to the CPI(M) candidate, a jat-Sikh peasant, would have otherwise gone to the Akali candidate. Besides, the phenomenon of acheduled castes in the Ajnala constituency was not very significant. The other weaker sections such as the rai Sikhs and Christians, though they had been traditional strongholds of the Congress party in the past elections, this time did not follow the earlier lines. The Christian candidate, contractor Umar Masih, cut into the Congress votes. It helped the Akali candidate in a substantial manner. As regards the rai Sikhs, the author during his visit to their villages, situated along with the Pakistan border, noticed a strong current against the ruling party. These villages (Dalla Rajput, Ballowal, Sarangdev, Khanwal, etc) not only lacked the link roads, facilities of passenger transport and other development activities but people were also harassed by the police and revenue official. Their area was inundated by the flooded Ravi during monsoons in 1993 but most villagers, as they told the author, were yet to get the relief or compensation for their crops. Whereas some resourceful persons in the constituency reportedly got reliefs without any damage to their crops and property.

Moreover, since their land was 'patta' based they were deprived from the facilities of usual loans as the bureaucrats would trap them on one account or the other. One of the village panchayat members (a rai Sikh) said that the people would not get more than a half of any amount sanctioned by the government in their names. Literacy rate is very low in these villages. The existing educational facilities for their children were also inadequate. Further, all ills including the habit of alcoholism were widespread in the area. Several people were drunk in the day time when the author visited these villages during the election period. Both the parties were using liquor to win people's votes. Incidentally in Nakodar a dalit died of excessive drinking on May 25, 1994 while partaking the poll eve feast with several others in his vilage Samra, the native village of the Congress candidate in Nakodar. He had reportedly enjoyed the hospitality of both the Congress and Akalis. Both camps had blamed each other for the incident.[29] Drinking liquor from both the major groups by several people in the villages was a common feature in both the constituencies.

Another factor regarding which most rai Sikhs and other people in the border villages felt agitated against the Congress was the factor of newly elected sarpanches of their panchayats. It was told that the Congress ministers and other leaders of the region in collusion with the police and state officials fraudulently manoeuvred the panchayat polls and elected Sarpanches of their own liking. These sarpanches instead of serving the hapless rai Sikhs and other villagers had served themselves. In some villages of rai Sikhs the onus of peoples anger against sarpanches fell on the Congress(I) candidate. While the sarpanches in these villages were supporting the Congress(I), the people were with the Akali Dal (Badal). The rai Sikhs commanded around 15,500 votes in the constituency.

Most of the voters had good image of late Harcharan Singh Ajnala but were not so happy with his sons. The younger son was even reportedly involved in the task of thrusting sarpanches on the villagers.[30] This apart the voters were dissatisfied with the deeds and behaviour of some Congress ministers, legislators and their wards. Cases of assaults by the Congress(I) leaders on teachers, cops, MLAs, doctors, etc, were made popular among the voters which also damaged the image of Congress Party and stalled the victory of its candidates. The incident of a Congressman taking out his pistol on the polling day in Nakodar and the activities of the chief minister's grandson in the elections were made important matters to beat the Congress Party in the hustings. All this was further substantiated by the employees' processions in Ajnala town demanding arrest and registration of cases against the two Congress(I) sarpanches who had beaten up a patwari in the court of the Tehsildar on May 11, 1994.[31] On the poll eve period the issues of bogus voting, rigging, etc, were made central by the Akalis. On the

polling day groups of Akali workers were deputed to keep vigil over such acts of Congressmen. At several polling booths they resented and demonstrated against bogus voting and use of force against their men. Even Parkash Singh Badal, with whom a motorcade of 14 cars was moving from one polling booth to another, had to enter into an argument with a Congress minister near a polling booth in Ajnala where the author was also watching the polling process.

A plethora of issues such as the ever-growing graph of corruption, nepotism, prices, etc, intensely affected the Congress(I)'s fortunes in Ajnala. Corruption, nepotism and prices were the key weapons used against the Congress rule. Describing these as "politically motivated" by the Congress stalwarts did not compare with the empirical reality. Nor Beant Singh's tactics of sidetracking the issue by saying that Badal had amassed huge property assets and wealth through corrupt methods had worked. He in fact claimed that the property and wealth of Badal had exceeded those owned by 84 Congress MLAs put together including the chief minister.[12]

As regards Nakodar, the victory of Congress(I), as mentioned above, may be mainly attributed to the support of Hindu, Ramgarhia and scheduled caste voters. In fact, they have been Congress's strongholds in most elections. While discussing with the voters belonging to these groups at different places like Nakodar, Goraya, Atta, Samra, Sarinh, Shanker, Sang Dhesian, Boprai, etc, it was observed that they were quite happy with the restoration of law and order by the Congress(I) government. Moreover, they did not appreciate Wadala's (the Akali candidate) participation in the 'bhog' ceremonies of the militants. The Akali Dal got only a limited support from these groups. They are yet to be seriously wooed by the Akalis. Similarly the Congress(I) attracted only a small number of jat-Sikh votes from the villages. Jat-Sikhs form a sizeable vote bank in the constituency but in the absence of any alignment with the other groups they would just ensure only a close contest, not victory. Moreover, each village or caste group besides being economically heterogeneous tends to be riven by local feuds and factions which usually determine their voting behaviour.

The presence of CPI(M) candidate also cut into the Akali votes in rural areas. The factor that Bahujan Samaj Party (BSP) of Kanshi Ram did not contest the by-elections in Punjab also went in favour of the Congress(I). Had it contested, it would have become a triangular fight between Congress, BSP and Akali Dal in which Akalis would have won the seat. The BJP workers were sounded to oppose the Congress(I) but their writ on the Hindu voters hardly run. Badal's tactics of Hindu-Sikh unity and holding the Congress responsible for driving a wedge between the two communities did work but only to a limited extent. Had his emphasis on "Punjabiat" or unity of all Punjabis not only of Sikhs and the consequent confrontation with the United Akali Dal begun somewhat earlier it would have, perhaps, attracted more Hindus to rally around his group.

However, these by-elections would have far-reaching implications for Punjab politics. The state is likely to witness significant changes including new political alignments and intra-party factional fights. Badal's victory in Ajnala may not endanger the survival of Beant Singh's government, yet it would amount to a great stress on the ruling party and its leader. There may emerge more covert opposition to Beant Singh's position in the party. Since his assuming power in February 1992 his position has been almost unassailable. The changed context, particularly outside the legislature, where there has emerged hallo round the personality of Parkash Singh Badal, seems to have made Beant Singh quite vulnerable.

The post-by-election duels between Beant Singh and Buta Singh are pointers towards this. Further fissures may develop in the Congress(I). Criticism may be built around multiple points such as Beant Singh's authoritarian handling of the party as well as government affairs, factionalism in the Youth Congress, over-representation of a particular caste or community in the ministry, growing rate of corruption, police excesses, etc. If Badal's efforts towards the unity of all non-Congress parties bring fruit it may not only endanger stability of the Congress regime in the state but also triumph the opposition in future elections. It is only by stepping up development activities, minimising corruption, strengthening unity in the party ranks, resolving long-standing issues with the centre's assistance and blocking any chance of state's sliding back to the decade-old trauma which could save the ruling party at the next hustings. The restoration of peace, though a very important achievement of Beant Singh, would not suffice beyond a point.

An important meassage from the congress's victory in Nakodar was that the party's fortunes would be safe if it continued getting support of the scheduled castes. Their proportion in the state's population happens to be as high as 26.9 per cent. Interestingly enough, in the Doaba area their proportion, according to the 1981 Census, was 32.9 per cent. More strikingly, the proportion of the scheduled castes in the Jullundur district, where the Nakodar seat falls, tends to be 36.7 per cent. The BSP of Kanshi Ram, unlike the current by-polls, will not keep away from the future elections in the state. As it may not contest separately, the alignment of this party would decide the future course of power politics in Punjab.

The Ajnala victory of the Akali Dal has elevated Badal's stature and made him a rallying point and potential contender for power in Punjab. His detractors in the Panthic politics are reduced to a non-entity. Lots of leaders and the grass roots workers of the other Akali factions have flocked to the Badal group. Whether his 'Punjabiat' and the extremely moderate postures succeed in ushering in a new era in Punjab politics remains to be seen. It is hoped that the hard-liners and others would not queer his pitch by raising complex issues. Harping on emotive panthic issues would no longer help any panthic party in the changed scenario of Punjab politics. Nor the restoration of peace alone, though a great task, without providing clean administration and fulfilling peoples expectations would bring any dividends to the ruling party.

Notes

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5 *The Tribune*, May 5, 1994.
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A System of Positive Incentives to Conserve Biodiversity

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India's current programmes for conservation of biodiversity suffer from major defects and need to be radically. restructured to meet present-day challenges, such as the conservation of the entire spectrum of biodiversity including insignificant components, and the need to integrate traditional conservation practices of local communities in new programmes.

INDIA is one of the world's top 12 megadiversity countries, with a rich tradition of as well as a vigorous modern effort at conservation of biodiversity. Yet the country's heritage of biodiversity is being rapidly eroded. This can be traced to a number of deficiencies in the current system of utilisation and conservation of biological resources that have resulted in a weakening of the traditions of prudent use of biomass and conservation of biodiversity, while failing to erect in their place other effective alternatives. The traditional community-based systems of sustainable use of village woodlots and pastures, coupled to protection to sacred plants, animals, forests or ponds have been adversely affected by the state take over of common property resources, in effect converting them into open access lands and waters, subject to unregulated overuse[1]. At the same time the state managed reserve forests have been dedicated to subsidised supplies of wood to urban-industrial consumers leading to overharvests, followed by clear-cutting and conversion to monocultures[2]. The state forest authorities in charge of vast tracts of lands and now waters as well have been indifferent to the broader considerations of biodiversity, and have permitted unregulated harvests of myriads of so-called minor forest produce, including medicinal plants. They have also clear-cut the only remaining stands of species rich climax forests surviving as sacred groves and converted them into eucalyptus plantations[3].

The state-sponsored conservation effort has focused on maintenance of wild life sanctuaries, national parks and biosphere reserves over 4 per cent of the India's land mass. The management of these protected areas has paid scant attention to conservation of the total spectrum of biodiversity, focusing on a few flagship species like tiger and their mammalian prey, neglecting important elements such as aquatic habitats, or high altitude grasslands, and removing dead and fallen wood and destroying leaf litter. Managers of protected areas have also tended to treat local tribals, peasants, herders and fishers as enemies resulting in serious difficulties such as burning of stretches of Kanha Tiger Reserve by displaced tribals[4].

To sum up, India's current programmes for conservation of biodiversity suffer from four major defects: (1) A mistaken notion that nature conservation must involve exclusion of all human use, especially subsistence use by tribal and rural populations; (2) A narrow focus on protected areas, largely forest tracts, to the neglect of biodiversity outside of nature reserves, in other reserve forest tracts, in lands in and around villages, in wetlands, rivers and seas; (3) An unfortunate emphasis on protection through use of arms by a bureaucracy, especially against local tribal and rural people; and (4) Untenable claims of availability and application of scientific knowledge while failing to put to use detailed locality specific folk ecological knowledge.

This system obviously needs to be radically restructured to meet the present day challenges as recognised, for instance, by the Convention on Biological Diversity, to which India is now a party[5]. These challenges involve: (1) Conservation of the entire spectrum of biodiversity, being concerned even with apparently insignificant organisms, be they small herbs or wood rotting fungi; and the (2) Need to respect the traditional knowledge and conservation practices of local communities, especially women, and to share with them benefits accruing from the utilisation of biodiversity. It is our purpose to discuss in this paper the lines along which such a system may be designed.

A New Paradigm

Such a system will have to be grounded in coupling sustainable use of biological resources with conservation of biodiversity, not in a few protected areas, but throughout the length and breadth of the country, driven by a series of positive incentives directed especially at the people living close to the earth. The system should concern itself with the entire landscape and waterscape of the country for two reasons. Firstly, many biodiversity elements of evident value such as wild relatives of taro and yams characteristically occur in highly disturbed habitats, others such as weedy relatives of paddy occur in low input cultivation systems. It is therefore, quite inadequate to concentrate conservation efforts merely on a few protected areas, primarily under forest biomass. Secondly, it is not feasible to protect a few islands rich in biodiversity in the midst of degraded landscapes. The biodiversity-rich islands would be far more secure if a serious attempt is made to create a biodiversity friendly, ecologically restored matrix around them.

Of particular importance in such attempts would be the uncultivated lands, forests, grazing lands, cultivated lands under low input, rainfed cultivation which still tends to be based on a number of land races of cultivated plants, and streams, rivers, coastal tracts away from areas of intensive use[6]. These habitats are extensively used by the poorer segments of the Indian community, people who depend on biomass resources gathered with their own labour from their immediate vicinity to meet their requirements of food, fuel, fodder, fibre, organic manure, medicines. Such people have few options to turn to if deprived of access to these resources. In intimate contact, day in and day out, with their environment, often rooted in it for generations, they represent the ecosystem people of the world[7]. They have a profound knowledge of the biological resources albeit of a very limited resource catchment. Such locality-specific ecological knowledge of the ecosystem people, often based on historical experience accumulated over generations could play a most useful role in sustainable use and conservation of biological resources[8]. Given the limited scientific understanding of the working of complex ecosystems, and the limited information available with professional managers, the currently prescribed, overly rigid practices could be greatly improved upon by using the detailed ecological folk knowledge of local communities to evolve more flexible, adaptive management strategies fine tuned to the nuances of local ecosystems[9,10].

Alienated from all control over their resource base, today the ecosystem people are often destroying it through unregulated overuse. However, of all the components of the Indian society, they have a larger, genuine stake in restoration and sustainable use of these resources, in their tremendous variety. They also retain some vestiges of cultural traditions of prudent use that could be revived[11]. Finally, it is these ecosystem people who are in day-to-day intimate contact with their environments and could effectively monitor the fate of its store of biodiversity.

In contrast, the people manning the state apparatus presently assigned the function of preservation of country's biodiversity, whether they bel ng to agriculture, forest, revenue or other departments, and their political masters belong to Dasmann's category of biosphere people[7]. Biosphere people have access to resources from all over India, and increasingly from other parts of the world through the market mechanisms. They have no stake in the health of any particular ecosystem, since if one locality is degraded they always have other alternatives. As a consequence, the regulatory agencies tend to deploy their powers merely to misappropriate resources, either directly or through sanctioning others to do so. Such a regime is helped by the near total lack of accountability for politicians and the bureaucracy, despite a fairly healthy democratic system, since India's grass roots level democratic institutions still remain very weak. The current centralised approach to biodiversity conservation based on regulation by an inefficient bureaucracy in league with unscrupulous politicians and business interests is therefore unworkable. It is an approach grounded in very inflexible management plans focusing on limited localities that has often proved counter-productive[12]. In its place we need to design a system of positively rewarding the ecosystem people to sustainably use and maintain, indeed restore high levels of biodiversity employing flexible management practices fine tuned to the prevalent local conditions through the length and breadth of the countryside. Such rewards could be in kind in terms of greater community rights over natural resources, in cash, or in terms of recognition of the value of folk ecological knowledge and practices of ecological prudence.

The key actors in the proposed system would have to be some appropriate community-level institutions to directly manage public lands and waters and to co-ordinate the management of private lands and waters within some appropriately defined territory. The size of the human community involved in such management should not exceed a few hundred families, so as to ensure that all members of the community are in fairly regular face to face contact. The land and water area under their management should cover part or all of their resource catchment—i e, the region from over which they regularly collect fuelwood or graze their cattle. People tend to cover a radius of 4-8 km for such activities [13], so that such a catchment would cover around 50 km to 200 km[2]. Now the population densities in rural India are of the order of 200 people per km [2,14]. So such a resource catchment will support a community of 10,000 to 40,000 people or 1,000 to 7,000 families. This is too large a number. A manageable community would be more like 40 to 200 families. This means that the territory that can be assigned to any given community would often be only a part of their current resource catchment. Such communities would then have either to concentrate their biomass harvests on much more restricted areas, or to arrive at acceptable adjustments with neighbouring communities. Such difficulties would be minimal in less densely populated forested tracts, which also tend to be richer in biodiversity.

Apart from serious difficulties thus posed by the sheer density of India's population, there are problems of the manifold divisions within the society. The Indian caste society comprises thousands of communities who largely marry within bounds of the group; the Anthropological Survey of India has identified 2,635 such communities[15]. These segments are often in highly inequitous relationships with each other, with the ownership of means of production and political power concentrated in the hands of members of a small number of the upper caste communities. Collective decision-making in such inequitous communities is fraught with difficulties. However, with increasing levels of literacy and with democratic processes taking root in the country, collective decision-making at the level of settlements and villages is becoming more and more significant. The growing importance of panchayat raj as reflected in the 73rd Amendment to the Constitution passed in 1993 is indicative of this welcome change[16].

A more difficult question is that of the role of groups on the scale of castes or tribes. Most of India's villages have populations belonging to several different castes/tribes, and most individual castes/tribes have members spread over a number of villages, often taluks or districts. The tribal organisation continues to be of importance, especially in the north-eastern hill states which are also areas of rich biodiversity[17]. Caste organisation may be especially relevant in groups like nomadic herders and specialist fisherfolk who have particularly intimate links with biological resources, and who tend to be rather isolated from the rest of the rural population[18]. Whether groups thus organised on caste or tribal lines could be fruitfully involved in a biodiversity programme, or whether the focus should exclusively be on geographically delimited settlement would require further examination.

The assembly of all adults in a geographically delimited community will in any event have to be the principal focus of the reward system to encourage maintenance of as high a level of distinctive elements of biodiversity as possible within the territory assigned to the community. Apart from gramasabha or the assembly of all adults, other community-level institutions such as youth clubs or women's clubs could play an important role in managing local biodiversity, while the local school could play a useful role in documenting it. Such community groups would have to interact with groups on other scales, for instance, individual farmers participating in *in situ* conservation of crop diversity on private land or panchayat raj institutions at the level of village clusters, and other institutions at taluk, district, state and national levels.

The working of such a system would require the support of a series of institutions to: (a) organise systems of management of both private and public lands and waters within the territory of the community in a manner conducive to sustainable utilisation of biological resources in conjunction with maintenance of as high a level of distinctive elements of biodiversity as possible; (b) set priorities, assign values in terms of significance of different elements of biodiversity for conservation effort; (c) monitor the levels of biodiversity within the territory of the hundreds of thousands of village communities of India and to assign an appropriate value to the sum total of this biodiversity; (d) decide on the share of each village community in the funds earmarked to support biodiversity conservation throughout the country in proportion to the sum total of the biodiversity maintained in the village territory; (e) disburse these funds, promptly and without any leakages to the village communities; (f) receive the funds and organise their utilisation for purposes benefiting the entire community and sharing of the rest amongst members of the village community; (g) settle any disputes in terms of shares of various village communities and individuals; and (h) settle disputes relating to regimes of management of land, water and biodiversity resources amongst members of different village communities.

The institutions proposed by us for this purpose do follow all the eight design principles of long enduring institutions enunciated by Ostrom[19]. However, they have some special features related to the fact that the intervention of the state is essential to generate additional incentives for the conservation of biodiversity.

Empowering Communities

Rewards for custodianship of biodiversity and knowledge of its use may then primarily come to a geographically defined community; though they may also go to individuals, to caste or tribal groups or to clusters of village communities. The rewards could importantly be in the form of assertion of community rights over public lands and waters within their defined territory. In theory this has been accepted under the joint forest management policy and national wasteland development board initiatives but has not been adequately translated in practice[20]. The ownership of these lands and waters may continue to be vested in the state, with neither the state nor the communities having the authority to dispose of public lands and waters, except through a jointly agreed upon decision under special circumstances. Communities could then be given full authority to manage such lands and waters in a sustainable fashion, including certain levels of biomass harvests, provided that appropriate levels of biodiversity are being maintained. With the communities standing to gain in the long run they are likely to organise sustainable use patterns for these lands and waters, and to manage them in such a way as to enhance their biodiversity value. However, it is absolutely essential that they should have adequate authority to exclude outsiders, and to regulate the harvests by group members, as well as an assurance of long-term returns from restrained use for such a system to operate effectively.

Such additional rights of access to publicly held resources would serve as a positive incentive for making prudent use of public lands and waters to meet their biomass needs. But this in itself would be inadequate to promote maintenance of high levels of distinctive elements of biodiversity within the community territory, since there may be better economic returns from monocultures, be they of high yielding crop varieties on private lands or eucalyptus on public lands. Incentives would also be necessary to compensate local communities to accept economic losses associated with maintenance of biodiversity, for instance, through crop raiding by elephants. Specific incentives which should be viewed as service charges are therefore necessary to maintain diversity, of cultivars on farm lands, of indigenous livestock breeds, of fruit trees in homesteads, of medicinal plants, wild relatives of crop plants, or troupes of primates or crocodiles on public lands and waters. Individuals or communities participating in such efforts must therefore, be paid certain rewards linked to the levels and value of biodiversity within their territory. Such rewards could be untied funds coming to the community to be devoted either to community works such as educational or health facilities, or to be shared amongst all community members. The rewards could also take the form of building community capacity for maintaining enhanced value of biodiversity within their territory, or for setting up biodiversity-based enterprises, such as chemical prospecting or extraction of active ingredients. Similar rewards may also flow for making available knowledge pertinent to uses of biodiversity, for instance in pest control[21].

Apart from these rewards, which may provide sustained positive incentives to custodians of biodiversity, there may be one time rewards such as fees for collecting some genetic resource from the territory, or fees for sharing some piece of knowledge relating to use of biodiversity. There may also be shorter term rewards such as royalties from commercial application of some element of biodiversity or some piece of knowledge relating to its use. It will, however, be very difficult to properly channelise royalties of this nature to particular individuals or communities, since this would require that every such element of biodiversity or knowledge to be traced to a particular set of localities, communities, or persons. It would then be much better to pool such royalties in a National Biodiversity Fund and use this for rewarding communities for the ongoing maintenance of biodiversity within their territories. It is important that these rewards are linked to the continuing good performance of the community in conservation of biodiversity and should be based on the annual monitoring of performance and documentation of biodiversity through a transparent open process by a neutral agency.

National Biodiversity Fund

This National Biodiversity Fund—a broader version of the Community Gene Fund as it has been termed in the context of conservation of crop genetic resources—could receive funds from many sources other than royalties that cannot be assigned to a well identified set of individuals or communities. The governments—both central and state—could deposit into it funds earmarked towards conservation efforts. The government of India should deposit into it money it may receive in recognition of its sovereign rights over biodiversity resources that are put to commercial use through the country's prior informed consent in accordance with provisions of the Convention on Biological Diversity. The government of India should also deposit into it funds it may receive from international sources such as Global Environmental Facility as incremental costs of its conservation effort. But the largest and the most consistent source for the National Biodiversity Fund could be a cess that the government of India levies on the sale of all commercial products benefiting from biodiversity: seeds of protected varieties, pharmaceuticals, cosmetics, and emerging applications of biotechnology in food processing, waste treatment, mineral leaching and so on. This would ensure that increasing volumes of funds flow into conservation efforts in step with economic growth, and in particular growth of biodiversity-based enterprises. It would also be worthwhile for the government of India to campaign for a similar cess in industrial countries becoming a source of substantial volume of guaranteed funds to meet incremental costs of biodiversity conservation in developing countries.

M S Swaminathan stresses that the entire corpus of the community gene fund should go to reward farmers for their services in the development of crop genetic resources[22]. A similar principle should apply to the National Biodiversity Fund which should be devoted entirely to rewarding village-level local communities and individuals for their contribution to ongoing maintenance of biodiversity and development of knowledge of uses of this biodiversity. None of these funds should be permitted to be diverted to support bureaucracies, for once that is accepted, Parkinson's laws would prevail and the bulk of funds would be soon consumed in unproductive expenditure, that may in the end be actually inimical to conservation of biodiversity. Of course, the administration of such a system would require help from technical and legal institutions for their effective functioning. These bodies should include representatives of people from villages/settlements involved in conservation of biodiversity along with technical and legal experts. But the government should agree to fund these institutions through a separate budget head. This would create pressures to keep this machinery lean, demanding only minimal resource inputs. That would facilitate creation of institutions geared to deliver goods in terms of biodiversity conservation, rather than committed to their own growth.

Such institutions would have to operate at all levels from the nation as a whole down to village communities with appropriate links. The national level institutions should also be linked to appropriate institutions at the global level. At the national level we require a consensus on the system of values to be assigned to different biodiversity elements, and methods of monitoring their status. India harbours tremendous biological diversity, with some 1,00,000 known species of living organisms, and another 4,00,000 or so remaining to be described, as well as high levels of within species genetic variation[23]. Evidently, we cannot deal with this entire range in the valuation and monitoring exercises and will have to deal with a sample of taxa. This sample of taxa could be so chosen as to represent different evolutionary

lineages, different biogeographic affinities, different functional roles in the ecosystem, as well as occupation of different habitats. Thus one may select, for example, freshwater algae, lichens, ferns, leguminous plants, soil nematodes, ants, snails, fish and birds as the focal taxa. Additionally, we must include in the sampling scheme elements of more evident economic importance such as cultivars of crops, breeds of domesticated animals, wild relatives of crop plants and domesticated animals, and plants and animals of medicinal importance[24]. We should then organise a system of monitoring of levels of biodiversity of such elements in the territory of each and every village, and of valuing them on an ongoing basis to firmly link rewards to actual conservation performance.

The values could be assigned on the basis of a series of principles such as the following: (a) Taxonomically more distinctive elements should be valued more; (b) Taxa with more restricted geographical ranges or narrower habitat preferences should be valued more; (c) Rarer taxa should be valued more; (d) Taxa under greater threat because of ongoing human interventions should be valued more; and (e) Taxa with greater promise of economic utility should be valued more. The application of such principles and others that may be evolved should be the function of a technically competent group. This could perhaps be a specialist group established by the central government or the Indian National Science Academy.

The system of monitoring biodiversity levels that we visualise has to cover the territory of each and every village community. Obviously this has to be launched as a massive decentralised effort mobilising the entire population. This is a great opportunity for developing a symbiotic relationship between the informal folk knowledge systems, traditional knowledge systems like ayurveda, siddha or unani medicine as well as the modern scientific knowledge[25]. A great deal of locality-specific knowledge of biodiversity elements significant to their own life-styles resides with people, many of them illiterates. This, for instance, is the case with specialist fisherfolk who know much of water bodies, ongoing changes in these water bodies and their snail, bivalve, shrimp, crab, fish fauna; or nomadic shepherds who know a great deal of large tracts of scrub savannas and grasslands and of its vegetation. This knowledge can and should be tapped to feed into the total system of biodiversity monitoring. Some pioneering attempts at documenting such knowledge have already been initiated through an organisation called Srishti. Srishti has organised a series of biodiversity contests with the help of primary schools in different states and have discovered everywhere exceptional individuals, children as well as adults who know hundreds of local species. Srishti also runs a network called Honeybee for giving due credit to and sharing such knowledge of distribution of biodiversity, as also its uses, often newly discovered by some innovators[26].

Another excellent model for decentralised inventorying is that of panchayat level resource mapping pioneered by the Centre for Earth Science Studies in Trivandrum and the science popularisation movement, Kerala Sastra Sahitya Parishat[27]. In this programme scientists work with village folk in mapping land and water elements, along with perceived problems such as gully erosion, infestation by weeds or lowering of ground water table on the village map at 1:7000 scale. These maps, and the dialogue initiated in their preparation is then expected to feed into planning of development schemes in that village area. This programme is now being made a part of the post-literacy activities as a follow up of the National Technology Mission on Literacy in other states of the country as well by an all-India network, Bharatiya Gyan Vigyan Samiti. This land, water and literacy programme could easily be broadened to include mapping of biodiversity elements within the territory of each village. Just as a technical institution, Centre for Earth Science Studies and an NGO, the Kerala Sastra Sahitya Parishat catalysed the land and water resource mapping programme, a consortium of technical institutions and NGOs, along with the country's enormous network of schools and colleges could participate in the proposed programme of mapping and annual monitoring of biodiveristy and its knowledge. A similar idea has also been floated by the Federation for Revitalisation of Local Health Traditions of preparing a community-level register of medicinal plant resources and indigenous knowledge of their use[28]. Such a register would become a component of the land-water-biodiversity mapping programme sketched above Repeated annually, these exercise could also become a central instrument of the environment education programme for the whole country.

Such data collected all over the country, employing the 14 or so official languages, perhaps also using the many local names of organisms has to be appropriately organised as a network of distributed data bases to put it to use in fostering Indian biodiversity-based enterprises as well as deciding on the proper share of the reward for its services to go to each village community. India has a vigorous enough computer science and software capabilities to meet this challenge[29]. Precautions would, of course, have to be taken to prevent manipulation of the information, as well as use of the information without adequately compensating the individuals or village communities who have generated the knowledge or helped conserve the biodiversity resources. This should be organised as a transparent, participatory process that could play a significant role in the spread of computer literacy through the length and breadth of the country.

Disbursal of the share from the National Biodiversity Fund should be a public process involving the national, state, district and village level institutions. The panchayat raj institutions and the district level machinery for planning of natural resource use, along with the village level gramasabha would all have to work co-operatively to ensure smooth operation of this process. Local schools and colleges as well as NGOs could aid in ensuring that the system is functioning as it should.

In any such system disputes are bound to arise and could take various shapes. There could be exaggerated claims of biodiversity levels by some parties. There could be questions of compensation to a village community if it loses biodiversity in course of a project benefiting others; such as providing land for a railway line. A village community may also lose biodiversity because of discharge of pollutants by another city or an industry. An appropriate system of settlement of such disputes through impartial arbitration would have to be established, along with relevant rules and procedures.

The ecosystem people of India have a rich tradition of conservation. Many of them are surviving even today albeit in an attenuated form. This is especially the case in hinterlands and tribal areas which also happen to be areas of high levels of biodiversity. Usage of wide variety of biodiversity elements is also a part of the culture of ecosystem people, as hundreds of species of plants and animals find a place in their food, in their rituals, in their systems of medicine, on their fields and in kitchen gardens and in manifold structural uses for fabricating baskets, mats, agricultural and fishing implements and so on. This intimate relationship of elements of biodiveristy with the culture of ecosystem people, now under threat from market forces should be used to full advantage in the efforts at conservation of biodiversity[30].

The convention on biological diversity rightly emphasises the need to recognise traditional knowledge, innovations and sustainable use and conservation practices of indigenous people and to equitably share with them benefits arising from any commercial application of this knowledge and these organisms. Today these practices and knowledge are often condemned as superstitious and unscientific. It is now essential that we recognise their value and encourage them in the modern day

perspective. A system of rewards which need not be material should be devised for recognising and honouring persons or communities with exceptional knowledge or achievement in this regard[21].

This entire system would require considerable inputs into development of human resources at all levels. At the grass roots levels villagers would have to be equipped into participate in land-water-biodiversity mapping, even as technical people will have to be equipped to respect folk knowledge and put it to optimal use. Biodiversity assessment and management expertise will also have to be nurtured amongst our school and college teachers and students, and in the universities and scientific institutions. Government officials, politicians and jurists would have to be exposed to the relevant information. Finally, full encouragement and adequate training—both of technical nature and in terms of receptivity to folk knowledge and practices would have to be provided to nurture a vigorous voluntary effort.

The 21st century may well turn out to be an 'era of biotechnology', already a major thrust area for commercial interests in industrial countries, with large investments in R and D and production facilities. Genetic raw material for such biotechnological processes, may come from medicinal plants, from wild relatives of cultivated plants, from local cultivars and even from currently obscure elements of biodiversity like micro-organisms, insects and lower plants. Traditional knowledge of ecosystem people regarding usage of various elements of biodiversity can offer valuable clues and insights for commercial exploitation of such resources. It is in this context that the multinational pharmaceutical company Merck has taken up biodiversity prospecting in Costa Rica with contract payment of two million dollars to the government. Several companies have already patented micro-organisms and biotechnological processes and are lobbying for patent or patent-like protection to other life forms[31].

In this scenario, India is in an advantageous position with its high levels of biodiversity, its rich store of indigenous knowledge of uses of living organisms, and its substantial scientific and technological capabilities. It therefore makes great deal of sense for the country to launch a serious effort at conservation and sustainable use of its biodiversity resources. Such an effort would succeed only if it can draw in as willing partners its masses of ecosystem people, who for millennia have served as stewards of the country's heritage of biodiversity.

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DISCUSSION

Idealistic Equations

Arun Kumar Patnaik

"Once upon a time a valiant fellow had the idea that men were drowned in water only because they were possessed with the idea of gravity" (K Marx, *German Ideology*).

ON reading Tejaswini Niranjana's rejoinder ('Roja Revisited', *EPW*, May 21) to Venkatesh Chakravarthy and M S S Pandian (*EPW*, March 12), I am struck by the methodological premises underlying her characterisation of "certain dominant representations of the nation, the state and the Indian middle class". This response is not a rereading of the film *Roja*. It is rather a proposal how not to delineate the contemporary representations of the nation, the state and the ruling ideas, as Niranjana does.

Niranjana enquires into the ideological processes with deep idealist premises. She equates an idea with its subject matter, a rejection of a form of the Indian state with that of its essence(s) and an instrumental use of nationalism with nationalism itself. These are errors of a fundamental type. Let me elaborate.

She suggests that the old nationalism has given way to a new nationalism which is "pro-western and is thus, by definition, anti-Muslim". But this assumption falls apart in relation to the ideological and political practices of the Nehruvian nationalism which was in a sense pro-western but not anti-Muslim. Moreover, her assumption begs a question: if Nehru's pro-western stance in the model of nationalism adopted by the Indian state following independence was not anti-Muslim, what are the elements present in the post-Nehruvian nationalism that make it both pro-western and anti-Muslim?

Niranjana argues that the Indian state or the anti-Mandal Hindu middle classes refer to an idea of the Indian nation which in its new incarnations is actually devoid of any content with respect to economic nationalism or political sovereignty. This is her model of new nationalism. However, such uses of the nationalist spirit do not make up nationalism itself. Ruling class ideas including those of the nation serve the rulers. Such instrumental use of nationalism by the ruling classes cannot be characterised as the reality of new nationalism just as an instrumental use of a subjectivity cannot be treated as new subjectivity.

In fact, the contemporary Indian state merely invokes nationalism as an ideological device to suppress all sorts of political or terrorist movements. The TADA, for example, has been widely used as a so-called national security measure against women, dalit and civil liberty activists, peasant and labour leaders, just as much as against the terrorists in Kashmir or Punjab. In this instrumental use of the appeal to nationalism, the crucial distinction between the people's struggles and the terrorist struggles ceases to exist. Such a use fails to recognise the Indian nation which is in its making.

The Hindutva forces and their middle class ideologues too talk of Swadeshi, 'cultural nationalism', etc. But, in hegemonic politics, mere talk of an idea does not necessarily become a genuine belief. Such talk is meant to convince the masses. One must distinguish between the spirit of nationalism as prevalent among the masses, on the one hand, and the uses of this spirit by the ruling class parties and the middle class ideologues to further their own interests, on the other hand.

Niranjana commits another error of a fundamental type. She suggests that one finds in the dominant ideologies of today a rejection of the Indian state. She argues that a rejection of the Nehruvian welfare state as associated with the ideology of economic liberalisation is in fact a rejection of the state itself. On the one hand, she rightly identifies the liberalisation ideology as the rejection of a form of the state. On the other hand, as a reaction to her critics, she claims that in the contemporary dominant narratives the Indian state itself is rejected. Such a thesis is plainly inconsistent. As a result, she misses out completely how the recent retreat of the state as a development agent simultaneously endorses the coercive machineries of the state meant to guard the market forces. True, the ruling ideologues today imagine themselves as anti-state by simply attacking the Nehruvian state, but they do not reject the coercive machineries of the Indian state whose violent character is revealed every day in relation to struggles by adivasis, dalits, women, peasants, workers and nationalities spread across this subcontinent.

Since Niranjana equates the imagined state power and its imaginary rejection with the actual state and its real rejection, she fails to relate to the dual character of the ruling ideas of our times: for example, pro-liberalisation middle classes in their disavowal of the state actually endorse its coercive roles in the name of 'national pride and national security'. They endorse its pro-market policies in the name of 'glamour and righteousness' associated with the imperial modernity. Niranjana draws our attention to the above powerful seductions. But she does not show much interest in knowing how the ideological seductions are useful to shroud in mystery a really coercive state power because she imagines the state as a rejected entity. Her error thus essentially lies in equating an imaginary process with a real process. This, indeed, is an idealist equation which, as shown above, does not help us to understand the many complexities and subtle distinctions associated with the dominant ideologies and institutions in contemporary India.

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ISSUE OPENS ON 8TH AUGUST '94

HIGHLIGHTS

- Existing, Profit making, Dividend paying Company since last three years.
- Govt. Recognised Export House with Export of Rs. 41.57 Crores upto 10-01-94.
- Promoters with proven track record in the Castor Oil Industry.
- The Company diversifying into castor oil derivatives a Sun-Rise Industry with Growing potential.
- The Company's Project coming up in backward area with full backward area benefits.
- Expansion Project is being funded by IDBI to the tune of Rs. 750 Lacs.
- Post Issue Promoters holding will be 75%.
- About 70% of the production bought by Nidera Handelscompagnie b.v., Rotterdam, NL and Braswey S.A. Brazil.
- Entering Global Market for agriculture commodities through trading branch at London U.K. RBI has already granted permission for opening the branch.
- Easy liquidity-Shares to be listed at Ahmedabad, Bombay, Delhi, Madras Stock Exchanges.

RISK FACTORS

External Factors

- Unit being an agro commodity processing company, hence any adverse climatic conditions can affect the operations of the company as regards availability of castor seeds.
- Unit is mainly operating in International market, hence any unfavourable market condition or Government policy regarding exports can directly affect the operations of the company.
- Competition from existing and new units as quite a few are expanding.
- In the absence of appraisal of the project by the lending Institutions there will be no monitoring by the financial institution/s/on the deployment of the issue proceeds is left to the management of the company.

Internal Factors

- Delay in implementation of the project can affect performance of the company.
- The company is having the sanctioned power of 600 KVA. The company has already applied for additional power of 1600 KVA. The company is yet to receive the sanction of additional power.

NOTE : Investors may note that in case of oversubscription the allotment shall be on a proportionate basis and a SEBI nominated public representative shall be associated in the process of finalisation of Basis of Allotment.

NOTE : THE INVESTORS ARE ADVISED TO REFER TO THE PARA ON 'JUSTIFICATION OF PREMIUM' BEFORE MAKING AN INVESTMENT IN THIS ISSUE.

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N.K. Industries Ltd.

ECONOMIC

POLITICAL

Sameeksha Trust Publication Rs 12.00 Vol XXIX No 33 August 13, 199

TELECOM POLICY: RUSHING IN WHERE ANGELS FEAR TO TREAD

MAHARASHTRA: POLITICS OF CULTURE

INDIAN STEEL INDUSTRY: PROBLEMS AND PROSPECTS

VOTE POWER AND LOBBY POWER

- MUSLIMS AND THE MASS MEDIA
- LIBERALISATION AND SMALL INDUSTRY: NEED FOR NEW GROWTH STRATEGY
- OPEN LETTER TO TASLIMA NASREEN

CODIFIED HINDU LAW: MYTH AND REALITY

"Message on Today's Auspicious Independence Day"
"Our Supremacy lies in our Unity"

We had taken over the reigns of the administration of Gujarat with the determination and dedication to lead the State in the coming years on the path of its integrated development, peace, prosperity and progress.

We are equally committed to see that proper law and order is maintained in the State and an adequate security is provided to its people.

With a view to providing social and equitable justice to the poor, backward, women and minority communities of the State, various welfare and poverty aleviating schemes are being implemented by the Government. I re-iterate that Narmada Project shall be completed within its set time frame.

I am confident that with the whole-hearted cooperation and support of the people of Gujarat, my administration will be able to translate our commitment of making Gujarat a first rank industrialised, prosperous and viable State into a reality.

May I appeal one and all to let us unitedly pull together, which is the prime need of the hour, so that we can realise our avowed aims.

- CHHABILDAS MEHTA
CHIEF MINISTER, GUJARAT STATE

Highlights of Achievements:

(A) LAW & ORDER :

* Notable successes achieved in our vigorous campaigns against curbing crimes and apprehending anti-social elements and core criminals in the state
* Rewarding the police by giving cash awards to them for their gallant efforts at the risk of their lives in apprehending criminals and anti-social elements

(B) NATURAL CALAMITIES :

With a view to providing extensive and timely relief to the flood-hit people of State on war-footing, Secretary-level Supervisory Teams have been constituted.

(C INITIATIVES TOWARDS SOCIAL AND EQUITABLE JUSTICE.

27 percent reservation provided according to the Mandal Commission Report for the various categories of Socially and educationally backward classess in Government jobs and admissions in medical and engineering educational institutions

(D) SARDAR SAROVAR PROJECT

Out of the total 4,500 project affected families of Gujarat, 4271 families have been provided 8500 hactares of land for agricultural purposes and lands for rehabilitation for 4194 families at 104 sites

(E) INDUSTRIAL DEVELOPMENT :

As a result of various incentives and condusive policy of the State Government for industrialisation, over 1450 major projects with the investment of over Rs 54,000 crores are in various stage of implementation

(F) EDUCATION AND HUMAN RESOURCES DEVELOPMENT:

Dr Ambedkar Open University has been Set up to impart higher education in Gujarati medium to students from the year June 1995

(G) PEOPLE ORIENTED ADMINISTRATION :

A scheme of on-the-spot disposal of the problems of the people by ministers at District Panchayat Headquarters has been initiated.

(H) SOCIAL AMITY & CORDIALITY :

People of all the communities celebrated their religious festivals, including Moharrum, Rath Yatra and Id, in an atmosphere of unprecedented amity and cordiality An atmosphere of harmony and goodwill has been generated.

(I) PENDING ISSUUES WITH THE CENTRAL GOVERNMENT SOLVED :

A new royalty formula for the oil produced in state has been forged which would fetch an additional income of Rs. 26 crores per annum.

MAHITI/9..

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Vol XXIX No 33 August 13, 1994

Hindu Law: Myth of Reform

In the first decades of Indian independence, the codification and reform of Hindu personal law was hailed as a symbol of the new government's supposed commitment to the principles of gender equality and non-discrimination enshrined in the Constitution. The history of Hindu law reform, however, shows that when reformers claim to speak on behalf of huge segments of population, whose traditions and institutions they have no real knowledge of, they are more likely to do harm than good. Reform, to be meaningful, has to be based on creating a new social consensus, a task seldom taken seriously by those who are enamoured with statist measures imposed from above. 2145

Telecom Policy

The government's new Telecom Policy is supposed to facilitate India's advance to a world class telecom service. In fact the policy has all the hallmarks of the present government's way of functioning—above all, lack of a clear policy framework and *ad hoc* decision-making. Instead of dealing with the basic issues—cheaper telecom access, rural telephone services and modern data communication for industry—the ideology-driven Telecom Policy focuses on the 'need' to privatise the telecom network. 2125

Small Industry Revisited

It is essential to design strategies and implement policies and programmes of the states for the growth of modern small-scale industry in conformity with the economic reforms of the centre. A prerequisite for such policy formulation is a stock-taking of the performance of small industry in the different states. A review of growth of small industry in Kerala brings out major weaknesses of size-structure and industry-mix as well as other structural factors which point to the need for designing new growth strategies. 2168

Electoral Reform and Beyond

It is imperative to take a number of measures, including a change in the electoral system, to curb money and muscle power in the elections and, equally important, the role of lobby power in influencing government decisions. 2138

Of the Earth

Re-establishing the coexistence of indigenous peoples and the natural resources around them and defining the new relationships between them pose a major challenge to those charged with implementing the Wildlife (Protection) Act. 2131

Domain of Meaning

One side of religion is undoubtedly conflict, disharmony and bloodshed. But as society becomes more bureaucratic and technocratic, the dimension of meaning will become more important and religion deals with the domain of meaning. 2130

IISCO Story

Is it merely ideological aversion to the concept of public enterprise or are there other, deeper reasons for the government trying to hand over Indian Iron and Steel Co to some private party with neither the funds nor the technical and managerial capabilities to handle its problems? 2121

Caste and Society

The Bahujan Samaj Party's demand to rename Poona University after Shahu Chhatrapati takes its significance from the entire history of caste relations in Maharashtra, most particularly the troubled connections and contradictions between the social movement and the national movement. 2128

Muslims and Mass Media

The general tendency of the media to portray Muslims in a poor light, the severe weaknesses of the Muslim-owned press and the ameliorative steps that need to be taken in this regard formed the focus of discussions at the first meeting of the newly-formed Indian Association of Muslim Social Scientists. 2134

Epitaph for Land Reform

The fate of implementation of land reform when the landed elite wield political power and there is no countervailing pressure from below is illustrated by an examination of cases before the land tribunal in Gulbarga district of Karnataka. 2132

LETTERS TO EDITOR

Rural Reforms in West Bengal

AS is described by Kristoffel Lieten ('For a New Debate on West Bengal', *EPW*, July 16), one has no option but to admit that the ongoing process of rural reforms in West Bengal has done quite well. However, it must also be recognised that in many cases corruption, nepotism, inefficiency have been rampant and the panchayat system has not resulted in a well-defined rural development trajectory but given rise to *ad hoc* spending of funds. What remains under-stressed is the necessity of matching the needs in terms of human resources. While it is possible to stretch the decentralised system to village levels (and is actually done), the process generates the need for human resources capable of managing different activities in an efficient manner. In order to develop an area, one has to plan for development projects, execute them, and then run and maintain the assets. They need different skills: managerial, contractual, accounting, and finally political. Practically nothing has been done over the years to develop or improve these qualities of the rural community. It is sad that even after 15 years, there is no sign of any change in the existing education system in order to cater for the recent needs. As a short-term measure, Block Development Offices (BDO) can be modified to some extent and one officer can be entrusted with the task of providing the panchayats with technical help for formulating development plans.

Lieten also provides some excellent suggestions for future action. One is the decentralisation of public utilities. On the one hand, WBSEB is incurring heavy losses and the power supply is erratic though it has improved recently; on the other, large rural areas remain practically unserved. WBSEB can shed its responsibilities to local authorities on contractual terms for payment and supply, much in the same way as Rural Electrification Boards (REBs) work in Bangladesh. Moreover, these local authorities can take care of all energy needs of the community which is not limited to electricity. Studies suggest that rural energy needs can be satisfied from other sources (for example, biomass and renewable energies) at lower costs. In the process, WBSEB can improve its financial condition and the rural areas can be better served.

Similarly, better communication and infrastructural facilities are of great importance for any development. It appears that the Left Front government (LFG) is sceptical about private participation in development projects. Beyond all political and ideological rhetoric, if the alleviation of poverty remains the objective of any government, then pragmatism has no alternative. After 15 years in power, the LFG should have been convinced by now that there is nothing wrong in associating private parties in development activities, if it serves better the overall objectives of [illegible]

development. Though remote villages have been connected by paved roads, it must be emphasised that the transport system remains inadequate. This has not only restricted the transfer of goods and services, but also acts as a constraint to development. As a result, there has not been any improvement in the industrial front in rural areas, though there are enough opportunities for agro-based industries. The LFG can consider big highway projects for private development in order to connect different parts of the state in a more efficient manner. Private development will necessarily mean 'toll system' for usage but will prove profitable on grounds such as economy of time, generation of employment, alternative mode of transport, etc.

In mobilising resources, panchayats can be very well used, if so desired politically. In India, direct taxes play a very minor role because of a low tax base. As panchayats deal at the village level, direct taxes (much in the same fashion as the professional taxes) can relatively easily and effectively be collected even from income earners dependent on agriculture and business. This may need simplifying the rules and solving the problems of sharing the revenue. This will improve the financial position of the institutions. But the sense of accountability needs to be instilled.

But the need for human and financial resources will always act as a restraint. There is a need to reorganise the institutional systems at the state or national level to better adapt to new environment. For example, the state cabinet still follows the old system of division of labour among ministries, though a reorganisation favouring better co-ordination among activities for rural areas may prove more useful. It will need more inventive ideas and better application. Above all, it will need political tolerance and pragmatism. Let us hope that things will change for the better.

S C Bhattacharyya

Grenoble, France

Consumer Identity

SINCE writing 'Ramjanmabhumi, Consumer Identity and Image-Based Politics' (July 2) I learned more about Greaves Co's corporate campaign discussed in my paper, information that puts an interesting twist on the interpretation offered there. Executives with RK Swamy-BBDO who worked on the Greaves ad campaign aver that there was no connection implied with the Babri masjid issue. It was instead a take-off on the symbol of the Great Pyramid, which had been likened to Greaves Cotton Co in an earlier campaign. However, the success of the new corporate identity (launched shortly before the assembly elections in UP, MP, Rajasthan, Delhi, and HP) surpassed all expectations. Trading in Greaves shares rose rapidly in a few weeks, doubling their market value in a month. By September 1993, a month after the initial launch, Greaves shares were put in the 'circuit breaker' category, ie, trading was so hectic that the Bombay Stock Exchange banned activity for one week. In addition to receiving an award for the best corporate campaign of the year, this signalled a visibility and an interest in the company that Greaves had not experienced for many years. I suggested to executives involved in the campaign that the advertisements' success was linked to lately prominent concerns with identity and historicity in the wider society. Their earlier campaign, which focused exclusively on the pyramid as a marvel, without the emphasis on history and identity change, had attracted relatively little attention. For the copywriter on the campaign, however, this was "too abstract" to comment on.

Arvind Rajagopal

Purdue University,
West Lafayette, USA.

ECONOMIC AND POLITICAL WEEKLY

Workers' Health

THE health and safety of workers has never been an issue of serious concern—certainly not with the state or industrial managements, but not even with the trade unions. While the state has codified procedures to deal with safety issues under several legislations, the management complies with the letter of the law, when it cannot circumvent procedures and the trade unions, caught in the bind of struggling for the economic survival of the workers in a hostile environment, have, more often than not, converted these matters into counters to be deployed across the bargaining table. Accidents affecting workers inside industrial plants or occupational ill health are made an issue of only if they involve large numbers or if they have other implications. Consequently, industrial safety and industrial pollution are defined as problems only when they affect the larger environment and people outside the industry.

This trend is even more pronounced today when environmental pollution has become a major concern and is being linked in all sorts of ways with the new industrial environment being created. Pollution control laws are being strengthened in various states and certain highly polluting industries, such as cement and paper and pulp, have been asked to adhere to more stringent norms. The centre has also taken other measures for the protection of the environment, such as the continuing ban on plastic waste imports. The environment ministry has appointed an international accountancy firm to assess the damage on the ozone layer due to polluting industries and the cost of shutting down these industries. The survey will assess the health damage due to exposure to carcinogenic agents and estimate its cost to the economy and the loss to the GDP from occupation-related illnesses of workers. The centre's environment impact notification provisions, even though they have been diluted now under pressure from industrialists, allow for people's participation in the setting up of industries and for public hearings in the case of large-scale displacements. Thus workers' health and safety find a place in this scheme of things only in terms of loss to the economy. Nowhere is there a move to give workers a voice in the design or construction of an industry which is hazardous to them, leave alone making it safe for them. However, this economic loss could be minimised if there was an adequate turnover of workers ensuring that production losses due to such illness or accidents are cut down. The increasing trend towards contracting out hazardous jobs through which it is possible to employ workers with little training and no liability will ensure just this. Workers' safety need not be an industry issue or anybody's concern.

The recent accident at the Bokaro steel plant where 12 women contract labourers were scalded to death, or the earlier one where several died when a carbon monoxide pipe developed a leak, which were almost completely ignored by the media, illustrate just this state of affairs. The first accident in April occurred when three engineers tried to plug the leak manually, a practice which apparently is employed routinely since pipe leaks are quite commonplace, and little effort is made to train even engineers, leave alone other workers, in safety practices. The fact that frequent leaks occur is itself a cause for concern, a result obviously of poor maintenance and housekeeping. That these leaks may have caused damage of various sorts is apparently not even reported—according to the law, only those incidents where workers are away from work for 48 hours need to be reported as accidents. In Bokaro the fact that normal production was resumed soon afterwards is being seen by the management as an index of the normalcy of the situation. It is not that there is a lack of information of why accidents occur—even when they are termed as being due to 'human failure' there is enough evidence to show that such failure occurs in circumstances of overwork, undernourishment, badly designed or poorly maintained equipment and a host of such environmental causes.

In the second incident on July 23, a pipe circulating water at high temperature burst spewing steam at over 200 degrees celsius killing 13 workers, all but one of whom were tribal women employed by the contractor assigned with the job of clean up operations prior to a VIP visit. While the superintendent and several others have been suspended pending an internal inquiry, nothing is likely to come of this given the management's attitude that charges of improper maintenance are "totally baseless". The fact is that it is hard to assign responsibility for the accident: the boiler and the piping around it are mandatorily inspected periodically by an independent authority, while the regular maintenance is undertaken by the plant authority. That these inspections are a farce is widely known; who then should be blamed for lack of maintenance? The authorities have reportedly made the ridiculous statement that women workers would now be made to wear aprons compulsorily, which makes no sense whatsoever, except by way of the usual attempt to pin the blame on workers' lack of safety consciousness.

The trouble is that workers' health and safety is not an issue which may be dealt with easily or circumspectly. It impinges on the nature of industry, the relationship between the worker, the management and the state, and is ultimately a product of the status of the worker in society. The current trend towards the devaluation of labour and the erosion of hard won rights is hardly conducive to recognition being given to issues of health and safety at the work place.

FOREIGN INVESTMENT

'Open for Business'

THE government will, in the next few days, sign the counter-guarantee agreement with Enron for the Dabhol power project in Maharashtra. Power minister N K P Salve gave this categoric assurance, appropriately enough, at a meeting of the Indo-American Chamber of Commerce this Wednesday. Not that there was the slightest chance that the government would be permitted to entertain any second thoughts in this matter, certainly not after the plain speaking by the US energy secretary, Hazel O'Leary, during her visit to this country last month. The US official had made it clear that nothing less than a sovereign guarantee from the government of India to the US firms proposing to put up power projects here, of whom Enron is one, would convince American businessmen that "India is a good place to do business". The government of India has not demurred and it is to be assumed that its guarantee, on the same omnibus terms as offered to Enron, will be available in due course to the six other power projects to be built by foreign companies which have been cleared by the cabinet committee for business affairs.

Instead of admitting that the country has been made to submit once again to arm-twisting by the US government on behalf of American business, the power minister has been pretending to discover all sorts of virtues in the specially favourable terms, including the sovereign guarantee, which have been offered to foreign investors in the power sector. Thus Salve has advanced the claim that the government guarantee is a means for making the state electricity boards more efficient. Under the terms of the guarantee, in the event of default by the boards in respect of payment for power purchased from the foreign companies, the government of India will be legally bound to step in and make good the default. It would presumably recover the amount out of the funds transferable from the centre to the concerned state government. Now, the obvious question of course is, if the guarantee is seen as such a potent means of toning up the functioning of the SEBs, why should it not be adopted more generally and extended to other companies, including public sector companies such as the NTPC and BHEL which, as is well known, have been major victims of defaults in payment by the SEBs? As has been pointed out by the BHEL chairman recently, the SEBs owe BHEL Rs 1,000 crore and the NTPC more than twice as much.

Instead of engaging *ex post* in a search for semi-literate rationalisations of the terms dictated to it by the foreign companies, with the help of pressure applied quite openly by their respective national governments, the power minister and his ministry should have spent their time, once the government had in its wisdom come to the conclusion that large-scale involvement of foreign companies was essential for the expansion of electricity generation capacity, in working out an overall policy which, while offering attractive enough terms for the intending foreign investors, would also pay some minimum of attention to safeguarding the country's interests in terms of efficient and economical production of power. Unfortunately, the power minister and his department have been too busy wooing foreign investors and inventing justifications for their every whim and fancy.

In fact the favoured terms which have been offered to the foreign investors in the power sector—specifically, the assured 16 per cent rate of return on investment and the government guarantee in respect of payment for power sales to the SEBs—have placed in the government's hands entirely legitimate and universally accepted levers to secure economical and efficient construction and operation of the power projects in question. However, the power minister's attitude in this regard, even as he has been energetically campaigning in support of the foreign companies' demands, has been shockingly lackadaisical. In a newspaper interview last week Salve appeared to concede that the cost estimates of the power projects to be put up by the foreign companies are actually very high, but he could not be too bothered about this. Pointing out casually that there was no one in his ministry "who can look at complicated cost analyses", he was content to shift the blame to the Central Electricity Authority which, according to him, was the body charged with vetting private sector power projects.

Past experience—of the fertiliser industry, for instance—has established conclusively that the offer of a guaranteed rate of return is a virtual invitation to the investor to inflate project costs. And when the guaranteed return is linked to a particular level of capacity utilisation—as it is in the case of the Dabhol and other power projects—the temptation proves irresistible to build in a cushion of extra capacity so that the stipulated level of utilisation of the nominal capacity can be shown to have been achieved even when the utilisation of the actually installed capacity is significantly lower, in other words, even when the plant is being operated less efficiently than suggested by the figure of nominal capacity utilisation. In the present instance, there is in addition the comforting assurance of full offtake by the SEB of all the power produced.

One way of dealing with these problems is to insist upon competitive bidding for plant and machinery for the projects. However, Salve's response to the suggestion has been one of outrage, as if what is being suggested is something which is bound to be found insufferably offensive by the foreign investors. This is nonsense. There is not a whiff of obsolete ideology nor the slightest trace of any East India Company syndrome in the demand that the government insist that Enron and the other foreign companies follow established procedures of competitive bidding and international tendering for acquiring machinery and equipment for the power plants that they are proposihg to set up. This is no more than what the World Bank insists on in respect of projects which are even part financed by it. But India's power minister is shocked by the suggestion, even though, going by the case of the Dabhol project, by far the larger part of the cost of these power plants will be financed by loans from Indian financial institutions.

Clearly, the foreign companies cannot really be blamed if they have come to believe that they are dealing with some banana republic after all.

MAHARASHTRA

Curtain-Raiser for Polls

WHATEVER the truth about the revelations of corruption in high places by the deputy municipal commissioner, now suspended, G R Khairnar, they have certainly caused more than a flutter. Interestingly, while there have been plenty of accusations and denials, little has emerged by way of hard facts. And as for the facts which have emerged, the political establishment has dealt with them in a typical fashion: by questioning not their veracity but the legality of possession of certain documents and the manner in which they were obtained. In other words, while a section of the bureaucracy has been forced to expose corruption in the political establishment which it has long condoned and allowed to spread, the latter is taking recourse to procedural norms, interpreting the limits of secrecy, etc, all of which are usually in the realm of the bureaucracy. Thus, for instance, the fact that the former municipal commissioner S S Tinaikar had in his possession the report of the Lok Ayukta (supposedly confidential) which he used to substantiate certain allegations of corruption, is being made the subject of great concern by the ruling party and a high-level inquiry has been ordered by the speaker of the state assembly, even while the Lok Ayukta has castigated Pawar for his inaction on the report. Consequently the monsoon session of the assembly saw debate sink to the level of accusations and counter-accusations and whether the Official Secrets Act had been violated, whether condoning the action of civil servants using information which they have come across when in office to expose the political establishment would not lead to a collapse of the administrative machinery, and so on. The irrelevance of the debate was further emphasised by the chief minister's rhetoric on the 'sinister designs' in the campaign to besmirch his name.

It is, of course, a fact that the revelations of corruption involving the chief minister

come at a time when he has manoeuvred himself into a position to relaunch his bid to move back to the centre. If the Congress Party in the state were to demonstrate its stability and staying power, Narasimha Rao cannot sustain the myth of the state needing him more than the centre. However, things have not been going very well for Pawar in the last couple of months. Before that, 'success' in dealing with the bomb blast kept up the image of his efficiency and his ability to rally round him even those who are opposed to him, in times of crisis. In recent months the involvement of Congressmen in the scandal in Jalgaon which appears to be a well-established 'business' of forcing girls into nefarious activities, as well as Khairnar's allegations have cast a shadow over the party's prospects in the assembly elections. The rumour that the chief minister is contemplating advancing the polls to November to coincide with assembly elections in the two neighbouring states of Karnataka and Andhra Pradesh is obviously being floated to test the waters—at the party high command and the election commissioner's level as well as among opposition parties. Given that the party is not too confident of its performance in the other two states, the party high command may well give the green signal. But this still means that the EC has to accede to the request. In a strange way, however, it is possible that Khairnar and company have provided a focus for dissenting groups in the party to rally around the chief minister. The announcement of early elections may succeed in diffusing any attempt to pose a challenge to Pawar within the party.

STOCK MARKET

Loaded Proposal

THE manipulative practices being resorted to in the name of liberalisation by corporations, foreign ones no less than Indian, seem to have no limits. And, as always happens, the government has woken up to the implications of the devices and stratagems being used a little too late. The horse has apparently disappeared by the time the government has bestirred itself to bolt the door.

According to one estimate, anywhere between Rs 5,000 and Rs 8,000 crore may have been involved in the underpricing of shares preferentially allotted by companies to their promoters, collaborators and what have you. Whatever the exact figure, the amount involved is clearly staggering and well might exceed the figure worked out by the CBI as having disappeared or as being untraceable in the course of the securities-cum-banking scam.

Now the companies have started asking their shareholders for permission to buy back their own shares, even though this is prohibited under the company law as it now stands. Reliance Industries, for example, proposes to seek such approval at its annual general meeting later this month. The grounds offered are that flexibility to buy back own shares gives a clear signal to the market that the company considers its shares undervalued, that the company can thus use its surplus funds advantageously with a minimum of risk and that the move sends a positive message to the investing community in India and abroad.

Hidden behind all such arguments are the possibilities that are thrown open for manipulation of the stock market. Not that this does not take place now. There exist already several ways of doing so and doing it quite legally but within limits. But once companies are allowed to circumvent the existing rules and buy back their own shares, there can be no limit to the manipulation of the prices of their stock. Lest it be forgotten, if a company wishes at one point to buy back its shares, it would someday in the future want to unload them also. The scope for insider trading in shares will increase enormously.

But the government, in its enthusiasm to liberalise, may still fall for the bait and permit resort to a practice which cannot but have very serious repercussions.

POLITICS

A Trade-Off?

WHETHER or not corruption emerges as the major issue in the next round of elections to the state assemblies, as the opposition parties in parliament expect it will after their resignation from parliamentary committees and their boycott of the current session of parliament, there is little doubt that the government's so-called action taken report on the stock market scam and the opposition parties' response to it have confronted both sides with some larger political issues.

Within the opposition, the National Front-Left parties and the BJP have so far acted in parallel fashion even as they, the former in particular, have been careful to avoid giving any impression of united or joint action. But the prospect of fresh elections should the present deadlock in parliament prove unresolvable has made for differences over the future course of action, specifically how far to push the ATR issue. Naturally, the Congress has sought to remind the opposition parties of the possibility of their having to face a mid-term poll, knowing that these parties in general, and the National Front-Left parties specially, have little appetite for elections just now. The impression is widely shared that even if the Congress were to lose some ground in certain parts of the country, the gains would largely accrue to the BJP. This has brought up the question, in Left and CPI(M) circles particularly, whether the BJP is not after all the greater enemy and whether, in view of this, it would not be wise to work for a compromise on

TWENTY YEARS AGO

EPW, Special Number, August 1974

With the presentation of the supplementary budget on the last day of July, the current official flurry of what had been tom-tommed as anti-inflationary measures is evidently over. The contents of this so-called budget have revealed, as nothing else has, the basic cynicism of the authorities in tackling what is certainly the gravest crisis of the Indian economy since independence. Despite the long preamble on the impelling need to counter inflationary forces, not one element in the supplementary budget could even remotely be claimed to help restrain prices; the impact is likely to be of a quite contrary kind.

The objective of the supplementary budget was altogether narrow and short-term. The government is obsessed by an anxiety not to let the fiscal deficit for the current year exceed the figure mentioned in the regular budget presented in February, namely, Rs 126 crore. In the five months since then, several things have happened, and the general price index has jumped by close to 15 per cent. Food subsidies would now cost much more than was originally contemplated; the burden of various other items of expenditure on the current account would also be considerably in excess of earlier estimates; on the other hand, because of the near-stagnancy of the economy, revenue receipts have tended to fall off; the brutal crushing of the railway strike has been a pyrrhic victory and has only worsened the state of the Railway Board's parlous accounts. All these facts have forced the government to launch a series of exercises to slash public expenditure. Apart from certain symbolic reductions here and there, no sizeable cut in non-developmental outlays is evidently possible. It is a different matter with Plan expenditure, which will be subject to heavy reduction. Even that might not however save the day. Tapping the capital market via the captive banks and public financial institutions could of course be done, and the experiment repeated a number of times, still, that would be small beer. Little is going to be achieved in the way of financially disciplining the states, despite periodic admonitions, their drawal on the Centre's resources is bound to continue, political realities being what they are.

Even if only for the sake of record, the government has to be told that it is altogether on the wrong track in its search for instant solutions to the problem of inflation, and that the kind of disciplining of demand it is bent upon will not even touch the fringe of the problem till as long as there is no disciplining of the elements operating on the supply side of the phenomenon. It has also to be told that its pretensions of controlling prices cannot but sound hollow in a context where it itself, through its own acts and decisions, stokes the fire of inflation; there must be a modicum of internal consistency among the measures it initiates before it can either attain its goals or even succeed in convincing others that it is serious in its intentions.

the ATR issue at some point. This, of course, is what the Congress is banking on.

In the Congress, the more or less imagined slighting of Rajiv Gandhi by former president R Venkataraman in his recently published memoirs and the sharp and effective reaction of the opposition parties to the ATR have provided the opportunity for elements whose claim to prominence in the party rests on their closeness and loyalty to the Nehru-Gandhi household to disturb the appearance which Narasimha Rao had managed to create briefly of a more or less unified party under his conciliatory and consensus-seeking leadership. The Congress leadership has been able to deal with the problem of Venkataraman's reminiscences by getting one of the party secretaries to publicly dissociate the party from the former president's views on Rajiv Gandhi. The ATR issue is, however, proving a little more difficult to deal with.

It has been interesting to watch the activation of relatively well organised caucuses among Congress MPs and in the state party set-ups which have overnight become vocal about the importance of the government being seen to be dealing firmly with corruption and, in the present context, specifically with those held responsible in varying degrees in the Joint Parliamentary Committee's report on the stock market scam. The development has been viewed seriously enough by the Congress leadership to warrant the prime minister holding meetings with groups of party MPs from different states. At these meetings Narasimha Rao is known to have emphasised the harm that might be caused to the Congress if the government were to give in to the opposition's demand for more stringent action on the JPC report.

Of course, Congress functionaries claiming closeness to the Nehru-Gandhi household suffer from a congenital infirmity in regard to making corruption the central issue in even a tangential confrontation with the party leadership. There is, above all, Bofors to worry about still, especially since in the coming weeks the government is expected to be provided by the Swiss authority with the long-awaited information on the secret bank accounts into which the bribe paid by the Swedish company found its way.

It is not unlikely that it is precisely with a view to preparing the ground for dealing with the latter eventuality that a particular section in the Congress has chosen to make a fuss about the government's action taken report on the securities scam. If the prime minister believes that it will harm the Congress party if the government were to give in to the opposition parties' demands for stronger action on the securities scam, how can he take a different attitude to similar demands in regard to the incriminating information on Bofors that may soon be coming into the government's hands?

WORKING CLASS

At a Dead-End

THE Sangrami Shramik Union (SSU) of the Kanoria Jute Mill workers has obviously reached a dead-end. Indeed, the situation is so grave that its *raison d'etre* can be questioned. That is, its stimulating role in promoting the self-activation of the workers has today, to give it the most favourable interpretation, been put in suspended animation, while the chief occupation of its important leaders has turned out to be the lobbying of union ministers in New Delhi and the Congress(I) leaders in Calcutta. In other words, if the CITU leaders are hopelessly dependent upon the patronage and guidance of the Left Front government in West Bengal, the SSU leaders are now engaged in courting the union ministers' favour to attain their main objective—the re-opening of the closed mill. Recently, an eminent leader of the SSU told *The Statesman*, Calcutta, about "the encouraging signs from the Centre", by which he implied the sympathetic responses of the union commerce minister and the union minister of state for textiles. Whatever the true worth of the sympathetic noise and nods of the union ministers, it is no secret that they have been secured through the mediation of Mamata Bannerji, MP, the fierce opponent of the West Bengal Left Front government. While these parleys and palavers have been going on, the public actions among the concerned workers and their sympathisers in and around Calcutta seems to have come to a halt.

Yet unaware of its parleys with the union ministers, the July 1994 issue of the monthly publication of the West Bengal CITU editorially taunts the SSU about its militant tactics and once again casts its pearls of sedate wisdom, namely, that "if militant movements are to be developed at all, they will have to take the form of a countrywide united mass struggle. Not factorywise adventurist actions" (translated from the Bengali original). As if a countrywise united mass struggle can ever develop into a reality through its invocation in CITU press and advocacy from CITU platforms only, without the pathbreaking militant factory-wise actions. Thus between them, the SSU and the CITU leaderships are offering the exploited and harassed Kanoria workers and their ilk in other similarly placed establishments very little hope for success in getting their due relief through militant self-activation.

Past history apart, our trade union leaders can usefully take a leaf out of the Indonesian workers' union SBSI's book. This organisation, unregistered and unrecognised by the government and working independently of the officially-sponsored SBSI, has been able to confront the military rulers by organising in recent months a series of strikes in a number of factories. The government has now formally banned the SBSI and is stepping up other repressive measures. But the workers are undaunted. They are seeking international linkage to face the government offensive. This is no doubt a hard struggle. But there is no royal road to united countrywide mass action.

Superstar Welding

PROMOTED by Advani Oerlikon, Superstar Welding is engaged in the manufacture of general purpose welding electrodes since 1984-85 and has developed technology in-house for the manufacture of special electrodes for low alloys and high tensile stainless steel, etc. The company is now modernising its existing operations and expanding its present capacity to 4,000 mt. It also plans to enlarge its range of products to manufacture welding rods for special uses so as to enhance its coverage of the market and increasing its competitiveness and profitability. The company's products are used for welding in various industries using mild steel, cast iron, stainless steel, etc. The project which is being set up at a total cost of Rs 7.4 crore will be financed through equity capital of Rs 6.4 crore, interest free loan from promoters of Rs 15 lakh, unsecured loans of Rs 50 lakh and internal cash accruals of Rs 36 lakh. The project is expected to commence commercial production by this November. To part finance its project the company is entering the capital market with a public issue of 42,70,000 equity shares of Rs 10 each at par. The issue which will open for subscription on August 31 will be lead managed by Jolly Leasing and Finstock.

Global Trust Bank

Global Trust Bank, which has been promoted by Ramesh Gelli, Jayanta Madhab and Sridhar Subasri, plans to set up 10 branches in the first year and have 50 branches in five years with its headquarters in Secunderabad in Andhra Pradesh. The bank will have a total paid-up capital of Rs 104 crore out of which IFCI has approved participation of up to Rs 10 crore and 2,60,00,000 equity shares of Rs 10 each at par are being offered to the public. It has entered into a technical partnership agreement with Hambrecht and Quist, San Francisco, USA to provide technical skills and inputs for a wide range of equity-related capital market products and services. Further, it has also entered into a technical partnership with TA Enterprise Berhad, a leading investment bank and securities company in Kuala Lumpur, Malaysia. The bank's public issue is slated for August 25.

Bafna Spinning

Bafna Spinning is setting up a 100 per cent export-oriented unit for manufacturing cotton yarn. The project is being set up at a total cost of Rs 40.8 crore and will have a capacity of 18,240 spindles. Of the total cost, Rs 21.4 crore (52 per cent) will go towards importing plant and machinery. The company expects to commence commercial operations by December 1994 and has already tied up its entire production with Universal Textiles of UK and Leader Weaving of Indonesia. To part finance its project the company is entering the capital market with a public issue of 91.8 lakh equity shares of Rs 10 each at par on August 16.

Valplus Biotech

Valplus Biotech has received SEBI clearance for its Rs 75 lakh public issue which will open for subscription in the second week of September 1994. The company is setting up greenhouses of four hectares (four houses, one each of approximately one hectare) and will produce 60 lakh exportable flowers, generating a sales turnover of around Rs 6 crore when it is fully commissioned. The company has already commissioned greenhouses in two hectares and planting has commenced. Exports for these facilities are expected to commence by November this year while balance commissioning will be completed by February/March 1995. The project, which is being set up at a total cost of Rs 6.15 crore, has already been declared as a 100 per cent export-oriented unit by the ministry of industry-SIA, government of India.

Axel Polymers

Axel Polymers is setting up a Rs 6 crore project for manufacturing compounds, blends and alloys of engineering polymers like polyamid 6/66, ABS, PC, PBT and PET, etc, near Baroda with an installed capacity of 1,600 tpa. Under the guidance of its collaborators, namely, Alusuisse Italia Spa, a member of the multinational LONZA, Switzerland, the company plans to service the small speciality plastic processors in the field of engineering plastics and plans to provide varied types of composites of international quality. It is importing the equipment required to be used in the process from a leading and prestigious manufacturer, namely, Werner and Pfleiderer GmbH, Germany. To part finance its project the company is entering the capital market with a public issue on August 25.

Ajwa Fun World

Ajwa Fun World and Resort is entering the capital market on August 31 with a public issue of 35,00,000 equity shares of Rs 10 each. The issue, which will be lead managed by Bank of Baroda, is to part finance an amusement park (the first of its kind in Gujarat) with 18 rides 14 kms away from Baroda, near Ajwa Garden. The park has commenced operations in April this year with 10 rides like 'Park Express', 'Dragon Coaster', etc, in addition to other entertaining components like fast food corner, coffee, ice cream parlour and other refreshment facilities. The company now plans to develop a resort with 33 AC/non-AC cottages with restaurant and conference hall and other allied components such as health club, children's park, swimming pool, etc. Further it will also have facilities like EPBAX and satellite entertainment with modern devices. The project is expected to cost Rs 7.25 crore (of which Rs 3.56 crore will go towards the amusement park and the balance for the resort project) and is to be financed through equity capital of Rs 5 crore, term loans of Rs 1.75 crore from Bank of Baroda and unsecured loans of Rs 50 lakh. The project is expected to be completed by October this year.

Aban Loyd Chiles

Aban Loyd Chiles which declared encouraging results for the year ended March 1994, notching a total income of Rs 60.9 crore (up 19 per cent over the previous year) and a profit after tax of Rs 14.1 crore (up 108 per cent) has maintained its leadership in oil drilling in offshore locations, owning and operating three rigs. In response to the government's deregulation policy, the company now proposes to enter the oil refining business by setting up a three million tonne refinery. Financing plans for the expansion project, which is being set up near Tuticorin, Tamil Nadu, are being worked out.

Efcon Securities

Efcon Securities, which is engaged in the business of corporate management, merchant banking, international finance and other specialised areas of non-banking finance companies, has received the prestigious World Bank registration from Washington as Financial Consultant for World Bank-aided projects and is now expecting similar registration with Asian Development Bank. Following this the company will be entering into the highly specialised areas of bilateral as well as multilateral fund negotiation on behalf of government/semi-government companies, undertakings and other public sector enterprises. In addition to being active in its present line of business and enlarging its activity base in the areas of euro issue advice, foreign currency loan syndication, venture capital and corporate consultancy for financial reengineering, the company also plans to enter into fund-based areas like leasing, hire purchase, equipment finance and industrial finance by the end of the year.

CURRENT STATISTICS

***EPW* Research Foundation**

Even as the deadlock in parliament over the government's action, or the lack of it, on the last stock market scam continues, the boom in stock prices in recent weeks has been reminiscent of the scam. At 4508 on this Friday, the BSE's Sensitive Index had in fact surpassed the highest closing level touched during the scam period. In just one month, the Sensitive Index has risen by 81.5 per cent and the National Index by 83.9 per cent. At the end of June, market capitalisation of companies listed on the BSE stood 135.6 per cent above the level of a year ago, with the P/E ratio of shares in the Sensitive Index having risen to 51.9 from 29 3 Interestingly, gross and net investment in the primary and secondary markets by foreign institutional investors in July was, however, the lowest by far for any month of 1994 so far

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	July 23, 1994	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100 0	268.7	1.2	10.1	7.4	4 0	4.7	10.8	7.0	13.6	12.1
Primary Articles	32 3	278.9	2 9	12.1	4.4	7.7	7.2	11.5	3.0	15.3	17.1
Food Articles	17 4	312.4	4 8	9.2	4.1	11.4	6.6	4.4	5.4	20.9	18.9
Non-Food Articles	10 1	286.6	0 2	19.9	2.0	2 3	6.6	24.9	–1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10 7	279.1	–0 4	9.8	18 8	0.4	3 4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	260.9	0 5	8.9	7.3	2.6	3.6	9.9	7.9	12.6	8.9
Food Products	10 1	270 0	0.1	10.0	7.5	7.1	9.4	12.3	6.8	10.2	13.2
Food Index (computed)	27 5	296 8	3.2	9.4	5.2	9.9	7 5	7.0	5.8	17.2	16.8
All Commodities (Average Basis) (April-July 23, 1994)	100 0	264.8	–	11.1	7 0	9 6	8 1	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	272[1]	1.1	10.6	5.1	1.9	1.2	9.9	6.1	13 9	13.6
Urban Non-Man Emp (1984-85)	222[2]	0.5	8.3	7.3	–	8 3	–	6.8	13.6	13:4
Agri Lab (July 60 to June 61=100)	1189[6]	1 2	12.5	–1.0	1.2	0.4	11 6	0.7	21.9	16 6

Money and Banking (Rs crore)	July 8, 1994	Variation					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M3)	458779	1444 (0.3)	25213 (5.8)	21810 (5.9)	65827 (17.9)	49344 (15.5)	51653 (19.4)
Currency with Public	91238	–1849 (–2 0)	9040 (11.0)	7153 (10.5)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	363233	681 (0.2)	14393 (4.1)	9883 (3.3)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	220250	4127 (1.9)	16464 (8.1)	19880 (11.3)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	238755	615 (0.3)	1552 (0.7)	2980 (1.4)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Reserve Money (July 15, 94)	151085	–1650 (–1.1)	12463 (9.0)	15125 (13.7)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre (July 15, 94)	102294	2150 (2.1)	5511 (5.7)	17722 (18.4)	1334 (1.4)	2175 (2 3)	5904 (6.7)
Scheduled Commercial Banks (July 22, 1994)							
Deposits	330566	3387 (1.0)	16752 (5.3)	11451 (4.3)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	168012	3428 (2.1)	4390 (2.7)	2956 (1.9)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food Advances	155880	3442 (2.3)	3165 (2.1)	13 (neg)	7476 (5.1)	24317 (20.1)	120922 (8.4)
Investments	145484	134 (0.1)	13091 (9.9)	4522 (4.3)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	March 1994	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages						
			1993-94	1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100 0	263.8	225.4 (3.0)	218.9 (2.3)	2.3	–0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11 5	307.0	229.2 (2.5)	223.7 (0.5)	0.5	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	248.3	215.3 (2.2)	210.6 (2.1)	2.1	–1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	325.1	289.7 (7.3)	269.9 (5.0)	5.0	8.5	7.8	10.8	9.5	7.7	10.3

Food Stocks with Government Agencies (mn tn)	April 1994	April 1993	End of Fiscal Year							
			1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
Rice	14 8	11.3	14.7	11.0	9.8	11.2	7.9	4.7	5.9	10.0
Wheat	11 0	7.5	7.3	3.0	2.4	5.8	3.6	2.7	3.3	9.4
Total (incl others)	26.0	19 6	22.2	14.7	12.2	17.3	11 6	7.4	9.4	19.5

Foreign Trade	May 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
		1994-95	1993-94				
Exports Rs crore	5661	11898 (9.8)	10832 (41.4)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1805	3793 (9.7)	3459 (29.7)	22173 (20.4)	18421 (3.1)	17866 (–1.5)	18143 (9.1)
Imports. Rs crore	6037	12181 (12 2)	10852 (4.6)	72806 (15.7)	62923 (31 5)	47851 (10.8)	43193 (22.0)
US $ mn	1924	3883 (12.1)	3465 (–4.1)	23212 (6.8)	21726 (11.9)	19411 (–19.4)	24073 (13.2)
Non-POL US $ mn	–	–	–	17559 (14.6)	15319 (9.1)	14047 (–22.2)	18045 (3.1)
Balance of Trade: Rs crore	–376	–283	–21	–3259	–9572	–3809	–10640
US $ mn	–119	–90	–6	–1039	–3305	–1545	–5930

Foreign Exchange Reserves	July 29, 1994	July 30, 1993	Mar 31, 1994	Variation Over							
				Month ago	Year ago	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
						1994-95	1993-94				
Rs crore	55296	21837	47626	3726	33459	7670	1641	27430	5385	10223	–1383
US $ mn	17579	6952	15176	1152	10627	2403	500	8724	731	3383	–1137

Capital Market

Share Price Index	Aug 12, 1994	Month Ago	Year Ago	1994-95 So Far Trough	1994-95 So Far Peak	1993-94 Trough	1993-94 Peak	End of Fiscal Year 1993-94	1992-93	1991-92	1990-91
BSE Sensitive Index (1978-79=100)	4508 (81.5)	4133	2484 (-7.3)	3600	4508	2037	4286	3779 (65.7)	2281 (-46.8)	4285 (266.9)	1168 (49.6)
National Index (1983-84=100)	2122 (83.9)	1950	1154 (-3.6)	1765	2122	934	2055	1830 (79.2)	1021 (-48.1)	1968 (234.1)	589 (39.9)

BSE Turnover (Rs crore)	June 1994	Month Ago	Year Ago	Cumulative for 1994-95	Cumulative for 1993-94	Full Fiscal Year 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Specified Shares	2236	1081	2827	4350	6669	43971	33207	54610	28863	25212	17357
Non-Specified Shares	4122	2274	591	8694	1532	17753	12489	17168	7149	4173	3206

Market Capitalisation	June 1994	Month Ago	Year Ago	Quarter Ending June 94	Mar 94	Dec 93	Sept 93	June 93	End of Fiscal Year Mar 94	Mar 93	Mar 92
Market Capitalisation of BSE Listed Companies (Rs crore) (Last Working day)	398044 (135.6)	372977	168933 (-23.2)	398044 (15.6)	344462 (12.9)	305000 (36.4)	223549 (32.3)	168933 (-2.3)	344462 (99.2)	172951 (-43.5)	305987
P/E Ratio: (Month Average)											
Sensitive Index	51.9	46.6	29.3	51.9	46.8	39.7	36.9	29.3	46.8	29.3	44.3
National Index	51.2	46.8	27.3	51.2	46.9	39.8	33.7	27.3	46.9	27.1	41.9

Capital Issues	June 1994	Month Ago	Year Ago	Cumulative for 1994-95	Cumulative for 1993-94	Quarter Ending Mar 94	Dec 93	Sept 93	June 93	Mar 93	Dec 92
Amount (Rs crore)	980	587	540	2378	4276	1531	4375	4568	540	3590	7408
Number of Issues	97	109	40	319	196	138	86	96	40	260	268

Investment by Foreign Institutional Investors (FIIs) in Secondary and Primary Markets

Month (1994)	No of Regd FIIs (Cumulative)	Gross Purchases (Rs Crore)	Gross Sales (Rs Crore)	Net Investment (Rs Crore)	Net Investment (US $ Million)	Cumulative Net Investment (US $ Million)
January	136	1288.6	54.0	1234.6	398.3	1176.1
February	145	904.6	144.0	760.7	245.4	1421.5
March	158	762.4	203.5	558.9	180.3	1601.8
April	161	705.4	198.8	506.6	163.4	1765.2
May	161	962.5	160.4	802.1	258.7	2023.9
June	161	1029.1	274.2	754.9	243.5	2348.0
July	161	423.4	170.5	252.9	81.6	2449.4
Total	161	6076.0	1205.4	4870.7	1571.2	2449.4

Industrial Production

Core Industries	May 1994	Variation Over Month	Variation Over Year	Cumulative for Fiscal Year So Far 1994-95	Cumulative for Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92
Coal (mn tons)	18.05	1.5 (9.1)	0.5 (2.8)	34.6 (0.6)	34.4 (4.5)	246 (3.2)	238 (3.9)	229 (8.3)
Electricity (mn kwh)*	27029	-1685 (-5.9)	1887 (7.5)	83387 (6.9)	77986 (18.1)	323323 (7.4)	301066 (5.0)	286700 (8.5)
Hydel (mn kwh)	6112	548 (9.8)	594 (10.8)	16260 (-2.6)	16693 (10.2)	70311 (0.7)	69833 (-3.8)	72550 (1.4)
Thermal (incl nuclear)	20917	-2233 (-9.6)	1293 (6.6)	67127 (9.5)	61293 (7.9)	253012 (9.4)	231233 (8.0)	214150 (11.1)
Crude Petroleum (lakh tns)	22.6	0.6 (2.7)	2.3 (11.3)	44.6 (5.0)	42.5 (-9.7)	270.2 (0.2)	269.5 (-11.2)	303.4 (-8.2)
Petroleum products (lakh tns)	43.0	1.5 (3.6)	1.5 (3.6)	84.5 (2.5)	82.5 (-5.1)	543.4 (1.6)	534.8 (4.0)	483.5 (-0.4)
Saleable steel (000 tns)*	1215	-57 (-4.5)	92 (8.2)	3590 (2.4)	3506 (0.6)	11981 (5.7)	11333 (12.6)	10570 (-1.1)
Cement (000 tns)	53.4	2.9 (5.7)	2.3 (4.5)	104 (5.0)	99 (12.4)	578 (6.8)	541 (0.2)	540 (4.0)
Fertilisers (N) (000 tns)	618	15 (2.5)	87 (16.4)	1221 (16.2)	1051 (-0.6)	7274 (-2.1)	7430 (1.8)	7300 (4.4)
Fertilisers (P) (000 tns)	204	22 (12.1)	127 (164.9)	386 (153.6)	152 (-58.2)	1810 (-21.5)	2306 (-10.0)	2560 (24.9)

Employment

Employment Exchange Statistics (000)	March 1994	Month	Year	Cumulative for Fiscal Year So Far 1993-94	Cumulative for Fiscal Year So Far 1992-93	1993-94	1992-93	1991-92	1990-91	1989-90
Number on live registers (end-period)	36039	36168	36306	36039	36306	36039	36306	36551	34890	33249
Number of registrations	345	412	305	5704	5098	5704	5098	5583	6404	6823
Number of vacancies notified	32	29	29	383	403	383	403	415	497	581
Number of placements	18	16	18	223	229	223	229	258	253	294
Vacancies as % of registrations	9.2	6.9	9.5	7.2	9.1	7.2	9.1	7.4	7.8	8.5

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript [7] stands for July. (ii) Figures in brackets are percentage variations over the comparable previous period. (iii) — means not available.

DUNLOP INDIA

Technological Edge

A CHABBRIA group company, Dunlop India saw a fall in its net sales and profitability (on an annualised basis) during 1992-93. Though net sales in 1992-93 (18-month period) rose from Rs 564.3 crore in 1991-92 (15-month period) to Rs 660.8 crore, there was a fall in sales on an annualised basis by 2.4 per cent while operating profit fell by 35.5 per cent. The company managed to post a net profit only due to the large non-operating income during the year as also because of lower depreciation and tax provisions.

The recessionary trends in the industry, particularly in the truck tyres segment, affected the company's performance. While production of automotive tyres increased from 18.7 lakh nos to 19.7 lakh nos, that of transmission belting fell from 5.7 lakh metres to 5.4 lakh metres. Sale of automotive tyres was also higher at 20.1 lakh nos as against 19.2 lakh in the previous year while that of transmission belting rose from 2.6 lakh metres to 3.3 lakh metres. The company's exports increased by 17 per cent on an annualised basis to Rs 69.2 crore. A significant feature of the year's exports was that unlike the previous years, when the company exported marine products, it has now commenced export of its own products. Though the company continues to export to the highly competitive markets of UK and US, it has reportedly made inroads into the markets of neighbouring countries and the Far East.

The company enjoys a significant edge in the domestic market and is a market leader in most of the industrial product ranges, mainly due to its various foreign technical collaborations which ensure the latest technology. The company has technical agreements with Sumitomo Rubber Industries of Japan for cross ply automotive tyres and tubes and passenger car radials and with Dunlop of UK for aircraft tyres and tubes. It also has agreements with BTR Belting of UK for steelcord conveyor belting and with Mitsubishi Belting of Japan for cut edge, variable speed timing and banded power transmission vee belts as also for industrial and automotive vee belts. These agreements also enable the company to meet international standards, especially to suit the export requirements of truck tyres particularly for the US market.

Energy conservation measures taken by the company during the year included replacement of the OTR 88" autoclave by a 100" BOM press, installation of the 88" BOM presses to produce rear tractor tyres in place of autoclave and the provision of dimineralised water for PVC presses. These measures have reportedly resulted in the reduction of coal consumption per ton of finished product from 1.725 mt in 1991-92 to 1.722 mt in 1992-93.

The company had plans to create a separate corporate entity to handle its sports goods business. The new company is to be headquartered in Bangalore and will concentrate on becoming an exclusive sports goods company modelled on international giants like Nike, Reebok and Ellese. In addition to the 'Dunlop' brand the company will also develop other brands in keeping with the market conditions and nature of products.

WALCHANDNAGAR INDUSTRIES

New Areas

Walchandnagar Industries, a diversified company manufacturing industrial machinery, plastics, diesel engines, pumps, castings and timepieces, performed poorly in 1992-93 (year ended September 1993). The company's net profit fell drastically by 39.3 per cent over the previous year despite a 3.5 per cent rise in net sales. A sharp rise in manufacturing expenses led to a fall in the company's operating profit. The company's industrial machinery division saw a marginal rise of 1.2 per cent in turnover from Rs 52.9 crore to Rs 53.5 crore while turnover from erection/job work/services spares rose from Rs 29.6 crore to Rs 32.9 crore. Though the Tiwac division's sale was stable at Rs 1.3 crore, that of the Cooper division (which manufactures diesel engines and castings) fell from Rs 4.9 crore to Rs 4.3 crore. The rise in manufacturing expenses can also be related to the rise in proportion of import content of raw material consumed from 10.7 per cent last year to 23.7 per cent and the company's cif value of imports increased by more than 70 per cent.

Meanwhile, energy conservation measures taken by the company include the replacement of the ward leonard drive system of the wd/200 horizontal boring machine with a thyristorised drive system and the replacement of the ward leonard system of the 250 kw drive of the planing machine by a 5 kw dc drive and a 20 kw head for conversion into plano-miller. Energy saver ballasts have also been installed in the hospital area, for light fittings. These measures have resulted in the average power factor improving to 0.987 kag, thus resulting in further reduction in energy loss and cost of production. Line losses in the distribution system in the colony area have also been reduced significantly as per the modification suggested by the National Productivity Council, Bombay. The company is also carrying out modifications of heat treatment furnaces and the electrical distribution system. Further, it also plans to replace welding generators by rectifiers with remote control and energy saving devices.

For 1993-94 the company expects to perform better through its entry into areas such as material handling equipment, material and equipment for chemical, petrochemical and fertiliser plants and higher order book position for sugar plants and boilers. It also plans to secure export orders for the supply of its products to various developing countries in the neighbourhood, west Asia and Africa.

VARUN SHIPPING

Fleet Expansion

Varun Shipping which saw a 39.5 per cent rise in income in 1992-93, managed a 19.2 per cent rise in operating profit despite the worldwide recession in the shipping sector. Net profit more than doubled despite a 77 per cent rise in depreciation provision and a 46.9 per cent rise in interest charges, mainly on account of a large non-operating income (Rs 13.7 crore). Tax liability was nil for the year on account of the unabsorbed depreciation of earlier years. During the year the company acquired two additional vessels, namely, M T JALA DOOT (a 37,243 dwt product tanker) and M V SURYA KRIPA (a 42,628 dwt bulk carrier). The former was purchased at a price of $ 20.2 million and the latter $ 17 million. The company has also acquired a third ship, a 42,605 dwt bulk carrier at a price of $ 17 million. The company's fleet now totals 12 vessels which include six tankers, two bulk carriers and four offshore supply vessels. With the acquisition of the last vessel, the company now has five vessels of above 29,000 dwt.

Despite the relaxation of controls and simplification of procedures in tandem with the liberalisation policy, a serious bottleneck which hampers the growth of Indian shipping is the inordinate delay in the amendment of the Indian Merchant Shipping Act. Foreign lending institutions insist on an amendment of the existing provisions relating to the foreclosure of the mortgage before they grant direct foreign currency loans to shipowners for the purchase of new ships.

The company is planning to expand its fleet further in order to take advantage of further profitable opportunities in the shipping business and for this reason it has increased its authorised capital from Rs 60 crore to Rs 120 crore. With the operation of the enlarged and diversified fleet the company hopes to improve its performance.

For the year ended March 1994 the company earned a net profit of Rs 13.3 crore on a total income of Rs 100 crore. Vayudoot, a 7,012 dwt tanker belonging to the company, became the first vessel flying the Indian flag to call at Durban, South Africa, after 45 years. The call was facilitated by the removal of trading and shipping restrictions by the government of India.

The Week's Companies

(Rs lakh)

Financial Indicators	Dunlop India		Walchandnagar		Varun Shipping		Punjab Alkalies		Mangalam Cement	
	Decem* 1993	June** 1992	Sept 1993	Sept 1992	March 1993	March 1992	May 1993	May 1992	Decem. 1993	Decem. 1992
Income/appropriations										
1 Net sales	66076	56431	8443	8161	6345	4550	5499	4353	4745	5286
2 Value of production	67377	55928	8932	8191	6345	4550	5563	4354	4772	5357
3 *Total income*	88069	56374	9237	8562	6460	4600	5632	4393	4870	5506
4 Raw materials/stores and spares consumed	40831	30289	5174	4463	357	338	946	846	759	808
5 Other manufacturing expenses	5388	7946	376	358	0	0	2191	1460	2887	2644
6 Remuneration to employees	8274	6788	1631	1469	914	613	243	215	276	220
7 Other expenses	10506	7382	951	952	2741	1595	332	211	239	209
8 *Operating profit*	3070	3969	1105	1320	2448	2054	1920	1661	709	1625
9 Interest	3032	2160	412	531	915	623	229	222	122	78
10 *Gross profit*	1884	1949	654	979	2905	1446	1502	1231	602	1565
11 Depreciation	892	1438	136	129	1119	632	485	418	256	260
12 *Profit before tax*	992	511	516	850	1786	814	1017	813	345	1305
13 Tax provision	225	268	0	0	0	0	326	0	0	725
14 *Profit after tax*	767	243	516	850	1786	814	691	813	345	580
15 Dividends	385	195	63	65	806	295	306	254	162	200
16 Retained profit	382	48	453	785	980	519	385	559	183	380
Liabilities/assets										
17 Paid-up capital	1899	1969	300	350	3347	1577	1019	1015	1137	711
18 Reserves and surplus	33114	22668	10600	11174	4850	2100	1297	912	5977	3781
19 Long term loans	4754	5601	1472	1161	12887	6235	1297	1493	10898	2443
20 Short term loans	5041	4744	841	861	2371	246	80	10	724	998
21 Of which bank borrowings	5041	4744	2202	1914	1445	74	80	0	360	532
22 Gross fixed assets	50099	37321	20395	20401	24689	10445	6337	5292	20704	9666
23 Accumulated depreciation	18800	16002	10197	9095	3250	2133	3764	3104	3034	2664
24 Inventories	10347	8292	3640	3036	0	0	714	894	842	702
25 Total assets/liabilities	61014	49701	19107	19140	25786	11530	4871	4131	20578	9961
Miscellaneous items										
26 Excise duty	19944	14466	771	710	0	0	691	636	1319	943
27 Gross value added	15190	11032	2606	3133	6034	2677	1772	1474	1011	1875
28 Total foreign exchange income	6917	4939	15	10	0	0	5	5	0	0
29 Total foreign exchange outgo	7010	3786	848	504	0	0	215	27	2054	17
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	108.3	113.5	44.2	42.6	24.6	39.5	112.9	105.4	22.9	53.1
31 Sales to total net assets (%)	147.5	161.3	63.9	60.2	27.1	44.8	148.9	126.9	25.3	66.6
32 Gross value added to gross fixed assets (%)	30.3	29.6	12.8	15.4	24.4	25.6	28.0	27.9	4.9	19.4
33 Return on investment (gross profit to total assets) (%)	3.1	3.9	3.4	5.1	11.3	12.5	30.8	29.8	2.9	15.7
34 Gross profit to sales (gross margin) (%)	2.9	3.5	7.7	12.0	45.8	31.8	27.3	28.3	12.7	29.6
35 Operating profit to sales (%)	4.6	7.0	13.1	16.2	38.6	45.1	34.9	38.2	14.9	30.7
36 Profit before tax to sales (%)	1.5	0.9	6.1	10.4	28.1	17.9	18.5	18.7	7.3	24.7
37 Tax provision to profit before tax (%)	22.7	52.4	0.0	0.0	0.0	0.0	32.1	0.0	0.0	55.6
38 Profit after tax to net worth (return on equity) (%)	2.2	1.0	4.7	7.4	21.8	22.1	29.8	42.2	4.8	12.9
39 Dividend (%)	20.0	10.0	20.0	20.0	28.0	28.0	30.0	25.0	20.0	28.0
40 Earning per share (Rs)	4.01	1.25	17.10	28.33	5.34	5.16	6.78	8.01	3.03	8.14
41 Book value per share (Rs)	44.33	45.43	65.60	50.47	24.49	23.32	22.73	18.99	47.23	37.05
42 P/E ratio (based on latest and corresponding last year's price)	15.9	55.9	7.2	3.9	6.7	6.5	10.3	9.4	36.3	6.1
43 Debt-equity ratio (adjusted for revaluation) (%)	56.5	64.4	74.8	74.2	157.2	169.6	56.0	77.5	202.9	92.7
44 Short term bank borrowings to inventories (%)	48.7	57.2	60.5	63.0	–	–	11.2	0.0	42.8	75.8
45 Sundry creditors to sundry debtors (%)	139.0	120.1	57.7	57.1	–	–	20.7	34.1	148.3	93.8
46 Total remuneration to employees to gross value added (%)	54.5	61.5	62.6	46.9	15.1	22.9	13.7	14.6	27.3	11.7
47 Total remuneration to employees to value of production (%)	12.3	12.1	18.3	17.9	14.4	13.5	4.4	4.9	5.8	4.1
48 Gross fixed assets formation (%)	46.7	1.9	−37.6	88.6	136.4	22.3	19.7	11.3	151.0	85.9
49 Growth in inventories (%)	24.8	−7.1	19.9	−1.6	–	–	−20.1	62.5	19.9	42.4

* 18 months. ** 15 months.

PUNJAB ALKALIES

Capacity Expansion

Promoted by the Punjab State Industrial Development Corporation (PSIDC), Punjab Alkalies and Chemicals (PAC) is engaged in the manufacture of caustic soda. The company saw a 26.3 per cent rise in net sales in 1992-93 and a 15.6 per cent increase in operating profit. However, a sharp rise in depreciation provision and a Rs 3.3 crore tax provision for the year (as against a nil tax provision last year) saw the company's net profit suffer by 15 per cent over the same period. During the year production of caustic soda improved to 45,017 mt from 42,896 mt last year. Liquid chlorine produced was also higher at 25,434 mt at against 23,635 mt produced last year. While sale of caustic soda lye, caustic soda flakes and liquid chlorine improved in volume terms from 31,124 mt, 10,439 mt and 23,084 mt, respectively, to 31,902 mt, 11,258 mt and 25,080 mt, sale realisation improved further from Rs 28.7 crore, Rs 11.3 crore and Rs 2.3 crore, respectively, to Rs 36.3 crore, Rs 13.4 crore and Rs 3.9 crore.

The company has successfully implemented the second phase of its capacity optimisation project and the same became operational in December 1992 leading to further augmentation of its capacity by 23 per cent. The company is meanwhile implementing a 100 mtpd membrane cell caustic project based on Hoechst-UHDE membrane cell technology at its present site at Naya Nangal, District Ropar in Punjab. The technology to be adopted, in addition to being the latest, has several advantages such as being energy saving and helping to cut down product costs in addition to being totally pollution free. The project is to be set up at a total cost of Rs 112 crore and is expected to be operational with effect from April 1995. It is to be financed through a rights issue of equity shares aggregating Rs 46.1 crore (including premium), term loans from institutions of Rs 54 crore, internal accruals of Rs 1.6 crore and any other mode aggregating Rs 10.3 crore. The company's recent rights issue consisted of 102.5 lakh equity shares of Rs 10 each which were offered at a premium of Rs 35 per share in the ratio of one equity share for every share held. Consequent to the rights issue the company's equity capital has increased from Rs 10.3 crore to Rs 20.6 crore.

Measures taken by the company to improve safety, control pollution and conserve energy include the implementation of a waste air dechlorination (sodium hypochlorite) unit at a cost of Rs 50 lakh, a project for the recovery of barium sulphate from brine sludge at a cost of Rs 80 lakh. The installation of the latter is expected to substantially reduce the quality of brine sludge to be disposed of and lead to generation of nearly 1,000 tpa of barium sulphate—an additional value added product for the company.

For the year ended March 1994 the company has further improved its performance notching a net profit of Rs 8.4 crore on a higher net sale of Rs 77.8 crore.

MANGALAM CEMENT

Lower Government Purchases

Mangalam Cement, a company chaired by B K Birla, saw a 10.2 per cent fall in net sales in 1992-93. Severe restraints exercised by the government on its purchases affected cement prices while a sharp hike in the costs of coal, railway freight and power put pressure on margins. With government consumption accounting for up to 40 per cent of the industry's sales, the low government demand led to a fall in the price per bag of cement by Rs 10-20. Cement production and despatches by the company during the year were higher as compared to the previous year and stood at 3,92,416 mt and 3,96,052 mt, respectively, as against 3,88,258 mt and 3,85,973 mt in the previous year. With the continued problem of poor quality and inadequate availability of coal, the company was able to get just about 62 per cent of its linkage thus being forced to avail of the same from the open market at exorbitantly high prices. The sharp increase in operating expenses led to a 56.4 per cent fall in the company's operating profit. Despite a fall in depreciation and tax provision the company's net profit plummeted by 40.5 per cent over the previous year primarily due to the sharp rise in interest charges. Poor profitability forced the company to cut the dividend rate from 28 per cent last year to 20 per cent in 1992-93 (albeit on a higher equity base).

The company's new plant at the existing site has an annual capacity of six lakh tonnes. Trial runs of the crusher and the kiln including the ESP were taken in the month of March 1993 and the mills and packing plant were expected to be commissioned in the third quarter of 1993-94.

With the country yet to reach the take-off stage of economic development, the low per capita cement consumption of 60 kg against China's 240 kg, Thailand's 369 kg and the world average of 210 kg, shows the scope for enormous growth in demand. With total demand in the country including exports estimated to increase to about 80 million tonnes by the end of the Eighth plan, the cement industry is expected to perform well especially as it is being considered among areas of strength identified in the said plan. Further, as compared to the world production of 1,250 million tonnes, India's production accounts for less than 5 per cent. Major problems of the industry include a severe liquidity crunch in the market, a substantial cut back in government purchases of cement and infrastructure imbalance with regular steep hikes in the administered price of fuel, power and freight. Further, the rise in freight rates pushes up the price of coal and steel with the former leading to a consequent rise in the cost of electricity and all three pushing up rail operating expenses. This again justifies hikes in rail tariff which in turn push up the prices of coal, steel and diesel. This leads to a vicious circle of cost-push inflation.

The company's equity capital has risen from Rs 7.1 crore to Rs 11.4 crore following the offer of 42,67,038 equity shares of Rs 10 each at a premium of Rs 50 per share on rights basis in October 1993 in the ratio of three shares for every five held. For the year ended March 1994 the company earned a net profit of Rs 3 crore on net sales of Rs 60.1 crore.

Indian Steel Industry: Problems and Prospects

Arun Ghosh

One can understand the idea of introducing competition—which has incidentally shown up TISCO as a poor second to SAIL in recent years. One can even understand the government's reluctance to find budgetary resources for public enterprises. But why should SAIL not be allowed freedom to find ways of raising the resources required by it?

THE Investment Information and Credit Rating Agency of India (ICRA) has shown commendable foresight and enterprise in commissioning competent studies by experts, for the guidance of investors, investment bankers and other financial institutions (including commercial banks) in regard to the prospects and viability of new investments/expansions/modernisation programmes in selected industries/sectors, especially in the present framework of international competition. Indeed, as against the purely passive role of government (including the Planning Commission), leaving "the market forces to decide", the ICRA, under the leadership of former State Bank chairman D N Ghosh, has taken the initiative to inform potential investors (and investment bankers) as to the long-term prospects of investment in different sectors.

The report under reference*—the first of a four volume report dealing with different aspects of the Indian steel industry—is the second of the series, the first one being on Cotton Yarn (in regard to which there should be no question in anybody's mind as to the tremendous potential for new investment in India). The report on the Indian steel industry is timely, and attempts, so to speak, to take the bull by the horn. The Indian government generally, and the Planning Commission in particular, has for long years been quite schizophrenic, and of late quite negative, about public investment in the steel industry.

While one should await the other three volumes, on "the choice available and assessment of different iron and steel making technologies", the "issues relating to project management, skill enhancement and technology absorption in the Indian steel industry", and "issue of pricing, input-marketing and product-market interaction, private capital in steel and projected dynamics of steel industry in the deregulated environment", it is both possible and necessary, even on the basis of the first part study, to go into the problematique of public investment in the Indian steel industry.

* ICRA Sector Focus Series 2: *The Indian Steel Industry—Investment Issues and Prospects—* **Part I: Market Demand and Cost Competitiveness by Ramprasad Sengupta, 1994.**

One should start with two basic factual points. First, despite the extremely low productivity—in terms of blast furnace and steel melting shop productivity—despite the obvious overmanning that exists in the integrated steel plants, Indian steel production costs today compare favourably with international costs. The ICRA report cites the *overall* costs, in US dollar terms per tonne of finished steel, in 1992, in selected countries (see Table 1).

Two important points are noteworthy. First, the TISCO has, for all three years cited above, had the lowest cost of production of steel in the world. Secondly, and more importantly, the turnaround in SAIL has been remarkable; from being the highest cost producer in the world in 1973, in 1992 it was (after TISCO) the lowest cost producer, with the cost figure for South Korea not being available.

Rising Costs

The above rosy picture needs to be tempered by the fact—again, as per the data given in the ICRA report—that between 1982-83 and 1992-93, while the cost of production of steel has been steadily declining in other countries (in terms of costs in domestic currency), costs have been increasing in India. Table 2 points to a steadily declining cost advantage in India—which was obviously much more than made good by the devaluation of the Indian rupee *vis-a-vis* other currencies—and points to the enormous possibilities of further improvements in the cost of production of Indian steel. But the table also points to a steady improvement in the *relative* position of SAIL *vis-a-vis* TISCO.

Perhaps, at this juncture, one needs to take recourse to some other data—possibly to be provided in a subsequent ICRA report—which are germane to any study of the Indian steel industry. First, there is no doubt that there is overmanning in the Indian steel industry: the number of persons employed (in the integrated steel plants) per tonne of steel produced is several times that in industrialised countries. But two important points need to be noted in this connection. First, as per a 1991 ILO report, the labour cost per tonne of steel in India—as a percentage of the total cost—was the fourth lowest (after South Korea, Brazil and Japan); and the use of labour-intensive techniques in material handling and diverse other service facilities in steel plants is entirely unrelated to the relative inefficiency of the technological costs of steel production in India. To take but one example, blast furnace productivity is to be measured in terms of hot metal output per cubic metre (of blast furnace capacity) per day. This parameter varies in India from 0.58 tonnes per cm/day to 1.5 tonnes per cm/day. It is this which has steadily gone up in other countries, the rate having gone up from a little above 1 tonne to 2.4 tonnes in Japan. In China—with its relatively small blast furnaces—the figure varies from some 1.8 tonnes to 3.4 tonnes, with an average of some 2.4 tonnes.

Again, one needs to note that the quality of input has an important effect on output. If you use low grade iron ore or high ash coking coal, the proportion of 'slag' would be that much more, and iron that much less. But India has about the best iron ore in the world; and of late some one-third to 40 per cent of India's coking coal requirement has been met through the import of good quality, low ash content coking coal. (China has excellent coking coal by comparison.)

Hence, the low blast furnace productivity—earlier partly explained by poor quality coking coal—cannot any longer be ascribed to this reason. Blast furnace productivity depends on a large number of factors, including (and importantly) *uniform* input feed into the blast furnace (which calls for a proper, and uniform, blend of domestic and imported coking coal), proper temperature control (within the furnace), properly regulated 'top gas pressure', and a number of other technological parameters *all of which are the responsibility of the management.* Overmanning of the steel plants as a reason for high costs is a canard which has been spread by inefficient top managements, including management at the political level, to wit central government ministers, with proneness to interfere with the functioning of public enterprises.

The same goes for the 'tap to tap' time in the steel melting shop, for which there is room for considerable improvement in India. If both blast furnace productivity and the productivity of the steel melting shops were to be significantly increased, there would be a remarkable lowering of the real cost of production of steel in India. The facilities mentioned do not require enormous sums for investment; but increase in both capital outlay and in maintenance expenditure would without doubt be necessary. However, the resultant better utilisation of capacity would reduce the capital servicing charges very significantly. How important this can be would be seen from the data on works cost *vis-a-vis* financial cost in the SAIL and the TISCO, again, as per the ICRA report (Table 3).

Financial cost includes interest and depreciation, and head office expenses, etc, but *not return on capital.* But the mere fact that costs other than works costs were Rs 1,734 per tonne (of saleable steel) for SAIL (or 15.5 per cent of total costs) and Rs 1,767 for TISCO (or as much as 17.2 per cent of total costs) indicates that better capacity utilisation, through higher blast furnace and SMS output, opens up the possibility of significantly lower costs because even the works cost would decline significantly, as output per worker improves.

Demand for Steel

Perhaps three further points made in the ICRA report should be mentioned here before getting on to the implications of the ICRA study. First, the ICRA projects two scenarios for the growth of domestic demand for steel in India. It is best to reproduce the ICRA figures here (Table 4). It may be added that for the past the elasticity of steel consumption in India has been found to be 0.946 with reference to the Index of Industrial Production; 1.068 with reference to Gross Fixed Capital Formation; and 1.287 with reference to GDP (ICRA report, p 13).

To put it in common parlance, if the GDP were to grow by, say, 5 per cent per annum, steel consumption would grow by 6.4 per cent per annum; similarly, if the index of industrial production were to grow by 7 per cent, steel consumption would grow by 6.6 per cent. And if gross fixed capital formation were to grow by 5 per cent—the same as the GDP, i e, without any increase in the marginal rate of saving/investment—steel demand would grow by 5.34 per cent per annum.

Our estimates should be on the conservative side—especially since there is a crunch on resource availability—and it would be wise to adopt the *low scenario* growth rate of steel indicated. That is, one should expect steel consumption to increase from 15 million tonnes in 1991-92 to 26 million tonnes by 2001-02; and to 35 million tonnes by 2006-07.

In 1991, the main steel plants in India produced 12 million tonnes of finished steel. Secondary producers (including mini steel plants) produced 3 million tonnes. These are part of the datum necessary in the present context.

The second finding of the ICRA report is quite significant. World demand for and output of steel is increasing quite slowly, but the share of developed industrialised countries and of eastern European countries in this output has been declining rapidly. Per contra, developing countries have increased both their production and exports significantly. The increased demand for steel in developing countries is likely to be *mainly* by way of construction steel, though with increased industrial production, demand for other varieties of steel is also likely to increase. The ICRA report says, "The steel industry has substantive growth potential in developing countries" (p 36). Further, "Given the historically low export base of India's steel industry, the country has a considerable potential of expanding export volumes" (p 37). Finally, "Considerations of environmental issues can... play a major role in generating a further relocation of steel making capacity away from the developed world" (p 38).

Let us take a quick look at the data on actual steel output in some areas/countries of the world. Again, let us take the data contained in the ICRA report, this time relating to crude steel or ingot steel (Table 5).

In the share of world exports of steel, that of industrialised countries has declined from 78.5 per cent of the total in 1981 to 72.7 per cent in 1991; that of developing countries increased from 7.4 per cent to 16.2 per cent (p 18 of ICRA report). India exported 1.5 million tonnes of steel in 1993-94.

So much for facts pertaining to the Indian steel industry in relation to the world steel scenario. Let us now turn to two aspects of government of India policy in regard to steel.

Technology: Wrong Choice?

For the past four years, India has increasingly turned away from steel production in the public sector; and indeed has of late clearly announced that there shall be no investment for steel making in a greenfield site in the public sector. Of course, considering the possibilities of increase in productivity in the existing steel plants, one would wholeheartedly endorse the policy of modernisation-cum-expansion of capacity and output in the existing plants. Obviously, the scope for such improvements is enormous.

But the second aspect of the government of India's policy needs some comment, even though the second part of the ICRA report on technology choices is not yet available. Again, from 1991 onwards—perhaps even prior to that—the steel ministry has been partial towards the setting up of mini-steel plants based on the electric arc furnace (EAF) route.

There are (apart from minor technological variations) two broad technologies for steel production today: (i) the blast furnace-basic oxygen furnace (BF-BOF) route; and (ii) the electric arc furnace route. (Both can adopt continuous casting—or concast—technology for billet making, or go directly from the concast to a hot strip mill, or whatever; but that is not basic to the two entirely different technologies.) Let us take a look at the existing world capacity for steel making, using the two technologies (Table 6).

First, a word in explanation: the open hearth (OH) system of steel making is an outmoded form, now being replaced gradually by the basic oxygen furnace (sometimes known as LD converter). Also, as stated earlier, the continuous casting technology can be used in any process, and purports to save on energy in that molten steel is not first cast into ingots which cool off and which have to be reheated for further processing. The issue here is whether the BF-BOF or the EAF technology is better. And of late, with increased size, energy efficiency (through heat transfer) and other parameters, the EAF technology has been gaining ground because: (a) the BF-BOF technology today calls for a minimum capacity of some 3 million tonnes per annum, while the EAF technology allows much smaller plants to be viable, with a single product being rolled, making for capital and energy efficiency.

But there is a catch. The EAF technology works most efficiently with natural gas as the source of energy (while the blast furnace uses coking coal as a raw material, the coke oven and BF gases being used to provide the energy required for later processes, thereby making the process essentially energy efficient). In other words, where there is cheap and abundant availability of natural gas, the EAF technology has distinct advantages. But, worldwide, the BF-BOF technology continues to reign supreme, as the most efficient way of steel making (except for selected locations and for special steel production required in small quantities).

Table 1: Cost of Production of Saleable Steel*

(In US dollars)

	1973	1981	1992
USA	216.5	555.9	522.4
Japan	182.5	483.1	585.8
West Germany	227.0	464.5	586.1
UK	194.9	573.3	475.9
South Korea	153.0	294.0	n a
India			
SAIL	261.0	354.4	384.6
TISCO	131.9	252.7	361.6

* as per actual operating rate.
Source: ICRA report, p 48

Tabel 2: Comparative Escalation of Cost of Saleable Steel (1981-83 to 1992-93)

(Percentage)

	Annual Average Rate of Cost Escalation of Steel (In Domestic Currency)	Annual Average Rate of Inflation	Real Rate of Increase in Steel Manufacturing Cost
USA	(–) 3.0	3.8	(–) 6.6
Japan	(–) 4.7	1.5	(–) 6.1
West Germany	(–) 2.9	2.8	(–) 5.2
UK	(–) 0.9	5.7	(–) 6.2
India			
SAIL	11.5	8.8	2.5
TISCO	12.5	8.8	3.4

Source: ICRA report, p 25.

Table 3: Nominal Cost Per Tonne of Saleable Steel (1992-93)

(Rupees)

	Works Cost	Total Financial Cost
SAIL	9,405	11,139
TISCO	8,498	10,265

Source: ICRA report, p 44.

The government of India policy has so far led to the creation of some 7.5 million tonnes of EAF capacity, with an output of only some 3 million tonnes per annum. And, in view of the world steel scenario, the emerging demand for steel in India, the possibilities of steel export, there is obvious need for augmenting steel making capacity through integrated steel plants using the BF-BOF technology.

The government, being reduced to the status of a pauper, with no financial resources (and always looking for a nod from 'aid' givers) has now announced that the steel sector is open to private enterprise. But, considering the enormous infrastructure needed for setting up an integrated steel plant, there has understandably been no wothwhile proposal, the efforts of the likes of Biju Patnaik notwithstanding.

IISCO Story

One can, of course, understand the priority attached by the government to modernisation/expansion of existing facilities. But in one glaring case, the government of India policy has not only been inexplicable, it bears testimony to ineptitude, and smacks of motives which are neither transparent nor above board. The issue today is: what is to be done with the Indian Iron and Steel Company, a 'sick' unit with a notional capacity of one million tonnes, but with actual production of finished steel fluctuating between 300,000 tonnes and 400,000 tonnes in recent years, with a locational advantage, facilities and scope for being made the cheapest integrated steel plant in the country—provided all past investments are treated as sunk costs.

The history of the IISCO does not concern us here, but it is well to remember the reasons for its long (and continued) sickness. In the mid-60s, the IISCO made a large, but impractical investment of moving its coal requirements from its captive mines at Chasnalla to Burnpur by an overhead ropeway system. The investment—made in order to make IISCO independent of the uncertainties of the railway transport system—was ill-advised, it was not only costly (increasing the real cost of coal transport) but also impractical; the 65-mile long overhead ropeway movement passed through private fields from which only the space (and the right) required for the transmission towers supporting the ropeway had been acquired. The coal filled trollies moving along the ropeway could be easily tilted by a long bamboo pole; and this soon became the procedure by which villagers along the route could obtain their coal supplies. This meant loss of valuable coal through daylight theft. The devaluation of the rupee in 1966 led to an unexpected increase in the cost of the Chasnalla project which was financed by a loan from the World Bank. The investment was clearly ill-advised and based on 'pique'—a 'to hell with you' attitude to the railways—because the IISCO was still totally dependent on the railways for supplies of iron ore from its captive mines at Chiria, and also for diverse other raw materials, as well as the transport of finished products.

The investment proved costly in other ways too. With the abolition of the Managing Agency system in April 1970—and bereft of support from Martin Burn—IISCO was suddenly strapped for cash. By 1971-72, IISCO's outstanding loans had become Rs 35 crore, and the interest burden was heavy. The price of steel was controlled, and government did not feel there was any justification for raising the steel price. Nor did the central government agree to any rescheduling of debt. In July 1972, the management of the IISCO was taken over through an Ordinance; and while the necessary legislation was to be enacted, the reason stated in parliament for the acquisition was that "investment of a large amount is necessary for the maintenance and development of the production of the undertakings of the company"... for which "acquisition by the central government of an effective control over the affairs of the company is necessary to enable it to make the investment". The government of India finally nationalised the IISCO by paying a compensation—to the shareholders—of Rs 12.6 crore. In 1988, the entire shareholding of IISCO—the paid-up capital raised to Rs 273 crore by then—was held by SAIL, though the IISCO continued to be a separate company with its own board of directors.

But the required investments (for the modernisation of IISCO) were never made; and the way the IISCO was handled, can only be described as cavalier. Incidentally, in 1971-72, prior to take over and subsequent nationalisation, the IISCO produced 910,000 tonnes of hot metal and 842,000 tonnes of saleable steel.

How the government of India has managed the affairs of the IISCO would be clear from the following brief facts. Between 1972 and 1982 (when the present writer visited IISCO in his capacity as the chairman of the BICP, with similar visits to all integrated steel plants preliminary to finalising the BICP (1982) report on the steel industry), the managing director of the IISCO had been changed seven times. There was neither any continuity of policy, nor indeed any policy. In 1982, the Burnpur plant operated with steel converters by way of Duplex with Bessemer converters—apparently, they still have them—which are reminiscent of 19th century technology. The sheet plant was a manually-operated one, with workers drawing out red hot sheets with tongs held in gloved hands. The coke ovens leaked profusely, and workers were operating the ovens from the top, manually adjusting the doors to minimise leakages. The overhead cranes looked as if the structures might collapse any moment—such was the vibration—and the entire Burnpur plant (as well as the Kulti Iron Works) reminded one of working conditions in Dickensian England.

And yet the dedication of the workers was such that in 1981-82 IISCO produced between 500,000 and 600,000 tonnes of finished steel—I do not off-hand remember the exact quantum—and in 1991-92 IISCO, with a production of 372,000 tonnes of finished steel, still showed a (small) cash surplus.

The BICP found, in 1982, that the location of the Burnpur plant of the IISCO was the best among all integrated steel plants in India. It was located at the junction of the Eastern and South-Eastern Railways: its captive iron ores mines at Chiria (on the S-E Railway) were not too far away and the quality of iron ore was excellent; its captive coal mines at Chasnalla were also not too far away (though subject to coal thefts from the ropeway system); it was close to the main market of Calcutta (with a concentration of engineering industries); and despite its obviously low productivity arising from thoroughly outmoded, inefficient plant and equipment, in certain areas of cost it compared favourably with the better and more modern integrated steel plants.

The BICP then felt—and this recommendation would hold good even today—that

Table 5: Shifts in Regional Structure of the World Steel Industry

(million tonnes)

	1981	1991
Industrialised countries	402	380
Developing countries	58	111
World total (incl others)	707	736
China	36	71
India	11	17
USA	101 (1980)	80
Japan	111 (1980)	109
Brazil	15 (1980)	23
South Korea	9 (1980)	26
Former USSR	148 (1980)	133
Eastern Europe (including USSR)	209 (1980)	166

Source: ICRA report, pp 18, 59.

Table 4: Domestic Demand for Finished Steel

	Terminal Year of the Period	Low Scenario		High Scenario	
		Quantity (mn tonnes)	Implicit Growth Rate (Per Cent)	Quantity	Implicit Growth Rate (Per Cent)
Base year	1991-92	14.86	7.68	14.86	7.68
Eighth Plan	1996-97	19.35	5.42	21.06	7.22
Ninth Plan	2001-02	25.85	5.94	29.90	7.26
Tenth Plan	2006-07	35.23	6.41	40.98	6.51

Source: ICRA report, p 15.

the IISCO deserved to be thoroughly modernised and its capacity expanded.

SAIL Sidelined

What is the present status of the IISCO? SAIL has prepared, from time to time, diverse plans for the modernisation/expansion of IISCO; but these plans were all rejected by the steel ministry. Though SAIL is the owner of IISCO, it is really run by remote control from Delhi; as a consequence, it is virtually not run at all. To cut a long story short, in June 1992, the ministry of steel appointed a committee of experts (COE) "for obtaining and evaluating offers for private participation in IISCO, negotiating with the parties and for recommending the party and the terms of its participation, prioritisation, if necessary, and suggesting other conditions including financial restructuring..." The terms of reference added that the "The objective of seeking private participation is implementation of the modernisation of the existing steel-making facilities in the Burnpur steel works of IISCO, which have a capacity of 0.37 million tonnes per annum of crude steel, to make it a viable unit and to expand the capacity to a minimum of 1.5 mt pa of crude steel." Times change; one has to compare the above policy statement with the one made in parliament at the time of acquisition and nationalisation of the IISCO.

Again, to cut a long story short, only three points need be made here. First, since nationalisation, the cumulative loss of IISCO over a period of 17 years (from 1975-76 to 1991-92) amounts to Rs 945 crore. (As indicated earlier, in 1991-92, the IISCO made a small cash profit, but the capital servicing charges—interest on government loans to meet past losses—converted the cash profit to a net balance sheet loss of Rs 8 crore.)

Secondly, the Parliamentary Standing Committee on Industry's Report on 'The Public Sector Iron and Steel Companies (Restructuring) and Miscellaneous Provisions (Amendment) Bill, 1993, submitted in April 1994, has this to say (on the IISCO):

> 15.1. The committee finds that the terms of reference set out for the Committee of Experts were limited enough to restrain that committee in recommending concrete proposals for modernisation of IISCO. In fact government should have asked the committee to suggest all alternatives instead of concentrating on scrutiny of bids in the global tender for private participation.
>
> 15.2. The committee finds that at no stage SAIL has expressed its inability to undertake the modernisation programme of IISCO and in fact SAIL has not been extended the required funds for the purpose during all these years despite its viable proposals submitted to the government time and again and this fact has been corroborated by the finance secretary...
>
> ...The committee is thus not convinced with the government's approach in rejecting the proposals made by SAIL...

There is a third aspect of the problem which needs to be highlighted. Trade unions—in fact, all of them jointly, irrespective of party affiliations, involving the INTUC, CITU, AITUC, HMS and BMS—and the Officers Association of the IISCO have claimed that the present worth of the assets of IISCO would be not less than Rs 12,000 crore, counting the assets in Burnpur, Kulti works, collieries, iron ore mines, not counting other assets like the IISCO House in the centre of Calcutta, housing the headquarters of IISCO (*vide*, Jibon Roy, *IISCO Modernisation: What? Why? How?* A SWFI publication).

Level Playing Field?

It is in the context of the overall world steel demand, the long-term advantage of India in steel making, the comparative costs of different technologies/methods of steel production in India, and the efficiency (or otherwise) of different types of steel producers in India, that a decision needs to be taken in regard to what should be done with a unit like the IISCO.

Over the past three years, SAIL has exhibited a remarkable turnaround; it has recorded increasing net profits and the last balance sheet shows—after appropriations to depreciation and to reserves—a net profit exceeding Rs 500 crore. SAIL has also exported nearly a million tonnes of steel in 1993-94.

It is puzzling as to why the government—if it is strapped for resources (because of its own counter-productive fiscal policies)—cannot or does not hand over total responsibility for IISCO to its rightful owner, SAIL. Indeed, reportedly, the government is now planning to refer the IISCO to the BIFR (the Bureau of Industrial and Financial Reconstruction, which has been rechristened by wags as the Bureau of Industrial Funeral Rites).

Is it merely an ideological aversion to the concept of public enterprise, or are there other, deeper reasons for trying to hand over the IISCO to some private party (which has neither the funds nor the organisation nor even the technological or managerial expertise to handle the problems of IISCO)?

Why and wherefore has this sudden aversion to public enterprise arisen between 1992 and 1994? One can understand the idea of introducing competition—which has, incidentally, shown up TISCO as a poor second to SAIL in recent years—one can even understand the government's reluctance to find budgetary resources for public enterprises. But why should not the proceeds of the sale of equity of public enterprises be made available to the public enterprises? One is not certain about the extent to which SAIL shares have already been disinvested, much against SAIL's will, at throw away prices in relation to the value of SAIL's assets or the prospects of its future profitability. Why should SAIL not be allowed freedom to find ways of raising the resources required by it?

And, with reference to the superiority of 'market driven' investments, enormous investments in the petrochemical sector—funded in the main by public financial institutions like the IDBI, UTI and similar agencies—are taking place, in the private sector, all with a nod from the north and south blocks of New Delhi; but these sources are not available to public sector steel plants, public sector power plants (like the NTPC). Two or three years back, Vijay Kelkar (then chairman of the BICP) wrote a long report for the Asian Development Bank; and he found that the engineering industries had long-term comparative advantage for India; the petrochemical industries did not enjoy the same comparative advantage.

One need not go into that issue for the moment; but one is surely entitled to ask two questions. First, if competition be the objective of the economic liberalisation programme, do we really have free competition? Do we have equal rates of import duty on synthetic fibres and steel? And, would the financial institutions not be barking up the wrong tree in financing heavily protected industries in an economy which is intent on liberalisation? Secondly, in the name of liberalisation, are we really creating a level playing field—a phrase much used by government spokesmen—for both public and private enterprises? Or are there opportunities of 'rent seeking' for those in power, in the process of privatisation?

The IISCO case certainly raises this issue in a somewhat vivid manner. There is always a taste of honey in any large-scale asset transfer.

Table 6: Crude Steel Production and Casting by Processes, 1991

(percentage share of processes)

	Basic Oxygen Furnace	Open Hearth Furnace	Electric Furnace	Continuous Casting
UK	76.1	-	23.9	85.5
France	71.1	-	28.9	95.0
Germany	77.9	1.8	20.3	89.5
Italy	41.1	-	58.9	95.1
USA	60.0	1.6	38.4	75.1
Japan	68.6	-	31.4	94.4
Former USSR	35.3	50.8	13.8	17.7
China	60.3	18.4	21.1	26.5
South Korea	60.9	-	29.1	96.4
India	43.7	28.3	28.0	14.3

Source: ICRA report, p 58.

New Telecom Policy

Rushing In Where Angels Fear to Tread

P Purkaysatha

Fragmenting the existing physical telecom network or building parallel networks in the name of competition is a disastrous policy prescription at this stage of the country's development. Given our immediate development targets and scarce national resources, a rational policy should have looked at the basic issues confronting us—how to provide cheaper telecom access, rural telephone services and modern data communication to industry. Instead we have an ideology-driven Telecom Policy that addresses the 'need' to privatise the telecom network rather provide for its expansion at optimal cost.

THE New Telecom Policy announced by the prime minister after a bitter controversy between the chairman of the Telecom Commission, N Vittal, and the union communications minister, Sukh Ram, is supposed to facilitate India's advance to a world class telecom service. Instead, the policy has all the hallmark of the current government—the lack of a clear-cut policy framework and *ad hoc* decision-making. No wonder the former chairman of the Telecom Commission, D K Sanghal, has called it "a set of confused steps created by a bunch of confused people". It is unfortunate that the Power Policy of the government which has drawn a barrage of criticism from experts for similar reasons has not taught any lesson to the government. In many respects, the Telecom Policy is even more muddled than the Power Policy.

The policy has really two sections—one, a set of desirable objectives and the other, the instrument to achieve the same. The goals set out are: telephone connection on demand, all villages to be covered, and a world class service at an affordable and reasonable price. All this is to be achieved in the next three years, i e, the end of the Eighth Plan period. With these objectives, the Eighth Plan targets have been substantially revised upwards, needing an additional investment of Rs 15,750 crore over the original planned investment of Rs 25,000 crore. And then the final *coupe de grace* of the policy—"Clearly this is beyond the capacity of government funding and internal generation of resources, private investments and associations of the private sector would be needed in a big way to bridge the resource gap." We have the now familiar TINA syndrome 'There Is No Alternative' but to invite multinationals and the private sector in the basic telecom services. This is the instrument finally to be adopted for achieving the revised targets.

The interesting part of the policy is not what it says but what it does not say. The policy nowhere identifies the basis of the upward revision of demand nor the mechanism through which the private sector or the foreign sector can participate in the basic telecom services. As we shall see later, private participation in basic telephone services is of recent origin globally and multiplicity of operators as the policy advocates is practically non-existent. The technical as well as the commercial problems involved with multiplicity of operators in a network are quite formidable. However, the government's policy paper does not even address such issues. We are now told that a committee will examine the modalities of how the policy can be executed. Any sane government would be expected to work out the modalities of the policy before choosing its policy options. Unfortunately, this government seems to believe otherwise.

Immediately after the announcement of the policy, it was stated in various fora that the existing network belonging to the Department of Telecom (DOT) would not be privatised. This was stated by Sukh Ram also in his meeting with the senior officials of the department. However, the current portends are that various parts of the network will be parcelled out to various private or multinational operators. Alternatively, parallel networks would be built by the private operators duplicating the existing DOT network.

Today (1993-94), the waiting list for telephones has reached about 25 lakh on an installed basis of about 80 lakh (New Telecom Policy figures). In the first two years of the Eighth Plan, 19.5 lakh new lines had been added and an additional 55.5 lakh lines would have been installed by 1997, as per the original Eighth Plan targets. This would have meant that not only the people on the current waiting list would all be provided for, but an additional 25.5 lakh as yet unregistered consumers would also have been taken care of. However, without any substantiation, the new policy projected that the number of unregistered consumers is likely to be much higher—of the order of 50.5 lakh in the next three years rather than 25.5 lakh. This would mean an average yearly registration of nearly 17 lakh as against the current yearly figure of about 9-10 lakh (1993-94 figures were only 8.5 lakh). And according to the new policy, for this rather dubious demand, a further investment of Rs 11,700 crore is required in the Eighth Plan itself.

From the accompanying Tables 1-3 a projection based on actual growth of total registered demand will show that if the Eighth Plan targets are met, the waiting list will be wiped off almost entirely. Therefore to provide a telephone on demand, no such drastic change in policy is called for. To circumvent this uncomfortable fact, the new policy talks of a pent up demand that will suddenly explode if more lines are available. No evidence has been advanced for such wild projections of pent up demand. However, the entire argument on shortfall of resources really hinges on this fictitious demand projection.

The target for expansion of the rural network has also been stepped up considerably. The original Plan target was another 1.5 lakh villages to be covered by Long Distance Public Telephones (LDPT) bringing up the total villages covered to 3.6 lakh by LDPT, that is an addition of another 2.1 lakh villages to be covered in the Eighth

TABLE 1: EIGHTH PLAN TARGETS—ORIGINAL AND REVISED

(Lakh)

Item	Original	Revised	Additional
Direct exchange lines (DEL)	75	100	25
Rural long distance public telephones (LDPT)	1.4	4.4	3

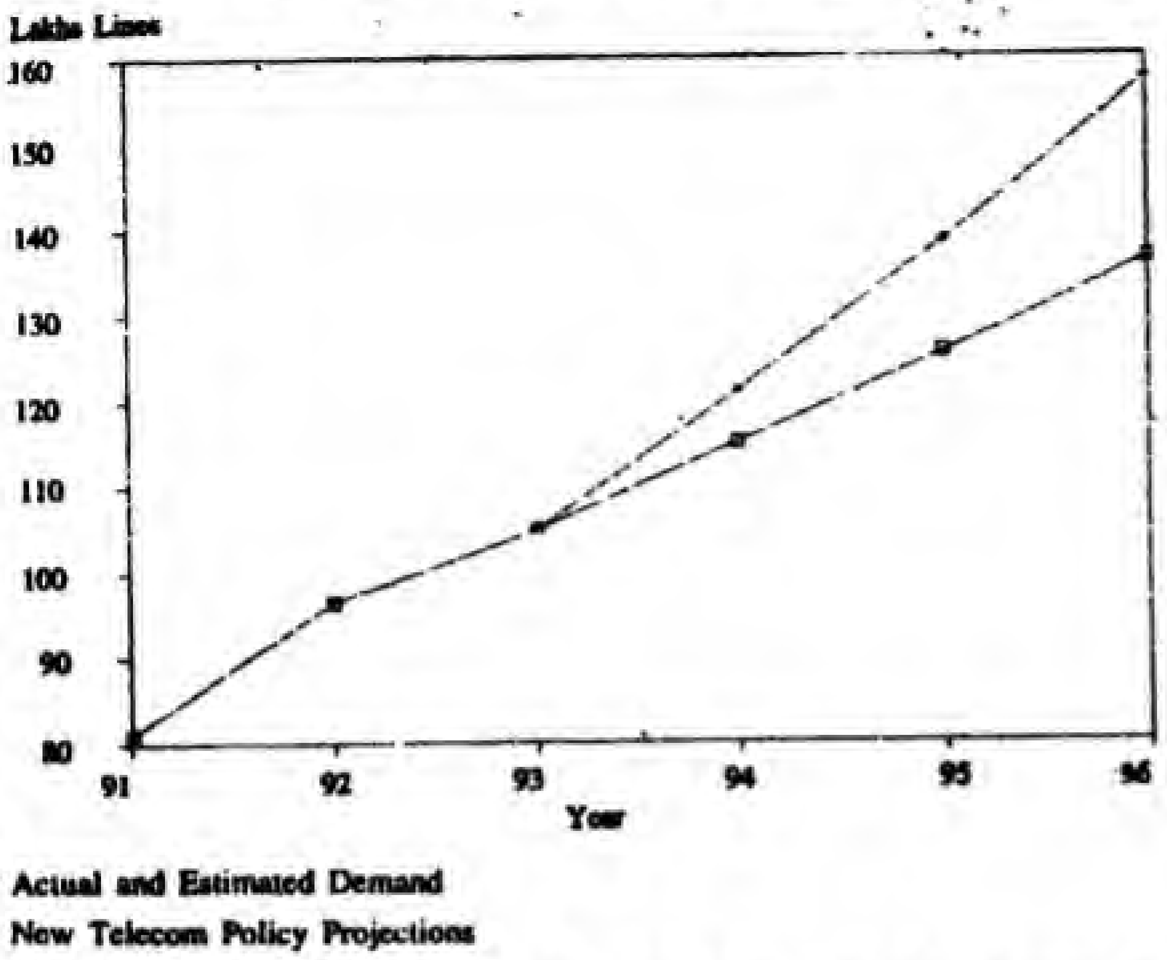
TABLE 2: EIGHTH PLAN TELECOM PERFORMANCE INDICATORS

(Lakh)

Item	91-92	92-93	93-94	94-95	95-96	96-97
DEL installed	58	68	80	94	111	133
Lines/added per year	7.3	10	12	14	17	22
Waiting list	23	28.5	25	21	14.5	3.5
Registered demand	81	96.5	105	115	125.5	136.5
New registrants	10.5	15.5	8.5	10	10.5	11

Note: The new registrants for 1994-95 to 1996-97 have been estimated by projecting registered demand on a time scale.

CHART: DEMAND PROJECTIONS FOR EIGHTH PLAN



Plan itself. The target here is certainly a worthy one. However, the problem of the rural network has not been one of coverage but the quality of coverage. A technically sound and cost-effective solution to the rural telephone network would probably demand a variety of technological options. In the absence of this, the rural connections would will have little value as borne out by a Department of Telecom sample study that showed 61.3 per cent of such rural connections would not to be working due to technical malfunctioning of the system. The new Telecom Policy unfortunately makes no attempt to address these problems but only advances the argument that all villages should be covered requiring an additional investment of Rs 4,000 crore.

The new Telecom Policy also suggests that there is already a shortfall of Rs 7,500 crore in the resources required for the Eighth Plan. However, again this remains a mere assertion as no shortfall in the targets of the Eighth Plan has yet taken place nor has any budgetary support been asked for from the government for the expansion of the telecom sector. Ironically, the DOT's tender for leasing drew a response of Rs 7,000 crore from the equipment manufacturers making nonsense of the government's claims of a shortfall of resources. Today, the cost of installing a line is Rs 47,000 while the annual revenue from the same is Rs 10,000. Obviously, raising capital from the market is no constraint for the telecom sector. It is because of this that the entire telecom expansion for the Eighth Plan is projected to be financed from internal resources and market borrowings—a target DOT has been able to maintain in the first two years of the Plan. Even if additional resources of Rs 15,750 crore—Rs 11,750 crore for direct lines and Rs 4,000 crore for the rural long distance lines—had to be raised for the expansion of the network as argued by the new policy, there is no evidence to suggest that DOT would have been unable to do the same.

It is interesting that in the Sixth Report of the Standing Committee on Communications (April 1994, Lok Sabha Secretariat), the Department of Telecom took a very different view of its resource position. The report states quite unequivocally that in the first three years of the Eighth Plan, the resources raised by DOT are of the order of Rs 17,000 crore and DOT would raise a total of Rs 34,000 to 35,000 crore for the Eighth Plan on its own. Taking into account the additional Rs 7,000 crore raised through the leasing tender noted above, the total resources that DOT is projected to raise in the Eighth Plan itself is of the order of Rs 40,000 to 45,000 crore. Therefore the argument that additional resources would be available only from private sector is shown to be false from the government's own records.

The question might still be raised why should one oppose the entry of private sector in the basic telephone services of the country. People are understandably frustrated by DOT's inertia, its indifference to the consumer and the snail's pace at which value added services required for today's global business are being provided. Coupled with this is the mess in radio paging and cellular tenders that are delaying these services even further. The answer really lies not in any love for DOT, but the nature of the telecom sector.

Traditionally, telecom has always been a monopoly the world over. This is because

TABLE 3: TELEPHONE LINES DEMAND FOR EIGHTH PLAN

(Lakh)

Item	91-92	92-93	93-94	94-95	95-96	96-97
Actual and Projected Demand						
Registered DEL demand	81	96.5	105	115	125.5	136.5
New Registrants per year	10.5	15.5	8.5	10	10.5	11
New Policy Demand Projection						
Registered DEL demand	81	96.5	105	121	138.5	157.5
New registrants per year	10.5	15.5	8.5	16	17.5	19

TABLE 4: COMPARATIVE VIEW OF COUNTRIES PRIVATISING TELECOM SERVICES

Sl No	Country	Privatisation (Percentage)	Competition		No of Operators		Lines (Million)	Density/ Person	Revenue/ Line ($)
			Local	Trunk	Local	Trunk			
1	USA	100	PC	C	3		144	56.5	870
2	Canada	100		C	2		16.2	59.2	700
3	Hong Kong	100		C			2.8	48.6	991
4	UK	100	C	C			26	45.2	896
5	New Zealand	100	C	C	2	2	1.5	45	868
6	Argentina	100			2	2	3.7	11.1	763
7	Chile	100					1.2	8.9	757
8	Mexico	98					6.8	7.5	916
9	Puerto Rico	80					1.1	30.8	805
10	Venezuela	40					1.8	8.7	645
11	Japan	35	C	C	NA		57.6	46.7	947
12	Hungary	30					1.3	12.5	478
13	Malaysia	25					2.1	11.1	640
14	Singapore	11					1.2	41.6	1191
15	South Korea	2					15.8	36.3	420
16	Sweden		C		2	2	5.9	68.1	906
17	Australia		C		2	2	8.2	47.1	1089
18	Finland		PC		2	2	2.7	54.2	727
19	India						7.7	0.9	350

Notes: C = Competition
PC = Partial Competition.

Source: S M Agarwal in a recent seminar.

of the need to lay physical lines and therefore the 'right of way' legislation that had to be created to facilitate this. The local loop required laying down cables in urban areas, cutting across roads, sewage, and water lines. In most countries it was a government monopoly, as communications was also considered a security issue related to the defence of the country. In US and Canada, it was a private monopoly—the famous Ma Bell or AT and T. Generally, even where private operators were allowed, this was restricted to one company in a given area, though more than one operator could theoretically operate in a given country. As local carriers had monopoly in their area, they did not allow any external carrier to come into their network. The result was a completely vertical monopoly with local as well as trunk services being concentrated in one single company. Till 80s, each country had virtually one carrier—either as a deliberate policy or as a result of market forces.

The 80s saw a shift in this sector. Primarily, the shift came due to two reasons. It was increasingly seen that the telecom network was the key to future information technologies and also to entertainment—video and cable channels. A monopoly over the physical network would cede unacceptable future control of these sectors to the companies owning the network. The second reason is the innovation in this area. This has resulted in a variety of technologies coming into existence making possible 'technological' competition. It is now possible to have a local loop either through wireless or even a cable network, apart from the telephone line. The telecom scenario has thus been undergoing rapid transformation, particularly in the last decade, when selective competition was introduced in the basic telecom services. It must be emphasised here that the selective competition was introduced only after a network had attained a certain size and traffic volume. Even then, contrary to the myth beihg freely propagated, the competition that can be or has been introduced in the system is limited. As can be seen from Table 4, only five amongst the 19 countries that have introduced privatisation allow competition in the local loop and only six allow competition in the trunk routes. And even here the carriers are restricted to two or at most three. This may be contrasted with the current policy of allowing 30 or more telecom local network operators.

This is where the new policy is likely to do the maximum damage. As per the new policy, a multiplicity of operators is envisaged even in the local loop. For a country short of resources, this is an extremely wasteful option. The technological efficiency of expanding the network is overwhelmingly in favour of one operator only for the local loop. Competition has been introduced in a few countries in the west for the trunk routes, and while it is not as wasteful in terms of duplication as competitive local loops, it is still a luxury for a developing country like ours. However, a decision on the level of competition that can be allowed on the trunk route can be taken after a careful consideration of the volume of traffic and the cost economics of the same. The value added services that can be configured on the existing network can and should be thrown open to competition for a rapid development from different sources and should be freed from the stranglehold of DOT. If the government is even half-way serious about liberalisation, this is the first step that needs to be taken.

Sukh Ram has proudly stated in a recent press conference that we are even ahead of Germany and France in introducing competition in telecom services. Most EEC countries are not introducing either privatisation or competition in the basic telecom services in the near future. This is in spite of their telephone density and traffic volumes being far higher than ours. Instead of making such claims, the minister would be better employed examining the reasons why France and Germany do not propose to introduce competition in the basic telecom services.

A rapid development of basic telecom services is a prerequisite for today's world. Unfortunately, ideological issues like privatisation are continuing to cloud the outlook of the policy-makers. The issue of introducing competition in the telecom network is different from that of privatisation. About 15 countries have privatised their telecom network—they have converted their erstwhile government departments to corporations that have sold shares to the public. This does not introduce competition. What the government is now proposing is that different parts of the telecom network will now be owned and operated by different owners, and more than one operator may exist in one given area. This concept of a telecom network with multiplicity of operators and owners is unknown globally, let alone on a telephone density of 0.9 per 100 as we have. As south Korea is generally considered to be role model of privatisation, it is worthwhile to note what it has done. South Korea is spending 13.45 per cent of its GDP on telcom while only 2 per cent of the telecom services are privatised. We, on the other hand, are spending only 2.5 per cent of our GDP on telecom while we introduce privatisation for the network. A world class economy cannot be built without public investments in basic infrastructure, a course we are extremely loath to take.

A rational policy framework would allow for competition where such competition will benefit the consumer as well as retain the technical efficiencies and economies of a unified network. If competition has to be introduced, it can be done by using a competitive technology like wireless—e g, fixed radio or cellular telephones. Even though it would be more expensive than the telephone cable for the local loop, it would not be a wasteful duplication. However, fragmenting the existing physical network or building parallel networks at this stage of development is a disastrous policy prescription. Given our immediate development targets and scarce national resources, a rational policy option should have looked at the basic issues confronting us—how to provide cheaper telecom access, how to provide rural telephone services and how to provide data communication to indian industry. Instead, we have an ideology driven policy that addresses the 'need' to privatise the telecom network rather than provide for its expansion at optimal cost. A cure quite distinct from the disease.

Maharashtra: Politics of Culture

'Rajarshree Shahu University (Pune)'

Gail Omvedt

The Bahujan Samaj Party's demand, raised at a seminar in Pune at the end of last month, to rename Poona University after Shahu Chhatrapati is a political one which takes its significance from the entire history of caste relations in Maharashtra, most particularly the troubled connections and contradictions between the social movement and the national movement.

ON July 27 in Pune, before an enthusiastic crowd of thousands, BSP leader Kanshi Ram gave a new slogan: Give Poona University the name of Rajarshree Shahu Chhatrapati, the Maharaja of Kolhapur, who as the heir of Shivaji and ruler of the largest princely state in the Marathi-speaking region, was the main supporter of the non-Brahman movement in the early 20th century. The demand climaxed a three-day seminar on the subject.

The thought of renaming another university—indeed of bringing such 'renaming' issues straight into their own territory—is very likely to evoke a massive response of weariness and antagonism among Pune progressives. Reactions have ranged from 'why can't they take up the basic economic issues?' to 'if you want to have a mass response, why not hold a seminar on the bhakti movement?' Resistance to the demand is indicated by the fact that not even sympathisers from Poona University itself dared to come to the seminar. In its turn, the BSP is going ahead planning nearly 1,500 symposiums and public meetings in the state (five in each assembly constituency), without much concern for the response of the Pune elite.

Clearly the demand is a political one, and it is on political grounds that it should be judged. But these political grounds take their significance from the entire history of caste relations in Maharashtra, most particularly the troubled connections and contradictions between the social movement and the national movement. And they have a context today in a situation in which once again the left has been sidelined in Maharashtrian politics and it is only the forces of 'Hindutva' (leavened by the anti-corruption campaigns of the RSS-admiring Khairnar and Anna Hazare) who are otherwise challenging the Congress. 'Rajarshi Shahu University' is in fact a demand designed to challenge both and to bring forward, at this point on the issue of 'identity', a different alternative.

WHO WAS SHAHU?

Phule's name has by now become established; Shahu's remains little known. Yet, he had a central importance of his own as the person who aided the non-brahman movement and Satyashodhak Samaj to take on a mass following in the 20th century, and it was not without reason that when I had done my dissertation on this decades ago, my then-guide, Thomas Metcalf (a scholar of the taluqdars of Oudh) remarked, "Actually I find your Maharaja even more remarkable than Phule. One can understand radicalism from a man himself coming from a low-caste peasant background—but for a ruling prince to take the positions that Shahu did was quite surprising."

Shahu's contributions in Kolhapur state itself, which he ruled until his death in 1922, centred on bringing forward all sections of the bahujan samaj. He was the inaugurater of the reservations policy in India, proclaiming in 1902 that 50 per cent of new state employees should be from castes "other than Brahmans, Prabhus, Shenvis, Parsis and other advanced classes"—and this was the issue which brought him into conflict with the brahman community which had gained a stranglehold over the state administration during British rule. He sponsored a series of hostels for students from nearly every community, including untouchables, Muslims and Jains; these were not limited to the students of that community, and Latthe, author of the most authentic memoirs on his rule, remarks about the irony that whereas the brahmans founded hostels with 'universal' names but in fact limited to one community, the non-brahman hostels, identified with particular communities, were in fact much more open. Though he maintained purdah standards in his own family, other backward caste girls were provided with educational facilities, and he promulgated one of the first laws legalising intercaste marriage and later himself took the concrete step of arranging a marriage between his family and the (Dhangar) Holkars of Indore. He fought untouchability in one of the most practical ways in his own period: sponsoring a tea-shop owned by a Mahar, he himself stopped there on his return from his frequent hunting expeditions, and not only took tea himself but also forced the Maratha sardars accompanying him to do so. The greatest tribute to Shahu was in fact paid by Ambedkar himself, not simply in words but in actions when he rejected all the approaches of brahman reformers and brahman nationalists to make his entry into the political life of Bombay presidency under the patronage of the Maharaja.

Shahu's efforts at economic development in Kolhapur contain the seeds of an alternative developmental model, which in many ways had its origins in Phule's writings on agricultural development. The background to this lay in his style of rule: as the British themselves testified, he was an Indian prince more accessible than any other (certainly more accessible than the alien British) to the people he ruled. Shahu not only loved hunting, he enjoyed wandering in the villages, talking to the peasants, looking at and learning from the efforts being made by local people themselves to provide drinking water, to start small enterprises. (A B Latthe, in his *Memoirs of His Highness Shri Shahu Chhatrapati, Maharaja of Kolhapur*, gives an example of Shahu's noticing in one village a small factory for manufacturing 'catechu', a forest product, and trying to replicate it.) On all his trips, whether in India or in England and Europe, he took a special interest in agriculture, animal husbandry and agriculture-related industries.

The developmental efforts Shahu made in his state, then, focused on these. He experimented with tea and coffee plantations in dry areas, with silkworms and local products such as the Indian aloe, an effort to give more income to peasants in the poorest regions. He sponsored sugarcane and its processing; even today Kolhapur remains a centre of some of the best jaggery in India (the traditional alternative to white sugar which has its own demand and even export market, but foolishly looked on with heavy disfavour by the Narasimha Rao government). He helped found a textile mill which became state-run after its original management failed. (Indeed, he had also been ready to support the swadeshi experiments of Tilak's followers before the fight with the brahmans became too intense.) He tried to push non-brahmans into industry also, founding an industrial school mainly oriented to the Jingar community.

Thus there was a dual emphasis to his economic policy. On one hand, he supported non-brahmans, dalits, Muslims and other minorities—the bahujans of his day, though the term was only beginning to be used—in breaking through traditional caste barriers not only in terms of gaining entry into employment, but also in industry and commerce, which he saw as the necessary base of any modernity. And secondly, there was a different emphasis in the developmental programmes themselves. In contrast both to the 'Nehru model' (with its emphasis on centralised heavy industry, state ownership and planning under a high-caste dominated state machinery) and Gandhism (with a decentralised and village-oriented approach, but one with heavy overlays of traditionalism and rejection of modern science and technology symbolised in the term 'Ram raj'), he supported a form of development that was centred on agriculture and support for small industries (in most cases linked to

processing of agriculture and forest products) but sought to make use of modern technology. It was this overall approach that participants in the BSP seminar were beginning to talk of as 'bahujanwadi economics'.

SHAHU AND PUNE

But this role in the non-brahman movement, and his accomplishments in Kolhapur state, still do not answer the question which many were raising: Why Poona University? It is here that the most interesting and politically charged historical background exists.

Shahu was in fact the founding president of the Deccan Education Society, the premier indigenous educational institution in the state, whose first college was the famous Ferguson College with many coming after that—an educational work that lay the foundations for the later university. Though the overwhelming majority of professors and students in these colleges were brahmans, Shahu continued his association and financial support even after the bitter disputes broke out, and even today his heir remains the president of the Society. Yet there was little real interchange, and the 100th anniversary souvenir of Ferguson College fails to carry even a photo of Shahu among the nearly 50 that adorn its pages.

These facts themselves give some idea of the gap that grew up and remained between brahmans and non-brahmans.

In fact, it was on the whole natural that the upper castes with a literary tradition should be the first to get western education. It was also natural that they should try to broaden their efforts, and in particular look to the rulers of the major princely state in their region, the one which symbolised the glories of Maratha history, for support. Thus the Poona Sarvajanik Sabha, predecessor of the National Congress, had welcomed Shahu's accession to rule. Further 'natural' developments should have seen an alliance between the social reformers and lower castes struggling for upliftment and the gradual extension of education and employment to the broader masses of people. Latthe has put it this way: "If [the reformers] had cast their eyes towards the non-brahmans who required reform for their very existence and were therefore wedded to liberal and democratic ideals of social life, if they but realised what potentialities lay within the Satyashodhak or Vedokta movements whose only *raison d'etre* was an aspiration towards a higher life, if they could but imagine what currents were struggling upwards to the surface of the sea of the non-brahman masses...they could have guided the social movements of their earlier Gurus like Ranade and Agarkar into a vigorous and successful national movement" (p255).

But they did not. The non-brahmans and dalits had to wrest their advances in education and employment and their recognition as human beings with capabilities in every field from a brahman elite which appeared to be unwilling to surrender even an inch. History took a very specific course, in which a defeat of the progressive brahmans preceded the more bitter and long-drawn fight between radicalised non-brahmans and the orthodox brahmans now coming forth as nationalists under the leadership of Lokmanya Tilak. Agarkar died; Ranade proved weak in relationship to Tilak both politically and in terms of maintaining his own principles. Reformist brahmans began to be denounced as 'anti-national' for trying to use British support for reforms such as stopping child marriage; some reformers were even beaten up, and the Social Conference was banned from holding its meetings in the National Congress grounds. By the end of the 19th century this triumph of what was later to become 'Hindutva' among t' 'nationalist' leaders was fairly complete, and the issue was posed in the way it should never have been: social reform first or political reform first?

To the non-brahmans, the meaning of this was clear. By resisting every effort to bring forward non-brahmans in employment, the elite seemed to be insisting on its right to monopolise knowledge and power. (Significantly, though Tilak himself was known as 'lokmanya' and described as the 'leader of Telis and Tambolis', when members of 'low' castes themselves began to enter the legislative council in the 1920s, Puneites mocked them with 'Telis and tambolis are sitting in the council'). And, by resisting Shahu's efforts to win Vedic rites from the priestly community in Kolhapur and stamping him and his lineage as 'shudra', they were clearly proclaiming the inferiority of all non-brahman sections.

The issue of giving Shahu's name to the university can thus be seen as a rectification of a historical wrong and a reforging of a progressive alliance against social conservatism.

FIGHT AGAINST HINDUTVA AND 'BRAHMANISM'

There are interesting similarities between Shahu's time and ours. Today also there is a growing Hindutva force, using slogans of nationalism and swadeshi to fight what is, in this case, a corrupt ruling party claiming the heritage of Indian nationalism. There is, even more than in Shahu's time, an aggressive rising political force of the 'bahujans' which sometimes seems to take extremist turns in its hatred for casteism.

But the progressive intellectuals have been trying to fight Hindutva with, on one hand, the slogans of secularism, and on the other, by invoking the 'bhakti-sufi' traditions of Hindu reform and Hindu-Muslim unity. The left also is trying to talk about reformist Hinduism, Vivekananda and the like. This has not done it much good—either in 'muktanad' or in the UP elections.

In the 19th century also, the Prathana Samaj and its leaders identified with the bhakti movement in Maharashtra. But it did them little good. Certainly it was not enough to combat the conservatives. The progressives' failure lay in their unwillingness to make an alliance with the numerically strong and much more radical Satyashodhak movement. The sentiment at the BSP seminar regarding the bhakti movement was clear—and striking. They are its sympathisers, but speakers argued that saints from all castes could only have come forward after Muslim rule had broken the political power of brahmanism. The attitude towards Muslim rule is strikingly different. The social conservatives try to use the bhakti movement and other religious reformers with an anti-Muslim bias; the entire tradition of the non-brahman movement, in contrast, has always included Muslims as a part of the bahujan samaj.

The history of the Deccan Education Society concludes with a remark that "One of the serious complaints against the system of education which has prevailed in this country for over a century is its entire un-Indian character. Students know more about Shakespeare and Milton than about Vyas or Valmiki. It has neglected India's tradition and culture" (K G Pandit, *The Deccan Education Society, 1885-1960*, p 114). But what the BSP has been posing is the question of exactly what and whose is this tradition and culture. They have no quarrel with the notion of recognising a cultural identity, but a very strong quarrel with the proponents of Hinduism as to what this identity is.

There is one final aspect of the BSP's version of 'bahujan' politics that comes forward clearly in the demand for taking Shahu's name. That is of course the recognition of the Maratha-Kunbi community as a major part of the bahujan samaj. While normally characterised as a 'dominant caste' now in political power, Kunbi-Marathas make up one-third of the Marathi-speaking population and by no means can be said to be in power as a caste; the few academic analyses that talk of 'Maratha power' (for instance, the thesis of Jayant Lele) do so by making a rather untenable separation between 'High Marathas' and common Marathas. It is in the broad concept of bahujan that the BSP differs strongly from its hitherto contender for the bahujan wave, the Prakash Ambedkar-led Bharatiya Republican Party/Bahujan Mahasangh. The Bahujan Mahasangh had included only non-Maratha 'OBCs' as bahujans. The BSP, in contrast, continues to have largely dalit leadership, though there is still a weak response to it from the highly politicised and factionalised Buddhist (ex-Mahar) community of Maharashtra and its main base in the state is said by Kanshi Ram to be among the Muslims. Now it is bidding for Kunbi-Maratha support. Putting together the 'dalit-non-brahman' alliance once again would appear to be tricky and contradictory to the arguments of most progressive intellectuals that it is precisely between the 'dominant castes' and dalits that the main contradictions lie. But it is consonant with the historical unity that Phule, Shahu, Periyar and Ambedkar himself had tried to build against brahmanism.

An Open Letter to Taslima Nasreen

Habibul Haque Khondker

There are many in Bangladesh who condemn religious bigotry and discrimination against minority and other oppressed groups. They may not be in the limelight but they are there.

WHEN I read your *Lajja* some time ago, before it generated all the controversy, frankly, I did not find it to be a great piece of literature nor did I find it offensive. Yet I read it because of your reputation which did spread far and wide even before the eruption of the recent controversies. In *Lajja* I liked the psychological twist of revenge from a Freudian angle; what I liked most in that book, however, was your ideological position. I was happy to see a courageous voice in favour of the minority Hindu community in Bangladesh. As a fellow Bangladeshi and one who is steeped in the ideals of humanism, democracy and secularism, I found in you a kindred soul. It is always heartening to see if a member of the 'majority' community speaks up in favour of the 'minority' community.

I recognise that the definitions of 'majority' and 'minority' are problematic. These are legislative terms in origin, as a sociologist, I do not see any justification in privileging a so-called majority position. I argue that the true test of democracy is the protection of the interests of the minority. Democracy ought to be the rule of the majority for the minority. For example, I argue that the ecology of society enjoys the status of a voiceless minority. Just because its position cannot be articulated by itself does not mean that the rights of the eco-system should be ignored. I do not want to get into the detailed implications of these arguments here. All I want to say is that the majority can be left alone, they will take care of themselves, the institution of state, as much as the constituents of the civil society (intellectuals are the foremost of these) must be specially sensitive to and caring for the needs of the minority. Let us take the extreme case of the physically handicapped in a society, they are not a big voting bloc, yet should the institutions of society forget them? All in all, your conscientious position on the 'minority' is laudable.

My family of orientation migrated from India to the erstwhile East Pakistan. Although I did not experience any discrimination personally from the 'majority' Hindu community in India, I learnt to appreciate the problems of minority and always felt a deep sense of gratitude for people who stand up for the minority, be it women in any society, African-Americans in America, Muslims in Bosnia, India or Israel, Hindus or other tribal groups in Bangladesh, Koreans in Japan or Jews in Russia. The list is almost never-ending. I assure you, you are not alone. There are many in Bangladesh who condemn religious bigotry and discrimination against minority and other oppressed groups. They may not be in the limelight of publicity but they are there. Ask my friend Swapan dada in Bagerhat: who helped his family after the brutal murder of his father in 1971? Ask Haridas who is now in Durgapur (West Bengal), who paid for his SSC examination fees? My mother did pay for his fees at a time when we had very little money to go by. We were poor but Haridas and his widowed mother were poorer. Siddique, a friend of mine from Bagerhat (Bangladesh), joined the peace committee (an ironic name for a group collaborating with the murderous Pakistani military authorities in East Pakistan in 1971) and hung around with the Razakars. Yet, I have a lot of respect for Siddique, for he did not turn down my request at a time when he could, if he wanted to. At my request, Siddique guided Tapan and Pradeep, two of my very good friends from my school days all the way to the Indian border safely. There are tens of thousands of such examples all over in Bangladesh. An author could highlight these examples of bravery and communal harmony and friendship in Bangladesh. However, you choose to project the seamy side of this inter-communal relationship. I think that is alright. As an author, you have every right to choose what you want to project and how. As a reader it is not my business to tell you what to write on. The fact that your authorial style is different and that you choose to write on subjects that very few authors dare to; you are at once admired, tolerated and hated by fellow Bangladeshis is something that reflects the ideological uncertainties that characterise Bangladesh today.

You are, indeed, in an unenviable situation. People have extreme views about you. In the internet (a computer network), I have read comments written in admiration of you by some who think that one day streets will be named after you, you are the Begum Rokeya of our time, etc, and there are the extremist critics who post obscenities and slay your personal life. When the dusts have settled and when we will look back, not in anger but with some sense of detachment, we will see that you have put Bangladesh in a positive light before the civilised world. And believe it or not that is the problem. If the western liberals are praising you, there must be something wrong. This is how many 'liberals' in our country feel. These are the same 'liberals' who sympathise with your atheist position but part company with you on your feminist views. I want to assure you that the controversies generated by your writings have provided us a window on the deep-seated cultural tensions that we find ourselves in Bangladesh today. We must ask: are we going to evolve into a truly pluralist, democratic society or are we heading for an authoritarian nightmare under the fashionable banner of post-modern conditions.

The main point of my letter is to debate with you on the role of religion. I have no quarrel with your social agenda. I find them laudable. I understand that in your *Statesman* interview you alluded to the revision of *sharia*, so I am not going to take issue with you on that subject. From your writings and various interviews I get a profile of your attitude towards religion as such and that is what I want to comment on. You are a well known and internationally famed author, yet I would treat you as if you were a colleague. A debate presupposes some degree of equality. I hope you will excuse my frankness, in that light. I think your understanding of religion is quite simplistic. I do not see any difference between your brand of atheism with its 18th century version. Materialist philosophers have always rejected religion. Remember, Maurice Halbwachs who said that the man who invented god must be the most intelligent man. Sexism aside, this is a view that came to dominate a good part of modern anthropology: God is created by society. One anthropologist put it: religion was not thought out, it was danced out. Another French philosopher asked: If God is good, why fear Him? Let us not get into a debate over the existence of god. Take the case of Marxism, a godless ideology. In the aftermath of the collapse of Soviet socialism, it is now clearer to me that the spiritual dimension cannot be taken so casually. Once the iron curtain was raised not only did we see economic deprivation but also a spiritual emptiness in many of the former Soviet bloc countries. I have come to the conclusion that the spiritual dimension should not be taken so lightly. I agree with your emphasis on humanism, but can it be a substitute for religion? It does not answer for us the 'ultimate' or 'telic' questions. Besides, humanism is not incompatible with religion. Think of Christian dictum: "Love thy neighbour as thyself". Many of the ideals enshrined in the values of liberalism and humanism are deeply entrenched in the Judaeo-Christian-Islamic traditions. Even Marxism can be seen as an outgrowth of this religious tradition.

I must agree with your identification of the negative functions of religion in society, a source of conflict, disharmony, bloodshed, etc. But this is only one side of religion. And there has been bloodshed over ethnicity, race and other such silly things. As society is becoming more and more bureaucratic, technocratic, and heartless, the dimension of meaning will become more and more important. Religion deals with the domain of meaning. You see, both Marx and Max Weber were concerned with the plight of the modern society—a spiritless time, a disenchanted iron-cage. By implication, they appreciated the need for the spirits and of enchantment. If today we abandon religion and spirituality, tomorrow we will relegate poetry, philosophy and love to the dustbin of history, for they are not compatible with the logic of material progress, technocratic society and rationality. If today we jettison the priests, who can say tomorrow it will not be poets?

Wildlife and Indigenous People

A K Jha

While the present condition of wildlife and their habitats impose heavy constraints on making provisions for ensuring the mutual sustainability of indigenous people, there is sufficient scope in the current legislation to re-establish the coexistence of people and natural resources.

THE issues concerning coexistence of wildlife and indigenous populations have always evoked diverse reactions. The considerations behind the need to have a sustained and mutually beneficial relationship between them have become more and more complex with time. With degradation advancing towards the interiors as a result of population explosion, the new focus is on finding ways to accommodate the indigenous people even within the sanctuaries and national parks that have remained in a relatively better position in terms of availability of natural resources.

The management of sanctuaries as well as national parks (protected areas (PA)) is done primarily under the statutory provisions of the Wildlife (Protection) Act 1972. In case, however, these PAs are formed of protected and/or reserved forests, the relevant provisions of Indian Forest Act 1972 apply to such areas too. The PAs constituted of 'forest land' (described as forest in government records) attract the provisions of the Forest (Conservation) Act 1980 also. Thus, depending on the legal status of land constituting the PA, one or more of the above-mentioned acts become applicable.

Considering that a number of statutory provisions pertaining to different acts may be simultaneously applicable on PAs in totality, one is tempted to conclude that the indigenous people of such areas are an over-controlled and over-legislated group of people and their basic rights are always under stress. Concerns are often expressed about exploitation of the people at the hands of regulatory bodies which, more often than not, have a strong bias in favour of forests and wildlife. One has to realise, however, that ensuring the sustainability of a finite resource against the onslaught of exploitative forces often operating from outside PAs is not an easy task and operating control mechanisms for indigenous people traditionally used to free goods and services from their vicinity is also an extremely unpopular job. Accordingly it is imperative that the acts influencing the management of these areas must be strong enough to avoid the possibility of their depletion under the influence of economic and political forces but it is equally true that these acts have to provide for the legal possibility of taking due care of the interests of the indigenous people on whose welfare the future of forests and wildlife ultimately depends.

An examination of the Wildlife (Protection) Act 1972 from this viewpoint reveals that the provisions for declaration of any area as a sanctuary (Section 18 to 26(a)) indicate specific procedure by which the collector enquires into indigenous people's rights and acquires or permits the continuance of the same in or over any land within the limits of the sanctuary. The acquisition proceedings specify the grant of compensation and/or alternatives too. Thus at the very outset redefinition of the relationship between people and wildlife as simultaneously existing mutually dependent entities in such areas becomes a legal possibility. Here the local people have to be convinced that a continued sustainable existence of resource-base is in the interest of those dependent on the same. It is here that understanding of the related issues as well as the ingenuity of the collector get a chance to be reflected in the settlement results.

Even after an area is declared as a sanctuary the chief wildlife warden, with the prior approval of the concerned state government, can permit the exploitation or removal of any wildlife (which includes vegetation also as per definition) in such area under Section 29. Here the chief wildlife warden, considering the potential role and input of the indigenous people in the improvement and better management of wildlife can definitely grant specific permissions to reinforce the mutual interdependence of people and wildlife so as to encourage sustainability. This possibility gets a support from government of India's recent stand regarding participatory management of forests. Such an approach is also in consonance with the National Forest Policy 1988 which specifically mentions that the requirements of the tribals will be the first charge on the forest produce.

So far as national parks are concerned there seems to be a definite desire on the part of the lawmakers to keep the same in the least disturbed situation and maintain them as sanctum sanctorums. No new 'rights' can be born in the existing national parks. Keeping an area of even less than 1 per cent of forest land in India in such a situation should not be seen as a tough stand as is quite often thought of. The Wildlife Act, however, still provides an opportunity to the chief wildlife warden to act in the interest of the indigenous people provided such an approach can be justified by defining it as being in favour of improvement and better management of wildlife in the existing national parks. The fact, however, remains that steps have to be taken with extreme care and caution and with long-term sustainability in mind.

Chapter III A in the 1991 amendment to the Wildlife (Protection) Act 1972 introduced with a view to protecting specified plants clearly indicates that members of scheduled tribes can freely pick, collect or possess such specified plants or part or derivatives thereof for bona fide personal use. This exemption is operative in regard to all forest land and even on other areas specified by government under Section 17A(a) but is subject to relevant restrictions in the PAs as imposed by the Collector/FSO during settlement proceedings. The hunting rights of the scheduled tribes of the Nicobar Islands in the union territory of Andaman and Nicobar Islands are exempted from the operation of relevant provisions of Wildlife (Protection) Act 1972. Similarly fishermen residing within 10 km of sanctuary or national park entering such an area on a boat not used for commercial fishing are exempted from seizure of their implements. The occupational interests of local fishermen staying near territorial waters are to be protected as per section 26-A/35 if such an area is to be declared as a sanctuary/national park.

It is, in fact, interesting to note that the 1991 amendment to the Wildlife (P) Act 1972 has introduced a new sub-section 24(2)(c) which empowers the collector to allow, in consultation with the chief wildlife warden, the continuation of any right of any person in or over any land within the limits of the sanctuary. Thus after 1991, continuance of individual's rights in the sanctuary becomes a legal possibility in clear contrast to the earlier situation in which claimed rights inside the sanctuary area could either be acquired or settled with due compensation but could not be allowed to continue in any case whatsoever. The same condition is applicable even for national parks. This is a major departure from the earlier stand and the spirit behind the act now is clearly tilted in favour of the local people.

A comprehensive look at the Wildlife (P) Act 1972 as applicable to the indigenous people reveals that it does contain specific possibilities for their welfare through coexistence with the natural resource around them. It is true that the present condition of wildlife and their habitats do impose heavy constraints when it comes to opting for generous alternatives in favour of the local people but it is equally true that the amended act provides scope for ensuring mutual sustainability of the indigenous people and wildlife while warding off the external pressures on this valuable resource. The role of officers as well as NGOs in this context becomes extremely important and crucial and accordingly, it is essential that people with appropriate objectivity and vision should shoulder this responsibility. Re-establishing coexistence is a challenge and defining new relationships in the present circumstances for ensuring sustainability is a greater challenge. Given the legal space provided by the Wildlife (P) Act 1972 the status of the two in coming times will ultimately indicate the level of will, wisdom and vision possessed by us.

Administering Land Reforms in Karnataka

S V Deshpande
Vijayakumar Torgal

An examination of the land distribution records and cases before the tribunal in Gulbarga district illustrates the fact that the implementation of land reforms suffers when the landed elite wield political power and there is no countervailing pressure from below.

LAND reforms in India is the most widely discussed, debated issue in terms of policy objectives, statutory formulations and implementation problems. However, many of the evaluative studies seem to concentrate on economic implications and consequences; the analysis with reference to other pertinent politico-administrative issues received peripheral attention. This concern is emphasised by Chinese scholar, Hung Chao Tai who opined "current research efforts on land reforms seem to concentrate predominantly on its economic implications and consequences. This over emphasis on economic analysis is often justified by the fact that economic development is one of the pressing issues of the developing countries reflects a relative intellectual neglect of the political aspects of land reforms."[1]

The studies on land reforms in Karnataka, do not emphasise adequately the socio-political and administrative dimensions. For instance, Narender Pani's evaluative framework presuppose more on the dynamics of legislation and implementation: how these exhibited built-in bias in favour of dominant socio-economic classes.[2] Another study mainly focused on studying economic behaviour of interested groups in the implementation process.[3] Recent studies deal with state processes *vis-a-vis* land reforms but fail to relate it to the micro-field evidences.[4]

Here we analyse land reforms in terms of evaluation of the administrative processes in the district of Karnataka. The tenancy and ceiling declaration case files as available in the taluk revenue offices formed the source material. These cases were filed before the land tribunal in the post 1974 phase. They are typical in the sense that try to capture distinguishing features of the nature of administrative processes.

Gulbarga district is selected for micro analysis. This district is characterised by lowest performance in the state both with reference to tenancy and ceiling cases. Table 1 points out the proportion of tenancy rejected applications. Some 82.20 per cent of tenancy applications were rejected by the tribunal. Thus only 18 per cent of tenancy applications were accepted by the tribunal. Table 2 shows the extent of ceiling declarations. The proportion of surplus land distributed to the total area covered under ceiling declarations amounts as little as 0.6 per cent (almost negligible).

Besides, the problem of implementation is also problem of litigation. Table 3 shows that more than 93 per cent of tenancy writ petitions were accepted by the high court. In case of ceiling this percentage amounts to 98.15 per cent. All writ petitions with regard to 'inam' (gift land) abolition were accepted by the high court. This clearly brings out the dismal performance in land reforms implementation in Gulbarga district.

Tenancy and Ceiling Declarations Cases

In one case,[5] the applicant claimed tenancy was disputed by the landowner. The landowner claimed that applicant was a hired labourer and not a tenant. In support, the landowner presented a letter said to have been written by the applicant's father to him. The applicant denied that his father had ever written such a letter to the landowner. The applicant said that neither he nor his father cultivated the land on a hired basis. The tribunal conducted a spot-enquiry. It examined witnesses of cultivators of the adjacent land and from other fellow cultivators and found that the tenant's claim was true. The case was decided in favour of the applicant. The landowner went to the high court with a writ petition claiming that the supposed tenant's name was not recorded in the record of rights. This is surprising given the fact that earlier tribunal conducted spot-enquiry which revealed the true tenant's status on the land. This indicates the possibility that the landowner might have tampered with the record of rights with help of the village accountant. The high court admitted the landowner petition and ordered the tribunal to conduct a fresh enquiry. The passing of fresh orders took almost two and half years which ultimately decided the tenant's claim was true.

In another case[6] the landlord used litigation as a means to delay the disposal of a case. The applicants were three harijans. They filed tenancy applications to the land tribunal saying, "The village patawari by means of corrupt practices had made wrong entries in the name of 'X'. The said 'X' had never been in possession of the portion of land held by the applicants." The tribunal conducted the spot-enquiry which revealed the true assertion of applicants. Thus the decision was made in favour of the applicants. Against this, the landowner filed a writ petition. The high court quashed the tribunal order and sought a fresh enquiry. Again the decision was made in favour of the tenant. The landowner filed a writ petition for the second time. The case could not be disposed by the high court and was transferred to the district land reforms

Table 2: Surplus Land Distribution in Gulbarga District

	Number	Extent (In Acres)
1 Number of declarations received	18608	1168299
2 Extent, determined as surplus	1734	46240
3 Extent taken into government	–	26570
4 Extent distributed among:		
i) Scheduled castes	2287	10406
ii) Scheduled tribes	286	1459
iii) To government departments	7	215
iv) Others	1568	6839
	4148	18919

Table 1: Proportion of Successful Tenancy Applications in the District

Taluk	Total Disposals		Accepted Applications		Rejected Applications		Proportion of Accepted to Disposal		Proportion of Rejected to Disposal	
	No	Extent	No	Extent	No	Extent	No	Extent	No	Extent
Gulbarga	5641	99857	674	9746	4967	90111	11.94	9.75	88.06	90.25
Aland	4797	101171	848	8817	3949	92354	17.67	8.71	82.33	91.29
Afzalpur	4396	81055	407	6133	3989	74922	9.25	7.56	90.75	92.44
Jevergi	6889	105643	1123	14324	5766	91319	16.30	13.55	83.70	86.45
Yadgir	5498	43502	1761	9938	3737	33564	32.02	22.84	67.98	77.16
Shahapur	7334	57797	1676	12868	5658	44929	22.85	22.64	77.15	77.26
Shorapur	8018	65542	837	8020	7181	57522	10.43	12.23	89.57	87.25
Sedam	4371	46051	1207	8137	3164	37914	27.61	17.66	72.39	82.34
Chittapur	9205	108825	978	10696	8227	98129	10.62	9.82	89.49	90.16
Chincholi	5110	76908	1461	13943	3649	62965	28.59	81.83	71.41	81.87
	61259	786351	10972	102622	50287	683729	17.91	13.05	82.09	86.95

Source: Deputy Commissioner Office, Land Reforms Section, Gulbarga.

appellate authority where it was pending since 1979. In a third case a tenant contradicted his own statement perhaps on the basis of mutual compromise. The tenant applicant claimed that he was a tenant on a plot of land with an extent of 13 acres, and the tribunal passed an order upholding his claims. In the meanwhile, the owner's brothers went to the high court against the tribunal order where a fresh enquiry, was ordered. Surprisingly, in the fresh enquiry, the tenant made a contradictory statement saying that the land was given to him for cultivation in view of a mortgage contract. The owners had paid the money and he had now returned the lands back to the owner. The tribunal in its fresh enquiry rejected the earlier tribunal order.

A ceiling declaration case illustrates the attempt to subvert ceiling provisions by a fictitious claim that the family of the declarant was partitioned.[7] The enquiry as to the actual land held by the declarant was conducted by the revenue inspector with the help of village accountant. The enquiry estimated total holding 82 acres 35 guntas (40 guntas = 1 acre). The tribunal on the basis of this report, declared the surplus land as amounting to 18 A 03 G. The declarant filed a writ petition in the high court claiming that the land held was under joint family and it was partitioned among the brothers in 1968. The tribunal in its fresh hearing upheld the declarant claim.

In another case inordinate delay in disposal led to disappearance of the surplus land.[8] The declaration indicated the extent of land held was 86 A 35 guntas. The extent of surplus land estimated was 16-34. As per the final notice in March 1982 the additional special tahsildar declared that the declarant should surrender 11 acres 20 guntas. As against this order, the declarant filed a writ petition in the high court. The writ petition claimed that the client's son was a minor at the time of filing the declaration, has now become a major while passing the order in the year 1981. The order of the special tahsildar was stayed. Finally, the special tahsildar in his order in March 1986 declared that there was no surplus land to be surrendered.

In a third case[9] an attempt was made to subvert ceiling provision by a fictitious claim that part of the land held was tenanted.

The revenue inspector conducted local enquiry with the help of village accountant and ascertained that the total holding of the declarant was 71 acres 25 guntas. One of the survey numbers covering an area of 15.01 acres was under tenancy dispute. The supposed tenant filed tenancy application on the said land. The tribunal rejected the tenancy application. The said tenant filed the writ petition. The high court remanded the case for fresh enquiry. In the tribunal enquiry, the landowner surprisingly accepted the tenant claim that he was a tenant on the said land. Thus from the total area of 71.5 acres an area of 15.01 acres now covered under tenancy was deducted. Thus only 2.2 acres were declared as surplus. It was revealed to us that the landowner had come to an understanding with the said tenant in order to evade a surplus of 15.01 acres from the purview of the ceiling limit.

The overall account of tenancy and ceiling declaration case files indicate that attempts were made to frustrate the tenancy provisions by tampering the record of rights, using other tactics such as litigation and reaching secret compromises with the party concerned. In the case of ceiling legislation, landowners tried to subvert the law through effecting partitions, litigation and employing other manipulations such as claiming land under tenancy dispute.

Some Implications

Usually, the term administration is conceptually identified with the term implementation. This may lead to the fallacy of equating implementation failure solely with the administrative ineffectiveness. This kind of conceptual identification is reflected in most of official evaluations of land reforms. For instance, the Sixth Five-Year Plan (1984-85) states: "If the progress of land reforms has been less than satisfactory, it has not been due to flaws in policy but to indifferent implementation. Often the necessary determination is lacking to effectively undertake action particularly in matter of implementation of ceiling laws, consolidation of holding and in not vigorously pursuing concealed tenancies..."

This may be disputed. In some of the tenancy and ceiling declaration cases, we have seen landowners opting for litigation, compromises, partitions, transfers, etc. These are environmental and structural compulsions; the underlying reasons for failure are thus multi-casual or multi-dimensional. What is thus necessary is to take account of a host of other interrelated factors bearing on implementation supplemented with the evaluation of administrative functioning.

Secondly, the issue relates to the nature of state itself. Gunar Myrdal characterise Indian political regime as 'soft state'. What is meant here is that Indian state is more susceptible to societal constraints. In the case of land reforms, this implies that the state has little autonomy independent of landed interests. The influence of landed gentry is so formidable that the state has to succumb to the former. This is especially so in a district like Gulbarga in Karnataka, where the landed gentry is socio-politically very powerful.

It is very difficult for the administration to function as a neutral or impartial instrument in the implementation of policy. Thus a technocratic view point of administration (as an organisational and managerial concept) and Weberian 'rational-legal bureaucracy' is ineffective. In fact the nature of political process operating at various levels (micro and macro) does not allow administration to function as an objective instrument.

Ultimately, the issue boils down to two main interrelated aspects: political capacity of the landed elite and countering pressure from below. The implementation process is bound to suffer if the political capacity of the landed elite is great and there is no countervailing pressure from below. The district like Gulbarga characterised by backwardness, low literacy and depressing income status represents such a situation.

The following aspects needs to be taken into account in the overall evaluation of land reforms. In the first instance, land reforms administration should have in-built boundary control. This is with a view to minimising the environmental interference in the day-to-day administration. The overall rural environment has an inherent tendency to interfere in the administration of development programmes. To this end attempt should be to constitute peoples committees (representatives of cross-cultural

Table 3: Writ Petitions Filed, Quashed and Upheld

Item	Filed		Quashed		Upheld		Total Disposal Balance				Proportion of Quashed to the Total Disposal	
	No	Extent	No	Extent	No	Extent	No	Extent	No	Extent	No	Extent
Tenancy applications	2371	24809	1409	13584	105	1236	1514	14820	857	9989	93.06	91.65
Ceiling declarations	1041	49715	586	32605	11	587	597	33142	444	211	98.15	98 34
Inam Abolition	268	6276	50	854	1	55	51	909	211	5867	100.0	93.94
Total	3680	80800	2045	47043	117	1878	2162	48871	1512	16067		

Note: Taking as a whole still 1,152 writ petitions are still remained to be disposed (41.08) out of 3,680 writ petitions filed. Now, it is the jurisdiction of district appellate authority to dispose these cases. Substantial numbers of writ petitions were quashed by the high court under all items. In fact under inam abolition, all writ petitions except are were quashed.

Source: Deputy Commissioner Office, Land Reforms Section, Gulbarga.

rural population) as check and balance mechanism.

Secondly, the large chunk of concealed tenancies should be detected. Besides, the order to know the exact extent of holding owned by the landowner, the record of rights should be streamlined. In addition, sound personnel recruitment procedures, proper integration of services, strict supervision and control system and easy information network available to the clientele must become part of administrative reforms. Finally, bureaucratic rigidity is dysfunctional. Dynamism and not total inflexibility is the solution. However care should be taken that dynamism does not hamper the organisational objectives of the administration. Thus the imperative is to look into some corrective mechanisms in the arena of politico-administrative functioning.

Notes

1 *Political Economy of Development: Theoretical and Emprical Contributions*, edited by Hung Chao Tai, University of California, Berkeley.
2 *Reforms to Pre-empt Change: Land Reform Legislation in Karnataka*, by Narender Pani, Concept Publishing House, New Delhi.
3 *The Political Economy of Land Reforms*, by Thimmaiah, G and Abdul Aziz, Ashish Publishing House, New Delhi.
4 *Land Reforms in Karnataka: An Account by a Participant Observer*, Hindustan Publishing House, New Delhi, and Atul Kohli, *The State and Poverty in India*, by Rajan, M A S, Cambridge University Press, Cambridge.
5 Reference File No REV LRM TNC 137, 74-75 of the special tahsildar.
6 Reference File Index, special tahsildar, Land Reforms, No LRM S/69/70/75-76, 105/79/80.
7 Reference Number LRD/DN/995/939/74-75.
8 Reference Number LRR/11/4281/74-75.
9 File Index Reference Number could not be traced.

Muslims and Mass Media

Yoginder Sikand

Only a radical altering of the ownership structure of the Indian media in favour of marginalised and silenced social groups can firmly counter its communal, class and caste prejudices.

THE newly-formed Indian Association of Muslim Social Scientists held its first meeting at Bangalore on June 11 and 12. The topic on which over 200 leading Muslim scholars, lawyers, journalists and other professionals had assembled from various parts of India to deliberate was 'The Role of Muslim Social Scientists in Contemporary India'. During the course of the two-day conference several problems affecting the Indian Muslims were discussed threadbare and suggestions were put forward for constructive action that urgently needs to be taken in order to tackle them.

The participants at the seminar were divided into several groups based on the area of their specialisation. Perhaps the most fruitful discussions were held in the group composed of several notable Muslim mediapersons who dealt with matters related to Muslims and the mass media. The general tendency of the media to portray Muslims in a poor light, the severe lacunae of the Muslim-owned press and the ameliorative steps that must be taken in this regard all came in for intensive discussion. It was the general view of the discussants in the mass media panel that there exists a fairly widespread bias, both unwitting as well as deliberate, in a significant section of the mass media, not just in India but in the west as well. Abdur Rahim, head of the department of journalism at Hyderabad's Osmania University, asserted that Muslims may even be said to be the most closely scrutinised community in the press. Maqbool Ahmad Siraj, editor of 'Features and News Alliance', a Delhi-based news agency, added that besides the naked physical assaults on the Muslims they are also made victims of subtle and insidious intellectual assaults in the form of negative portrayal of their religion and themselves as a community in the media. By seeking to embroil Muslims in controversies over relatively minor issues, the communal press has, he contended, to a great extent prevented the crucial social problems of the community from getting the attention they so desperately need. Since there are very few Muslim media workers and among those that exist, even fewer with organic ties with their own community, countering anti-Muslim propaganda is really an uphill task. Moreover, he noted, as little sociological investigation has been undertaken to ascertain the actual social conditions of the Indian Muslims, misplaced stereotypes and baseless myths about them freely propagated in large sections of the press are difficult, almost impossible, to counter effectively. Most Muslim-owned papers, Siraj opined, have only further compounded this problem by concerning themselves either with purely religious issues or with matters of peripheral concern to the community, in the process neglecting pressing social problems.

Another issue which came in for discussion at the seminar was the severe shortcomings of the Muslim-owned media—largely the Urdu press. Most Urdu papers, it was revealed by a participant, have a very low circulation, especially in the erstwhile bastions of this language—Uttar Pradesh and Bihar. The bulk of the educated Muslims in these two states have switched over to Hindi instead. As a result, several Urdu papers have now had to launch parallel Hindi editions. This has further added to the problem of the languishing of the Urdu press. Financially, most of these papers are extremely insecure and cannot even pay for news and features services. Many of them, according to Siraj, directly lift off news from the slow-speed news bulletins on the radio and simply translate articles from the Hindi and English press. They thus come out with stories much after Hindi and English papers do. Consequently, Muslim readers increasingly prefer to read Hindi or English papers instead for they can thereby get access to the news on time.

According to S Ilyas, editor of the popular Urdu weekly, *Afkar-e-Milli*, the stiff financial constraints most Urdu papers face also mean that they cannot afford to pay their writers, which, in turn, translates into the poor quality articles that they have to publish. Neither can they afford to employ well-trained staff. It is also not possible for them, for the same reason, to send their writers to the field for detailed on-the-spot investigative reporting. "Pure desk-work and no leg-work", as Ilyas put it, characterises most Urdu papers. Another participant in the discussions, Ahmad Hasan Khan, editor of the Bengali weekly *Kalam*, noted that since Muslim-owned papers, especially the Urdu ones, have a very low circulation, businessmen do not find advertising in them a profitable venture. Hence, these papers are starved of the resources that they could have earned through advertisements. Even in cases where businessmen do advertise in Muslim-owned papers, this does not translate into improved quality of the papers. Khan revealed that in Tamil Nadu over a hundred Muslim-owned periodicals are being published and local businessmen do advertise in them. However, due to the large number of these publications (though most have a very low circulation), this investment in advertising is spread out very thinly, as a result of which no single paper gets funds enough to allow it to attempt to improve its standards substantially.

Participants in the discussions also put forward concrete proposals for countering anti-Muslim prejudices in the media and for enabling the real social problems of the community to receive adequate attention. It was felt that this deserves the top priority of community leaders given the fact that in the words of V T Rajshekar, editor of the Bangalore-based fortnightly *Dalit Voice*, who also participated in the discussions, in

this age of the information revolution, the mass media is now fast assuming the role of the First Estate. A general consensus seemed to prevail at the seminar that the press in India on the whole represents the interests of the urban 'upper' caste elite for it is owned and manned largely by them. Consequently, it is not just the Muslims but, in fact, all marginalised groups such as women, dalits, tribals, backward castes, peasants and workers, that the mass-media is biased against. In the final analysis, it was said, only a radical altering of the ownership structure of the Indian media in favour of marginalised and silenced social groups can firmly counter its communal, class and caste prejudices. One speaker made the startling revelation that of the 300 or so English dailies in India only one is Muslim-owned—Bombay's *Mid-Day*—though even this paper does not really represent the Muslim viewpoint. Not surprisingly, therefore, Muslim views and aspirations receive but scant coverage in the general press.

Besides altering of the ownership structure of the press, countering communal prejudices in the media, it was agreed, must be made part of a wider struggle of all marginalised groups to have their voices heard and their demands articulated in the media. The Muslim-owned press, it was said, must take up issues concerning other downtrodden sections as well. Similarly, the growing trend of the backward caste and dalit press highlighting Muslim problems must be further encouraged, the participants stressed.

The need for encouraging young Muslims to take up media-related careers was given particular emphasis by Ilyas, given the pathetic state of media consciousness among the Muslims in general. Community leaders, it was suggested, could be mobilised to encourage young Muslims in this regard. A Bangalore-based journalist Javed Khan, cited the instance of an imam of a mosque in Mysore who regularly raises this issue in his Friday sermons. He also revealed that a local Muslim social work organisation, the Fiqh Academy, had been regularly organising lectures for maulvis on the importance of the mass media. One participant observed that there are conservative sections in the Muslim community, especially among the ulema, who actually believe that the electronic media is a Satanic device. Hence, educating them about the vital importance of the media, including the electronic media, is an urgent task. Provision for scholarships for Muslims enrolled in journalism courses was also suggested as was the institution of awards for journalists highlighting Muslim social problems.

Since Urdu is fast dying out, Muslim journalists, the participants stressed, must now start writing in Hindi and other regional languages as well, since most people, irrespective of community, read papers in these languages. Ilyas noted that of late a number of Muslim-owned regional-language papers have been launched but they confine themselves, by and large, to religious matters, neglecting the vital social problems of the Muslims and other marginalised communities. In this regard the success-story of the Muslim-owned Malayalam daily, *Madhyamam*, with its circulation of over a lakh, was cited and its laudable efforts in articulating Muslim views and countering misinformation was highlighted. The discussants maintained that anti-Muslim biases in the press cannot be countered simply by starting a new paper, for most Muslim-owned papers have few non-Muslim readers. Moreover, as one participant noted, there is a general tendency for a Muslim-owned paper to be branded by others as specifically 'Muslim', and, thus, not to be read. Hence, Muslims must be encouraged to also write for papers run by others, in particular by other marginalised communities such as dalits and backward castes.

To improve the existing Muslim-owned papers the participants stressed the need for professional training and refresher courses for their staff. The sensationalism of sections of the Urdu tabloid press came in for sharp attack. It was felt that the tendency of some of these papers to mix facts with myths and wild rhetoric can only prove to be counter-productive as it weakens their own credibility as well as being harmful for the community as a whole. To counter their sensationalism, to make Muslim-owned papers more accountable to the community and to bring serious Muslim social issues to the fore, the need for Muslim social scientists and social activists to write in popular vernacular periodicals was stressed as was the necessity of encouraging Muslim businessmen to advertise in socially responsible Muslim papers. Ilyas felt that in south India Muslims could play a leading role in this regard since they are economically better-off than their northern counterparts and their relations with other communities fairly cordial, unlike in the north.

Among the other suggestions put forward by the participants was the setting up of news agencies that could disseminate appropriate information as well as operate as documentation centres and as media-monitoring institutions. One particularly important task that they could take up was the maintenance of a profile of India's top 60-odd journalists who shape public discourse and help set the agenda for Indian politics. Further, besides the press, other forms of communication, such as the oral and electronic media, it was agreed, need to be tapped to highlight Muslim problems. Finally, besides stressing the need to improve the content of the press, the problem of the proper distribution of suitable information was also highlighted. The need for this information to reach ordinary Muslims in the villages and the 'qasbas' at affordable prices was recognised as an issue that needs the attention it so obviously deserves.

Statement of the Chairman, Mr. Nani A. Palkhivala

58th Annual General Meeting

at the Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Bombay – 400 020, on Wednesday, August 24, 1994, at 3.45. p.m.

We are living in an age of transition and transformation. The first half of the twentieth century witnessed the collapse of colonial hegemony; the second half, the downfall of communism.

Events are happening which none had foreseen. If hubris were not such a pronounced human trait, we would have lost all faith in our so-called "experts" by now.

In 1972 the Club of Rome published a frightening prediction of the years in which certain key raw materials would run out: gold in 1981, silver and mercury in 1985; tin in 1987; petroleum in 1992 and natural gas in 1994; lead and copper in 1993. The world population explosion has been no lower than was anticipated in 1972; but the natural resources are still plentiful and show no signs of petering out in this century.

In his book "The Death of Economics", Paul Ormerod says, "Economics is really like science before Newton. A few things will stand the test of time, but the rest is meaningless." He suggests that his colleagues pay more attention to cultural and historical factors and less to mathematical models.

India continues to be the Rudderless Democracy, governed by self-deluded, self-interested, self-important politicians. Thanks to Dr. Manmohan Singh, we have advanced economically. But not socially or politically. We continue to have the uncanny ability to slip on every available banana skin. The mandir-masjid miasma and the threat of disintegration still stalk the land. We have graftocracy instead of bureaucracy.

General Omar Bradley's words will bear repetition: "Ours is a world of nuclear giants and ethical infants. We know more about war than we know about peace, more about killing than we know about living. We have grasped the mystery of the atom and rejected the Sermon on the Mount."

The only hopeful sign is that the unawakened conscience of the citizens of "the soft State" is beginning to be aroused from the slumber of years. People are now conscious of the degradation to which they have been reduced. They are awakening to the eternal rule that it is the behaviour which society chooses not to punish that tells you about the prevailing ethical standards.

The cement industry

The cement industry, which depends heavily on all-round economic growth, has had little or no assistance from the Finance Minister's "otherwise welcome" Budget this year. Instead of the expected relief in the high excise duties, the industry has had to contend with additional excise duty on clinker.

The industry's capacity, as on March 31, 1994, was 69.28 million tonnes. This meant an additional capacity of 4.34 million tonnes in 1993-94. The industry achieved a production of 54.1 million tonnes – registering a seven per cent growth over the previous year. Capacity utilization was 85.5 per cent.

ACC's performance

Your Company's performance has been quite encouraging. Capacity utilization was 97 per cent, with cement production totalling 7.72 million tonnes, and despatches registering 7.75 million tonnes. Clinker production was 5.98 million tonnes. Increase in despatches, inclusive of trading activity, was 7.3 per cent.

Cement exports also showed a marked increase over the previous year at 1.3 million tonnes, and clinker at 1.5 million tonnes - compared to 0.82 million tonnes and 0.36 million tonnes, respectively in 1992-93. Your Company's exports for the year under review totalled 1.89 lakh tonnes (as against 1.38 lakh tonnes last year). This resulted in ACC bagging the CAPEXIL Top Export Award for 1992-93.

Despite recessionary trends, your Company has been making significant capital investments, particularly in its core sector business, cement. Production capacity is poised for an increase of over two million tonnes per annum, with the commissioning of the new production units at Gagal and Kymore. These new units possess the latest in equipment and technology, including higher energy-efficiency and pollution control measures.

Your Company has made strenuous efforts to restrict expenditure through several cost-saving devices. While coal prices were hiked twice in 1993 resulting in a 17 per cent escalation, and railway freight went up by 12 per cent, your Company restricted coal cost increases to less than three per cent, by rationalizing sources of coal supply. Further, the coal inventory was reduced by one lakh tonnes, without entailing any loss in production. Substantial reductions of over Rs. 60 crore were also achieved by reduction in inventory of coal, stores and spares, packing materials, slag, gypsum, etc.

Your Company's refractory business continued its impressive growth during the year, when most other producers were forced to cut down production due to the

severe recession in the primary refractory consuming industry, steel. Turnover increased to Rs. 70.36 crore, which was 15.3 per cent higher than the previous year. The Katni refractory plant is operating at near 100 per cent capacity and your Company has, therefore, decided to set up another unit at Sindri in Bihar to meet the growing demand for our refractory products.

Your Company will soon commence production of Perilex-ACC bricks for cement plants in India. Hitherto, Perilex bricks were being imported from Refratechnik, Germany. ACC is the first licensee of Refratechnik for these bricks anywhere in the world.

Production of brown tabular alumina (BTA) was started at the Kymore refractory plant. The refractory projects and application services group made new strides during the year and has already earned a position of leadership in this field by carrying out a number of important assignments.

Your Company's engineering subsidiary, Associated Tyre Machinery Company (ATMC), has posted a 19 per cent increase in sales over the previous year despite the recession in the tyre industry.

New businesses

Your Company has undertaken a joint venture project – Alcoa-ACC Industrial Chemicals Ltd. – with the Aluminum Company of America (Alcoa), the world's largest producer of alumina and alumina-based chemicals, for the production and sales of raw materials for the refractory and ceramics industries. The project at Falta in West Bengal will go on stream shortly. This is the first project to produce such sophisticated raw materials in India and it is also the first venture of Alcoa in India. The association with Alcoa envisages marketing, through Alcoa, of raw materials produced by ACC for refractory industries, in Europe and in other parts of the world.

Your Company's subsidiary, Webel Electro Ceramics Ltd (WECL), has signed a technical collaboration agreement with Siemens Matsushita Ltd (S+M), Germany. S+M is one of the largest soft ferrite manufacturers in the world. It is proposed to expand the plant capacity from 465 tpa to 2,250 tpa, with over 70 per cent of production committed to exports. It has also been agreed that S+M will market WECL products internationally, while Siemens India Ltd. will handle the domestic marketing.

Another diversified activity of your Company, viz the 10,000 tpa capacity synthetic ferric oxide (SFO) plant at Falta in West Bengal has also progressed satisfactorily. This Rs. 40-crore project, which incorporates know-how from International Steel Services Inc., USA, and IROX-NKK, Japan, is expected to go on stream by September this year.

The ultimate resource

Your Company continued to focus its attention on the most important of its key assets, the people who make up the ACC family. With the changing business scenario, the human factor has assumed even greater significance. In today's highly competitive if not aggressive environment, your Company has embarked on a planned and continuing strategy encompassing all facets of human resource management. This includes training and upgrading of skills at all levels of personnel. It will, doubtless, help us in maintaining the loyalty and dedication of the ultimate resource, the people, who make this Company what it is.

Period of adjustment

This period of transition is crucial to the future, not just of your Company but also of the cement business as a whole. It is the time of opportunity both for individuals and for organizations.

I believe the future will be as exciting and as threatening as the past, and that the unprecedented acts of individual leadership which have characterized our present era, will continue to change our lives. Learning to adapt and to assimilate during this period of adjustment is not going to be easy.

I am confident that under the stewardship of Dr. Subrata Ganguly and his team, backed by a loyal and dedicated workforce, your Company will succeed in creating an enabling environment for change. On your behalf, and on behalf of the management, I take this opportunity to express my appreciation and gratitude to each member of the ACC family for his contribution and dedication to keeping your Company in its pre-eminent position in the industry.

Bombay, July 25, 1994

THE ASSOCIATED CEMENT COMPANIES LTD.

ACC THE ASSOCIATED CEMENT COMPANIES LIMITED

times change,
our values don't

Vote Power and Lobby Power

S R Sen

It has become absolutely necessary to take a number of measures, including a change in the electoral system, to curb money and muscle power in elections and, equally important, the role of lobby power in influencing government decisions.

IN medieval Europe, Catholic theologians claimed that the voice of the church was the voice of god. After the renaissance and reformation and the emergence of nation states, some kings claimed primacy over the church, the theory of divine right of kingship was put forward and they claimed that the voice of the king was the voice of god. As a reaction, specially during the 18th century, the thesis was advanced that the voice of the people was the voice of god.

The possibility that the voice of the people may be the voice of the demagogue was not paid due attention. Aristotle's thesis that democracy was not a good form of government but only the least bad of three *bad* forms of government, tyranny, oligarchy and democracy, all led by self-serving people, was not heeded.

In direct democracy, the voice of the demagogue often came to be treated as the voice of the people. Since direct democracy was not practicable in a large state, representative democracy was recommended as the basis for government in a nation state. It was said that the risk of dominance of a demagogue would be less in representative democracy than in direct democracy. But Mussolini and Hitler demonstrated that representative democracy was no proof against demagoguery.

MONEY POWER

But modern democracy has come to be dominated not by the voice power of the demagogue alone but also by the money power of rich people commanding both voice power and muscle power, as has unfortunately been the experience in a number of countries including those of the Indian subcontinent. How the money power of rich people, the voice power of the media and PR people often as proxy for the demagogues and the muscle power of party cadres together influence the voting pattern of the people and the results of elections needs no elaboration. The voice of the representatives elected by the people to the legislature and government therefore rarely represents the true voice of the people.

Even then the system of direct election of legislators by adult suffrage is superior to any form of indirect election as it would be too costly for any individual to control it entirely. In indirect election there is much greater scope for buying and selling of votes and putting physical pressure on the small number of members of the electoral college than in direct election, as has been found in a number of countries. The corruption that resulted from the system of indirect election that was introduced by president Ayub Khan in Pakistan is a recent example.

If the three good forms of government listed by Aristotle, i e, benevolent monarchy, aristocracy and polity, are found to be unrealistic or liable to be quickly replaced by Aristotle's three bad forms of government, i e, self-serving tyranny, oligarchy and democracy, due to the frailty of human character, then it is certainly better to have democracy than the other two. At the same time it is also important to recognise clearly the deficiencies of representative democracy, especially the dangers that the combination of money power, voice power and muscle power tends to pose.

ELECTORAL SYSTEM

Of the alternative forms of direct election in representative democracy, namely, proportional representation, separate electorate, simple joint electorate and interdependent joint electorate, it is the last noted system which is subject to less perversion than the other three.

Election by a system of proportional representation may sound attractive prima facie but the experience has also shown that in proportional representation, communalism (e g, religion, casteism, tribalism, racialism, etc) tend to get more pronounced. Election campaigns based on religion, caste or tribal loyalty and/or hatred frequently become an important determining factor. From this standpoint, separate electorate is much worse. This deficiency also occurs in simple joint electorate, especially if a single community (e g, religious group or caste or tribe) has over 50 per cent majority in a constituency.

On the other hand, in the system of interdependent joint electorate, religion, caste or tribal loyalty/hatred based politicking would be much less, candidates would have necessarily to care for the votes of religious groups, castes or tribes, etc, other than their own and would be obliged to follow politics of mutual accommodation and compromise than the politics of extreme confrontation that is the bane of the present electoral system in India. The scope for forming vote banks and using such banks to get elected would be also much less in a system of interdependent joint electorate.

As has been explained in an earlier article on 'India's Political System' (*EPW*, January 2-9, 1993), it should not be difficult to operate this novel system of interdependent joint electorate on the basis of the census or administrative information about religious groups, castes, tribes, etc, in different districts. All that would be needed is to divide roughly the total electorate in every constituency into two categories in which the most populous community (religious group, or caste or tribe, etc) would be placed in the first category and all the others in the second category. Therefore ballot papers in different colours, say, white and blue, would be given to these two categories of voters and the electoral law should prescribe that in order to get elected, a candidate must secure both (i) maximum percentage of total votes polled, and (ii) 8 per cent or more of the votes polled in terms of each colour of ballot papers, white and blue.

This system would be simpler than the 'list' system of Switzerland and more practicable in a big heterogeneous country like India with a large illiterate population. This would also help curb the dangers of religious affinity, casteism or tribalism based campaigning in contrast with our present system of simple general electorate. It would help curb attempts at demogoguery, vote rigging, etc. Further, it should help encourage moderation and discourage extreme confrontation among political parties.

The need for introduction of such an interdependent joint electorate system has become very urgent with the recent introduction of Panchayati Raj in the country. Panchayati Raj has many merits. But there is a danger that with the introduction of the traditional electoral system, it may aggravate extreme confrontation, muscle power, money power based politics in the rural areas also. It is, therefore, important that the interdependent joint electorate system as proposed above is introduced first in elections to Panchayati Raj bodies. With the experience thus gained this system may be subsequently introduced for elections to the Lok Sabha and the Vidhan Sabhas.

CURBING MONEY AND MUSCLE POWER

But it is necessary to emphasise that this reform by itself would not be enough. It would be desirable to take a number of other measures to curb money power and muscle power in elections for the Lok Sabha and the Vidhan Sabhas as suggested in the above noted article:

(i) A clear distinction should be made between 'national' and other recognised political parties and the former (which have polled a minimum percentage of votes and got elected to the Lok Sabha a minimum number of candidates in each of at least three separate zones in the preceding general election) should be provided concessions, facilities and assistance in kind and/or cash much higher than the other recognised parties. This is essential to promote national parties and to prevent them from being unduly dependent on a few financiers.

(ii) The sharp increase in the number of 'non-serious' candidates has become a menace. Mere prescription of a higher security deposit will not be enough. All non-party candidates should be required to have at least 10 proposers, including a former or sitting MP or MLA.

(iii) Competitive use of money and muscle power and escalating costs have also become a serious menace. To curb this, it will be desirable to supplement the present financial limits for election related expenses by physical limits also, e g, low cost specifications regarding number, size, material and colour of handbills, posters, hoardings and wall paintings, newspapers, radio and TV advertisements, number of vehicles and election campaigners used (to keep down money power) and also to ban large electioneering meetings needing use of more than one microphone, all election related processions and use of unregistered and unapproved election campaigners. All campaigners should be checked by an agency appointed by the Election Commission for their suitability and issued identity badges to keep out known 'goonda' elements (to keep down muscle power). Since all the information that the voters really need is qualification, experience, party affiliation and objectives of the candidates, no costly, hi-tech and highly competitive publicity campaign is necessary.

(iv) The election of office-bearers at an open general meeting of a registered party must be held at least once every two years in the presence of an 'observer' nominated by the Election Commission.

(v) The accounts of the party must be audited by an auditor selected out of a panel approved by the Election Commission.

(vi) The party should not receive any donation or other payment above Rs 500 except by an A/c payee cheque.

(vii) Very stiff penalties should be imposed for malpractices notified by the Election Commission.

(viii) Every political party (as well as a candidate) seeking an election symbol must sign a pledge in writing that it (and he or she) accepts unreservedly the unity and integrity of India and abjures propaganda against any religious group or caste or tribe or language and other fissiparous or chauvinistic action that can adversely affect national unity and integrity.

It may be noted that most of these measures can be taken under the present powers of the Election Commission or parliament and do not require any amendment of the Constitution.

LOBBY POWER

What is even more important is to recognise clearly the undesirable role played by lobby power in our present political system.

Experience shows that what happens during the period between two elections is often important than what happens at the time of the elections. The elections are usually fought on the basis of no more than two or three general issues, and many other important issues are virtually ignored. The promises made during the election do not cover these other issues and give a lot of discretion to the elected representatives. Even the main issues highlighted during an election are soon forgotten. The electorate has no power between the elections to control their elected representatives.

During the period between two elections, therefore, lobby power of a few influential persons with members of the government becomes much more important than the voting power of the mass of the people at the time of the election. This lobby power usually takes the form of money power of rich people, businessmen or landlords who may use it in various ways to influence both the elected members of the government and the appointed senior bureaucrats. In practice this lobby power is much more effective than usually recognised by the votaries of our present system of election and government, especially as money power can help buy voice power and muscle power also.

There are various insidious and cunning ways of using money power to get results. A politician or official who would not take money personally would often accept without much trouble for his conscience, donation to designated organisations, offers of jobs and scholarships for his relations, transport and guest house facilities, presents in kind for himself and purchase of art or other objects made by some member of his family. Once he accepts any of these offers, he comes under the influence of the moneyed men offering such gratification and cannot easily say 'no' to their subsequent requests.

Experience shows that in reality it does not cost very much to make effective use of money power so far as the average politician or official is concerned. A former officer of the American CIA has gone on record to say that while he was given a certain amount of dollars to topple a former prime minister of Iran, Mossadegh, it did not cost him more than a third of that to do so. He was himself surprised at the very low price that he had to pay for crucial services of politicians and officials in a developing country like Iran.

After the Bangladesh war, prime minister Indira Gandhi was opposed to India taking any financial grant from the US government. But the US government pressed very hard that India should take at least a token aid which she reluctantly agreed to. A main reason that some US officials gave in private talk was that they wanted to ensure some sort of continued relations between the officials of US and India. Even now direct aid from US government to India is relatively small, but this gives valuable access to US officials to contact their Indian counterparts and establish useful personal relations.

If this is important for governments, it is even more important for businessmen. Therefore they usually offer donations to all important political parties so as to establish and maintain valuable personal contacts. Then they follow it up with much larger amounts of payment, indirect if not direct, when a politician or an official gets into an important decision-making position. As mentioned earlier, this need not take the form of direct payment of money but various other insidious forms in times between two elections.

Some studies have shown that money donated in election times may influence the election of more pliable legislators. But that does not ensure that these legislators will necessarily subserve the interests of the donors later. Further, unlike the key politicians, the key officials are not dependent on elections but are often in a position to promote or delay certain key decisions. It is, therefore, not so much the money and effort spent for campaigning during election but the money and effort spent for lobbying in between elections which is more important.

In earlier days, leaders like Pandit Nehru were not dependent on donation from rich people for their political power. Also, good pay, pride of job, moral pressure from 'peers' helped keep the officers of the old senior services relatively unaffected by money power exercised by businessmen. Undoubtedly there were some blacksheep but they were easily identified by their colleagues and kept under vigilance due to the relatively small numbers.

But now many of the leaders in important political parties are easily accessible to businessmen on whose donations they depend for financing their costly elections and also maintaining the party. Very few of them are in a position to say 'no' to the requests made by their donor. And as the old proverb says: "If the king steals a cup of milk his officers steal a whole tank full". The falling value of the rupee has eroded the real value of the salary of most of the key officials and the growing consumerism has increased the demand on them from the members of their families. Only a small proportion of the officials may take bribe directly but most of them do not mind accepting some gratification or help in other ways. Especially the feeling that a large proportion of their colleagues are accepting unethical, if not illegal, gratification, the feeling of shame for such misconduct that obtained not only before world war II but even in the 50s, has now practically disappeared. A's father or husband can get so many goodies for his family, why should not B do it? So runs the theme.

Lobby power backed by indirect, if not direct, corruption has thus become now the order of the day. The harsh fact therefore is that the lobby power of the rich people is today much more effective and pervasive than the voting power of the common man.

How this insidious cancer can be corrected is not an easy question to answer. Before world war II nearly 98 per cent of the senior officers used to be honest and upright. During world war II and the inflation of the 40s and 50s, the proportion had decreased substantially so that corrupt officers were no longer an exception to be looked down upon by their colleagues. Today in the 90s, an officer who is not corrupt is considered an odd ball.

The fact that with rising cost of election, the politicians have now become the prime source of corruption has added fuel to the fire. If any corrective action has to be taken then it should first aim at reforming the electoral system on the lines mentioned earlier. The power of 'recall' as advocated by Jaiprakash Narain could also help.

Transparency in Government

The government must also be made much more transparent. Investigative journalism into the conduct of politicians and officials alike should be encouraged (subject of course to the safeguard of a good defamation law and financial assistance to the defamed minister or officer to get a law court to punish an untruthful defamer). The Official Secrets Act should be suitably amended. Above all, the growing consumerism should be curbed and younger people should be taught to despise all ostentation and oppose all lobbying. Above all, the present system of detailed controls need to be greatly simplified, if not scrapped, and kept under regular parliamentary review. Pandit Nehru's concept of limiting control over only the commanding heights was not basically wrong. But his successors and followers, who found the system of control a source of undue power and pelf not only made it increasingly complex and inefficient but also became a plaything for the exercisers of lobby power. The voting power of the masses is now much less important.

The only redeeming feature is that many of the lobbyists are today competing among themselves. But if this competition becomes less with an increase in collusion between oligopolists and oligarchs, the future for the country will be very bleak indeed.

While competition among lobbyists should be encouraged, it would be also desirable that they should be registered as in US, required to maintain accounts and diary notes about ministers/officials met in prescribed forms and subjected to strict surveillance by the Vigilance Commission and special scrutiny by the income tax department. It may be further useful to prescribe that their discussions with ministers and designated officials should be taped for subsequent scrutiny by the Vigilance Commission, if necessary. In cases where such record of discussion cannot be kept, the minimum that should be done is for the minister or the designated officer concerned to make a note in the file of the names of the non-official persons who had talks with him about the case under consideration.

A system of surprise annual check of the activities of a small sample of lobbyists may also be usefully introduced. A similar sample check of cases of undue delays and queue jumping may be a useful supplement.

For cases involving grant by government of large benefits (exceeding a prescribed limit) to private parties, it would be desirable to require the deciding minister or senior officer concerned to give public hearing (open to the press) to the registered lobbyists of the contending parties, following procedures somewhat analogous to those of a civil court, before taking a final decision.

Such measures may be objected to as being unduly burdensome for the administration. But the situation has today become so serious that mere moral preaching may not be enough. Some deterrent measures have now become unavoidable, at least for the next few years, until the lobbying and corruption come down to the level of, say, the early 50s.

Federal Financial Flows

Growing Imbalance

I S Gulati

Uneasy Federation: The Political Economy of Central Budgetary Transfers in South Asia by Hiroshi Sato; Institute of Developing Economics, Tokyo, 1994.

In every country of South Asia, institutions concerned with budgetary transfers all reflect sharp political divisions in the midst of both inter-regional imbalances and ethnic strife. [At the same time] these institutions represent the most substantial element within the state integration process.

IT is this assessment of "the centre-local relationship" that informs the author's study of what he refers to as "financial adjustment institutions" in south Asia, especially India and Pakistan, even though these two have "large differences" in regard to "the mix and scale of central budgetary transfers".

The author is a political scientist from Japan "working on contemporary South Asian history". He has covered "the institutional development of centre-local financial transfers [in South Asia] from colonial times up to the initial years of the 1990s". The approach Sato adopts is that "central governments do not rely solely on sets of abstract equity norms in adjusting their fiscal relations with their counterparts on the local level". Rather, "special social and/or political factors" create conditions "which make it inevitable that at least a part of the sources that may be pre-empted by the central government will be transferred to local governments". In the disposition of the budgetary transfers, again, political considerations play their part, determining as they do the central government's policy.

In the author's assessment of central budgetary transfers in India—the data relied upon for the analysis pertain to the period 1972-84—the flows are, as indicated already by Indian experts on the subject, "becoming increasingly retrogressive to state incomes, due to policy measures". In this context, Sato also highlights that "discretionary transfers, which account for one-third of all budgetary transfers, now tend to flow into the wealthier states in the form of loans to bolster their investment activities". Basically, of course, "it is the ability to attach strict conditionalities that makes this form a convenient means for imposing restrictions determined by the central government". In the context of Bangladesh's development grants to the 'upzilas', the author notes that the so-called decentralisation through this sort of transfers "is really a disguised form of centralisation in terms of the function performed by these transfers in strengthening the political base of the ruling regime".

The author's analysis of the state level fiscal structure leads him to identify four types of such structures as they have evolved over the recent past: "(1) states like Kerala, West Bengal and Andhra Pradesh with large social spending shares; (2) states like Punjab and Haryana with large infrastructural spending shares and large overall spending levels; (3) states like Maharashtra, Gujarat and Karnataka which emphasise agriculture, but are fiscally strong; and (4) states like Orissa, Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh, mainly in the 'Hindi belt', which also put relative emphasis on agriculture but are fiscally weak with low absolute levels of expenditure." Given the "dependent, often strained, fiscal relations" of the states with the central government, the structural disparities have got aggravated over time by the sort of policy pursued by the central government towards state finances which, according to the author, "can be said to be 'limiting' with respect to rises in social spending shares and to be 'supportive' with respect to investment activities carried on by the wealthier states". Naturally, therefore, the policy "lacks impact for increasing shares of social spending, resulting in low level SDP states being unable to escape the quagmire of low level development expenditure"

While the author is concerned that the share of total central transfers accounted for by discretionary transfers may rise even further "unless conscious efforts are made to prevent that from happening", he perceptively notes that the imbalance between central and local finances is "most telling" in South Asian countries "when we look at authority over the procurement and distribution of capital receipts", given the situation in which "state/provincial governments are normally not permitted to participate directly in the market for capital funds and thus are supplied with capital loans by the central governments, resulting in dependence by the former on the latter and the appearance of internal debt trap patterns".

The restrictions on state/provincial borrowing extend to foreign borrowing as well. In fact, loans of foreign aid funds for local projects do not go directly to the state/provincial governments. They have to pass through the centre and fall "within the same framework of centre-local relations". But there is a difference between India and Pakistan. While in India, foreign aid funding is pooled and the centre "lends to the states under uniform conditions", Pakistan, on the other hand, lends such funds under the same conditions as are applied by each foreign government or agency.

However, with foreign aid funds bypassing local governments and "going directly to public enterprises"—in India this is found to be the case in electric power, housing and urban development—the activities of these enterprises, the author observes, "can either supplement or erode the fiscal activities of central and local governments".

Although, as the author notes at the very outset, budgetary transfers to local bodies, as distinct from state/provincial governments, is very small in Pakistan as well as India and public finance is "dominated by the central and state/provincial government levels", it is a matter that should not go unnoticed. Sato refers in this context to the recent attempts in India at amending the Constitution "to correct this defect by defining the panchayat system more clearly within the law of the land" and calls for "reforms that give the lowest administrative strata a constitutional place within institutions governing central budgetary transfers, while at the same time assuring fiscal expenditures at these levels based on a predetermined percentage of the GDP or yearly total public outlays".

The author would be sorely disappointed to learn that while the constitutional amendments effected in India do provide a new framework for the local bodies, urban and rural, to function as effective units of self-government and as agencies for local development, the state-level legislations generally go the opposite way in trying to be as restrictive, if not negative, as possible. Hardly has any state legislation shown readiness to commit "a predetermined percentage" of the state government's revenues to the local bodies or give them sufficient freedom to raise their own resources. So the "virtual fiscal starvation at the lowest strata" which he fears might well continue for some time longer despite the newly created facade.

Overall, Hiroshi Sato has done an excellent job of bringing to bear on a topic ordinarily left to experts in federal finance his expertise and insights as a political scientist well versed in historical developments in south Asia. The book is particularly timely in India because the Tenth Finance Commission is in the process of finalising its review of financial relations and making its recommendations as to the extent and manner of central budgetary transfers to the states under the new liberalised economic regime in place since June-July 1991 with the emphasis on reducing sharply the government's fiscal deficit. Hopefully, the commission's recommendations will cover what portion of the central budgetary transfers should go to the local bodies and in what manner and in so doing it will heed the warning of the author that the fiscal starvation of local bodies "stands in the way of efficient [fiscal] management".

A Credo for Post-Columbian World

Vinay Lal

The Blinded Eye: 500 Years of Christopher Columbus by Ziauddin Sardar, Ashis Nandy, Merryl Wyn Davies, and Claude Alvares; The Apex Press, New York, The Other India Press, Goa, 1993; pp 92, Rs 45.

FIVE hundred years have elapsed since Christopher Columbus landed at the island of Gunahani in the Caribbean, an event more popularly rendered as his 'discovery' of America, and these years have not been pretty. In a work that is described as the "world's first post-Columbian manifesto", four distinguished writers, thinkers, and cultural critics, whose voices, among others, constitute the social conscience of our generation, state in plain language that the consequences of the voyages undertaken by Columbus, and subsequently by numerous other navigators, pirates, conquistadores, and colonisers, have been calamitous not only for the colonised but for the entire world. These voyages, write the authors of *The Blinded Eye*, "led to the imposition of a world-view and the installation of a global order through which millions of people, and thousands of other living species, simply lost their rights to exist" (p 2). This argument is, in itself, not novel, which is scarcely to say that it does not stand quite far apart from the dominant view which locates 1492 as the beginning of the 'modern' era and all that which is thus 'good' in life, and even from the somewhat more sensitive view which admits to the horrors perpetrated—knowingly or otherwise—by Europeans but is blinded from recognising that Europe itself became brutalised in the course of its domination over the world. As Ashis Nandy has often reminded us, victory can be more hazardous than defeat, a more onerous burden to bear; in the words of Romain Rolland, "Victory is always more catastrophic for the vanquishers than for the vanquished."[1]

If there appears to be a charge from which the authors of *The Blinded Eye* may have to be defended, it is that they have, in a reversal of roles, rendered Europe into the 'other', not unlike the manner in which Europe banished the rest of the world to the domain of the 'other', and thereby also illustrated the near impossibility of creating an autonomous realm of criticism not already contaminated by European epistemologies. It is only a brave and bold European who will be able to read unflinchingly the massive indictment of his civilisation delivered in *The Blinded Eye*. In the 500 years since the voyages commenced, write Sardar et al, "the generally unhappy features of the European native, his disturbed thinking, his distorted perception and his spiritually barren cultural objectives have been replicated and duplicated mindlessly in all those places and within all those people on whom he sought to impose himself" (p 2). But it is only an untutored and careless reader, one afflicted with "endemic blindness", who will fail to recognise that the authors of *The Blinded Eye* are guided by no mean desire to calumniate the west (much less Columbus), but rather by the concern that the spiritual heirs of the perpetrators of the holocausts unleashed upon the world remain in our midst today. It is the "Columbus within" from which we have the most to fear today, and if there is any emancipation in the world, it is as much for 'them' as it is for 'us'. The utopia of Nandy and his friends, if there is one, lies not in the past, as it does for nationalists and traditionalists for whom there is always the golden age of antiquity, but in the future.

The subject of this work, let it be clear from the outset, is not Christopher Columbus. That Genoan seaman, working for the Spanish monarchy, as though by way of providing an omen for the appropriative strategies of white multiculturalism today, is only an icon, albeit a momentous one, of the unprincipled adventurism of the west, and of the anthropology of a monstrous otherness by means of which the west shaped its understanding of the rest of the world. A great deal has been made of Columbus as an inaugurator of the modern era, of his scientific prowess, and of the visionary impulses that led him on to new and daring quests, but the authors of *The Blinded Eye* put these gross misconceptions to rest. Consider, for example, the widely accepted notion that Columbus was ahead of his time in thinking of the world as round; as Cole Porter was to put it in one of his lyrics,

> They all laughed at Christopher Columbus
> when he said the world was round.

The authors of *The Blinded Eye* note that Columbus did not have to convince anyone that the world was round, as "no self-respecting medieval scholar believed anything else." Medieval European scholarship knew the world as round; the *Mappa Mundi* or World Map of Hereford, which dates to about 1280, is "decidedly circular" (p 10). But it was not only medieval scholars who had, by the 15th century, rejected the 'flat earth' theory, for as one scholar has shown convincingly in a recent work, even people lacking in education believed in nothing but a round earth. The earth was, as it were, "flattened" in the 19th century by American polemicists and scholars, who alarmed at the attack upon Darwin's *Origin of Species* by creationists and theologians, set to establishing that religion had always been an impediment to science.[2] The views of a few believers in the flat-earth theory were construed as being typical of the 'dark ages', and against this backdrop of superstition, medievalism, and presumed hostility to science, Columbus was made to appear as an enlightened man standing at the frontiers of knowledge. Our authors note that Columbus, despite his years of nautical experience, was merely a believer in a small earth, with some preposterous ideas about the size of the oceans and the land mass, and he thus laboured under the illusion that the shortest way to India from Europe was by way of proceeding westward.

Columbus was even less a herald of the modern. Unlike Francis Bacon, for whom the experiment provided the only grounds for truth, Columbus was prone to trust, in the manner of the schoolmen whom Bacon denounced so vehemently, the authority of texts a great deal more than his eyes; and as Todorov has shown so eloquently, Columbus was to construe everything that happened as that which had already been foretold by the prophets.[3] The point need not be belaboured; Columbus was essentially a neo-Platonist, and what is most striking and ironical is that the advent of modernity shoud owe something to a man who could not belong to the modern world. It was "old ideas [making] new departures" when Columbus, carrying with him a "mental geography that included an anthropology of barbarism", set sail for the Indies (pp 18, 20).

Western Christendom, of whose "cultural and ideological personality" Columbus was as good a specimen as any, had, one might say, specialised in the production of images of otherness. The Israelites, as even a cursory reading of the Old Testament suggests, "unambiguously saw the earth as hostile", and they "had an almost murderous conception of it". The hostile attitude to nature, as well as to other cultures, whose gods were perforce to be destroyed, "was incorporated in Judaic monotheism" and "passed on to Christianity as well" (pp 19-20). As for that other great fount of western civilisation, classical Greece, it was predicated on "the separateness of the Greeks from other peoples"; all those who could not speak Greek were reduced to being barbarians. The Greeks also furnished a large

part of what was to become the "medieval iconography of otherness": they introduced the pygmies; the kynokepohaloi or dog-headed people whom Columbus thought he would encounter in India; the Akepheloi, the people with no head and with their eyes on their chest; and the cyclops, the people with only one eye. The Greek world was inhabited with numerous centaurs, minotaurs, satyrs, and hybrid races, all representations of people whom the Greeks saw as essentially different from them. As the authors of *The Blinded Eye* go on to argue, Roman literature is likewise replete with images of barbarous otherness, which eventually found their way into the medieval imagination (pp 19-27). With the shift from the original teaching of Christianity, which focused on the divinity that dwells within, to the emphasis on the historical figure of Jesus himself, Christian history had become "a steadily lengthening chronicle of mass neurosis" (p 28). The drive, initiated by Augustine for "orthodox uniformity", which the authors of *The Blinded Eye* mark as a "major social and political problematique of the west", the "actual idea from which it goes manic and demented", was to render western Christendom into "the most successful totalitarian society known to man" (p 28). Ironically, it was the Christianity of the Inquisition, which visited untold horrors among millions of people, that was to wage a relentless war against the 'barbarous Muslims' as well, and that too at a time when "Muslim Spain was the only multicultural society of European history" (p 31). Let us not forget that Dante, the poet of Christendom, consigned the prophet Muhammad to the Inferno.

The Blinded Eye goes on to delineate the manner in which the "anthropology of barbarism" was brought into the service of European colonialism and imperialism. In the last decade of the 15th century, Europeans set into motion three critical features that were henceforth to constitute the epistemological apparatus of colonialism. Before Columbus even set sail, Spain and Portugal had already decided to carve up the world between themselves: the sole right to possession had been staked. An obliging Pope was to confirm this arrangement in 1493. In the year that Columbus set forth into the unknown, the Jews were expelled from Spain, and European civilisation had once again shown that it was to be characterised by exclusivity. The circle of those who were to be included with the realm of the human, or at least the fully human, could only shrink, not expand. And, finally, having sailed and stumbled upon the Caribbean islands, the Europeans at once assumed the unilateral prerogative to name.[4] The islands were rechristened; lands deemed to be "empty" and "barren" were, in fulfilment of the divine command, peopled with the children of Christ. God had ordained that "waste" was inoffensive to his designs, and as the indigenous people stood in the way of productivity (pp 73-76), their destruction was wrought as much with ingenuous arguments and invocations to biblical teachings as with superior technologies. The stage had been set for the appropriation of the world.

The Americas (and later other parts of the world, such as Australia) no doubt furnished many people celebrated as pioneers, and pioneers they were in inventing new modes of pillage and in rendering the native population extinct. Europe had been speculating about barbarians and strange races for some time; the encounter with the native American was to render this writing into an 'actuality'. Thus the numerous marvels of the east found in early maps, such as the dog-headed people of India, were transposed to the Americas, as in Mercator's world map of 1538 (p 39). The best minds of Europe were now to be devoted to deliberating upon such questions as whether the Amerindians were natural slaves. How could they, a people without faith, living outside the law, be otherwise? Although at least one prominent jurist, Francisco de Vitoria, was inclined against categorising Amerindians as natural slaves, he had no difficulties with slavery as such, and was emphatically of the view that Africans were better as "slaves among Christians than free in their own lands" (p 50). That great chronicler of the atrocities perpetrated upon the Amerindians by the Spaniards, Bartoleme de Las Casas, whose name is routinely and unthinkingly cited as an indication of the west's purportedly unique capacity for self-criticism, and of the quest for 'truth' that has guided the west in its intellectual and political endeavours, nonetheless had a virulent hatred for the "Turks and Moors, the veritable barbarian outcasts of the nation".[5] Las Casas, not surprisingly, had a radical 'other' too, and indeed even his defence of the Amerindians appears quite something else when we consider that he desired the annexation of Indians to be effected by priests rather than soldiers. Similarly Thomas Jefferson, perhaps the most enlightened of the American 'founding fathers' (though it is easier to catalogue what they destroyed than what they founded), could not think of the American Indians as anything but children, and "transcendent necessity" drove him and his followers to incorporating them into their world-view.[6] The view of Jefferson was still somewhat benign, for most of his fellow Europeans, more inclined to think of American Indians (and the residents of Polynesia, Melanesia, and other places) as 'barbarous savages' rather than 'noble savages', had already invented cannibalism. No greater sanction was needed to subjugate or eliminate indigenous populations. Once a few images of something that purported to be cannibalism had been generated, they were endlessly circulated, and iteration would now perform the work of colonialism.

Much of the terrain covered in *The Blinded Eye* will be familiar to critics of colonialism and others who are in the habit of serious reading, but it is the particular inflection which the authors furnish to their reading that gives their work a political edge beyond the ordinary. On the subject of cannibalism, for instance, the critical question is scarcely whether the case for cannibalism has been proved or not; rather, the European obsession with cannibalism serves as "a pointer to the power of the European mind to overwrite the world" (p 49). As they argue, "the invention of the other was a vital tool for European self-consciousness", and when the "unitary framework that united European self-consciousness was under stress", the need to redefine what was European led to the perpetration of greater horrors without (p 42). Carrying the story onward into the era of British and French imperialism, one could certainly state that the English began to gain some understanding of themselves as English only after they had acquired their colonies overseas; and although the authors of *The Blinded Eye* do not say so, it is also certainly arguable that a great deal of British colonial discourse has as its real subject the Englishness of the English. Europe has never been able to do without its others; and though that may well be true of some or all other civilisations as well, nowhere was this other so unfailingly, thoroughly, and violently marked as irremediably, radically different. It would be a mistake, moreover, to presume that otherness was more marked when clearly inflected with race; "no design the English attempted to impose on India or north America or Africa was not first attempted on their own countrymen and later, with greater violence, on the Irish and Welsh as well" (p 2). One has only to read Marx's account of the Highland Clearances to understand what violence the English were capable of against the Scots.

This narrative of the European production of otherness is necessarily cryptic, liable to be contested at every turn, and the forays into the "anthropology of barbarism" are bold; some readers may get the impression, which would be wholly erroneous, that violence and colonialism were a monopoly of the west. In the preceding 500 years, however, colonialism has largely been a matter of the imposition of the west upon the rest of the world. From the point of view of the victim, there may not be much to choose between different forms of violence, but it is the contention of the authors of *The Blinded Eye* that the violence of European conquest, colonialism, and subsequently fascism is altogether of a different kind than

the violence associated with 'traditional' societies. In their words, the "violence born of anger or hatred", often tinged with "moral fervour, however distasteful", or the ritualised violence which did not completely render the victim into an other, "were both gradually substituted by dispassionate, amoral 'banal' violence based on mechanical, fully secular cost calculations" (p 80). The world-view of the master has had no room for the slave except as someone who was not fully human, and often no better than a thing, but the slave's cognition never rendered the master into someone other than a human, though no doubt a debased one.

As I have argued, Davies, Alvares, Sardar, and Nandy look to the future, and accordingly they turn their attention, in the concluding pages, to the "Columbus within". If Europe's imposition of itself on the 'new world', Asia, and Africa first came in the form of colonialism and imperialism, now it is in the name of 'development'. Every non-western regime "operating within the European concept of the nation-state" has committed itself to a "gargantuan exercise in social engineering" (p 82), and numberless crimes continue to take place in order to prod supposedly slumbering peoples into becoming active participants in the project of modernity, in the massacre of their own civilised selves. In the earlier stage of the domination of European knowledge systems, the past of Europe was conceived as the present of non-European societies; in the script that is being written now, the future of the non-European world is only Europe's present. In this nightmarish scenario, the destiny of the non-European world is to live in the quagmire of backwardness, and in envious and emasculated emulation of a world that will never be within its grasp.

Columbus is now firmly installed within each of us, and his dislogding will require more than the affirmation of 'universal rights' and what is called identity politics. Proclamations from podiums will not carry us very far. From the vantage point of today, as we look back on the manner in which the west has been able to retain the management of dissent, so that dissent has to appear in those forms which the west has construed as being legitimate, it becomes frighteningly clear that the "real achievement of the blinded gaze of *oculus mundi* is that even today all negotiation with western civilisation must be carried out through the west's conventions. To secure amendment or concession, real people have to act either as if they were the other invented by Europe or as if they have become part of the west" (p 87). As with the American Indians, so once again the choice being offered the rest of the world is either enslavement or conversion. But perhaps one need not despair altogether, for if at one time only the west had its theory of the other, today the other too is developing its theories of the west (p 85). That may lead the west to a different understanding of itself; it may also lead to the resuscitation of those submerged and dissenting traditions of the west which, marginalised by the homogenising drive of colonialism, today are to be found largely in the non-west. We should read *The Blinded Eye* as a clarion call for emancipation from the blindness with which the west is afflicted and for the recovery of "our plural pasts, and through them our plural futures" (p 90). as the authors put it in their final words, that is the "only means to reclaim the debates silenced by Columbus' success. And to survive".

Notes

1 See Ashis Nandy, *Traditions, Tyranny, and Utopias: Essays in the Politics of Awareness*, Oxford University Press, Delhi, 1987, p xvi, and passim; see also his *The Intimate Enemy: Loss and Recovery of Self under Colonialism*, Oxford University Press, Delhi, 1983, esp preface.

2 Jeffrey Burton Russell, *Inventing the Flat Earth: Columbus and Modern Historians*, Praeger, New York, 1991.

3 Tzvetan Todorov, *The Conquest of America: The Question of the Other*, trans Richard Howard, Harper and Row, New York, 1982, esp ch 1; paperback ed, 1985.

4 For a discussion of the place of naming in colonialism, see Stephen Greenblatt, *Marvelous Possessions: The Wonder of the New World*, University of Chicago Press, Chicago, 1991, esp 52, 82-83; and 'Wonder and Exploitation in European Adventurism', forthcoming in *Social Scientist*, New Delhi.

5 Todorov, *Conquest of America*, pp 166, 170-71.

6 Bernard W Sheehan, *Seeds of Extinction: Jeffersonian Philanthropy and the American Indian*, W W Norton and Company, New York, 1973, ch 6.

Codified Hindu Law

Myth and Reality

Madhu Kishwar

There is almost no principle introduced by the Hindu personal code which did not already exist somewhere in India as accepted law. On the other hand, there were several existing, much more liberal principles which were decimated by the Hindu Code. In their determination to put an end to the growth of custom, the reformers were putting an end to the essence of Hindu law; but they persisted in calling their codification 'Hindu'.

I

IN the first decades of Indian independence, the codification and reform of the Hindu personal law was hailed as the symbol of the new government's supposed commitment to the principles of gender equality and non-discrimination enshrined in the constitution. The history of this legislation and its consequences over the years are in many ways a good example of the gap between governmental promise and performance, and the course taken by state-initiated social reform—a process that began with the establishment of British rule in large parts of India.

The attempt to codify Hindu law was begun in the late 18th century because the colonial rulers wanted to bring under their judicial purview aspects of the social and political life of diverse communities which all erstwhile rulers had never encroached upon. The establishment of British rule marked an unprecedented break from the past. Prior to that no rulers had sought to intervene in what were considered as the internal matters of the 'jat' or 'biradari' organisations of various communities, no matter how far-reaching the changes introduced at the top. For instance, during Mughal rule, the Islamic law explicitly recognised the traditional community-based institutions for resolving disputes. The Mughal court reserved to itself exclusive jurisdiction only in matters they considered crimes against the rulers, as well as in fiscal administration. Most family kinship disputes were not brought before Muslim officials. Rules for dispute resolution differed considerably from one caste to another and from region to region.[1]

The Englishmen who came as traders in the 17th century were befuddled at the vast diversity and complexity of Indian society. Having come from a society where some aspects of family and community affairs came under the jurisdiction of canon law, they looked for similar sources of authority in India. Thus began a new kind of study of ancient 'shastras' to help the British develop a set of rules for governing contemporary Indian society

During Warren Hasting's tenure, disputes regarding inheritance, the laws regarding marriage, caste and religious usages or institutions were to be settled for Hindus according to the laws of the 'shaster'. Why these subjects and not others? To quote Duncan Derrett: "Hastings and his colleagues were ... predisposed to see the division of topics of law in terms of the contemporary English division..."

They assumed that just as the European marriage laws were based on Biblical tenets, so must the personal laws of various communities draw their legitimacy from some fundamental religious tenets:

> All matters of marriage and divorce, and all questions of testaments and distribution of goods, ... all matters of religious worship and discipline, excommunication and so forth were within the exclusive jurisdiction of the Bishops' courts, and the law was ecclesiastical law .. When the Anglo-Indian judges sent ... for 'opinions' ('vyavastha') on Hindu law from the pandits, and acted upon these certificates without bothering to see whether they agreed with others given by the same persons in the like circumstances, they were imitating the practice of the King's bench or the Common Pleas. This was of a piece with the error perpetuated by Sir William jones, that brahmins were 'priests'. Very few brahmins were priests and there were priests who were not brahmins: and similarly pandits were not bishop's officials, or anything of the kind.[2]

There was no single or uniform body of canon law or Hindu pope to legitimise a uniform code for all the diverse communities of India, no Shankracharya whose writ ran all over the country. But that did not prevent the British from searching. An even bigger mistake of the British was that at this point they took no steps to collect evidence of local or caste custom. This led to wide discrepancies between the opinions or reports of pandits in different courts. Often same pandits gave different opinions on similar matters. In order to arrive at a definitive grasp of the Indian legal system, the East India Company began to train pandits for its own service and began to patronise 'shastric' education. This included setting up of a Sanskrit College at Banaras and at Calcutta. However, since the effort began in eastern India, the shastric learning promoted by the company had a visible eastern bias. These pandits could report the law mostly based on the school of Benares and Mithila or the Bengali school. Southern schools of law were conspicuous by their absence.

In 1772 Hastings hired a group of 11 pandits for the purpose of creating a digest of Hindu law. This was made to order text in which the pandits followed the authority of their paymasters The use of these Sanskrit pandits to interpret the customary laws for the benefit of courts inevitably brought in a heavy Anglo-brahmanical bias. This work was translated into Persian and from Persian into English. In March 1775 Hastings sent this work to London with a preface on its cultural background. In 1776 it was printed in London under the title : *A Code of Gentoo Laws, or, Ordinations of the Pundits.*[3] This could be called the first serious, though far from accurate, attempt at codification of Hindu law by the judges at all levels. The topics included debt, inheritance, civil procedure, deposits, sale of a stranger's property, partnership, gift, slavery, master and servant, rent and hire, shares in cultivation of lands, fines for damaging crops, defamation, assault, theft, violence, adultery, duties of women, etc.

This codification could not put an end to conflicting opinions. The British began to increasingly mistrust the pandits feeling that the latter were misleading the court or that they favoured the interests of their own caste. They were also getting increasingly impatient with having to deal with a vast range of customs which had no shastric authority to back them. The resulting confusions and corruption led William Jones

to work on a more 'definitive' code of Hindu law comparable with Justinian's *Corpus Juris* for the use of European judges in India. He was determined that "the British should administer to [the Indian people] the best shastric law that could be discovered" and was determined to free the British from their "dependence on the pandits". To quote William Jones: "I can no longer bear to be at the mercy of our pandits, who deal out Hindu law as they please, and make it at reasonable rates, when they cannot find it ready made."[4]

The code, prepared by Jones with the help of pandits, had a strong bias in favour of the Bengal school. He then went on to translate *Manu Smriti* which became one of the most favoured texts of the British. It influenced oriental studies in the west far more profoundly than it had ever influenced the administration of law in pre-British India. Despite repeated failures, the British would not give up their search for an authentic text of Hindu law written by a Hindu shastri. After Jones, Colebrook tried his hand at a similar compilation.[5] In a few years time Colebrook's translations of the Mitakshara and the Dayabhaga[6] became the two most frequently quoted and relied upon sources in court judgments. In the mean time several Sanskrit scholars had attempted to write legal treatises to meet with the British demand. Nevertheless the work of European authors on shastric law came to be trusted and used in preference even to the genuine Sanskrit shastric works.

Thus grew the myth that Hindus were governed by shastric injunctions. These new law codes, backed by the authority of British courts, began to make alterations in custom, even when the British law provided for protection of the latter. Since then custom has been forced to struggle against the Anglo-shastric law brought into existence at the behest of the British, which was assumed to be the personal law of Hindus. The literal and obstinate adherence to shastric rules, misunderstanding their original purport, resulted in making the Anglo-Hindu law far more rigid than the shastras. In their attempt to make the shastras more definitive, the British forced it towards greater uniformity.

This ossified Anglo-Hindu law is what the Indian parliament set out to reform in the first decade of Indian independence. The Congress Party was then dominated by lawyers trained in British law or people like Nehru and Ambedkar who had studied law in England. They were not just English educated but also educated in English law and had consequently imbibed all the colonial biases regarding the functioning of Indian society as well as the changes that were supposedly needed to 'modernise' it. This is a major reason that the reformed Hindu law is in conformity with 'reforms' initiated during British rule.

The Hindu code bill began to be drafted in the 1940s. After a long and chequered history, including various attempts to scuttle it, a Hindu code bill was presented to the legislature in 1947, and referred to a select committee headed by the then law minister, B R Ambedkar, in 1948. It faced tremendous opposition both inside and outside parliament. For example, among the written statements submitted to the Hindu law committee in 1945 a large majority were opposed to the notion of codification and a substantial number of those who supported it offered only qualified support. The Congress itself was sharply divided on the issue. In the face of this opposition from within and without, the government finally decided to split the bill into four parts and pass it piecemeal. In this process, the legislation underwent substantial change. By the time the last of the four acts was passed in the mid-50s, they were very different not only from the original draft code but also from the code as it had emerged from the select committee headed by Ambedkar.

Yet, even these highly watered down pieces of legislation were hailed as nothing less than revolutionary by their proponents in parliament, using rather exaggerated rhetoric. This rhetoric remained basically unchanged over the years that the Hindu code was debated in parliament, and seemed to have little relationship to the actual laws being debated. The rhetoric seems to have had more to do with the rhetorician's self view—a paradoxical blend of pomposity and self-contempt—derived from acceptance of the British ruler's view of Indian society. Thus, in 1948, B V Keskar, constituent assembly member from UP, remarked on Ambedkar's Hindu code bill: "... I do not think there has been any bill so radical and so revolutionary which is trying to change the very foundations of Hindu society, a society which has remained fossilised for the last thousand years."[7]

And, in 1956, when the Hindu Succession Act was passed in so altered a form that even its most ardent supporters felt compelled to see it as something of a fraud on women, the hyperbolical rhetoric nevertheless continued. To quote S S More:

> ...our past which created and perpetuated the caste system... which allowed the sudras to remain in abject slavery, is still hanging over us; but we are striving to snap the bonds of the past and march as steadily and firmly as possible towards a new horizon, towards a new heaven, where the socialistic order shall prevail.[8]

This rhetoric functioned in two ways. First, it projected a myth that Indian women were absolutely equal under the new laws. By a curious sort of myopia, or rather double vision, it became possible simultaneously to give less than equal rights to women, even in newly enacted laws, and yet to claim that equal rights had been given. Thus, Mulla's *Principles of Hindu Law*, the standard scholarly text on the subject, states in the preface: "The outstanding feature of the changes made in the law is that all disparity in the rights of men and women and disabilities based on...sex are eliminated in matters of marriage, succession and adoption."[9] And again later: "Male and female heirs are now treated as equal without any distinction."[10]

This in a book which documents at length the glaring disparities that persist, especially in matters of succession and adoption. At the popular level too, the notion came to prevail that the reformed law was not only an ideal piece of legislation but had also, like a magic wand, actually removed all injustices. Thus, on May 10, 1956, the *Hindustan Times* carried an advertisement for G P Sippy's film *Shrimati 420*, which proclaimed:

> Red Letter Day in the History of Social Reform! Parliament Passes Hindu Succession Bill and Removes Age-Old Injustice to Women! Here is a picture to uphold these ideas which blazes a new trail in revolutionary social dramas!

This is not to suggest that the euphoria served no purpose or was merely so much hot air. It did help to establish the notion of women's equality as a desirable ideal to which the Indian polity was to be committed. It is noteworthy that all the members of parliament opposing this reform in Hindu law, whether they were from the Congress or from other parties such as the Hindu Mahasabha, never failed to preface and end their speeches with an emphatic disclaimer of any intention to oppose justice for women. This establishment of some minimum consensus on the need to protect women's interests was in itself a worthwhile achievement, on which law minister Pataskar commented when the most controversial act, the Hindu Succession Act, was finally being debated in 1956: "I am happy that in spite of some very passionate speeches... the majority of the members of this house...are in favour of doing justice to women...whatever the other differences."[11]

However, the gap between rhetoric and reality was too large to remain unnoticed. Not only the opponents but even some of the proponents of the acts repeatedly pointed out that they fell far short of equality. When law minister Biswas, in 1954, claimed that "the delay" was "fully justified" because over the years the "bitter opposition" to the bill had died down,[12] Hukum Singh pointed out: "It is not the public opinion that has changed but...the government that has changed its attitude...This is not the original bill...The Hindu code has practically been given up by this government."[13]

Why then the insistence on codifying and unifying Hindu law? There seems to be a fascination, among the social reformers in particular and the English educated elite in general, with uniformity as a vehicle of national unity. In the vein of British distaste for polytheism and glorification of monotheism as somehow intrinsically morally superior, the reformers express disgust with the diversity of Hindu law as practised in different regions, and with its complexities. The reformers perceive themselves as modernising woodcutters wielding the axe against the mystifying jungle of Hindu law. The destructive metaphor of cutting down trees rooted in the earth is a revealing one. B V Keskar's opinion was widely shared among the zealous reformers:

> ...the present day Hindu law is a maze; it is a jungle like the tarai or sunderbans in which all sorts of practices and traditions come up...the time has come when this maze of traditions and counter-traditions should be put an end to and we must rationalise and consolidate the law.[14]

Time and again, the reformers put forward the argument that uniformity is necessary, without explaining why, simply assuming that uniformity is an unquestioned good. One such typical statement by S C Shah: "We have had Hindu law varying from place to place, province to province, having all kinds of local customs and family customs...it is a very great thing that we will, for the first time, have a uniform code at least for the Hindu community."[15]

All who questioned that uniformity was a great thing were labelled and dismissed by the 'progressives' led by Nehru as reactionaries. However, a careful study of the opposition shows a wide spectrum—ranging from mindless idealisation of the customary Hindu law, including its discriminatory aspects, to more thoughtful advocacy of retaining diversity, recognising that community-based law had greater implementability, and allowed people more options. Some argued that diversity was not itself an evil, and, more important, that Hindu law had not been imposed by the state or other authority from above but had grown from popular consensus and that this character should be preserved. Kameshwar Singh, a Congress MP from Bihar, tried presenting this viewpoint but to no avail: "The diversity perceptible in different parts of the country goes a great way in establishing the fact that popular acceptance and not imposition from any central political authority has been the sanction behind the personal law of the Hindus..., we should not take the seeming diversity as an evil which must be instantaneously removed."[16]

At one level, then, the question was also one of how far the state should take it upon itself to interfere in people's personal and community lives. Ambedkar was among those most enamoured of the state's right to run people's lives. He declared that there was no sphere in which the state could not interfere: "People talk about customs in the country. Well, why have customs grown?...I think the answer is...that so far as this country is concerned, there never was such a thing as parliament..."[17]

Disregarding an interjection regarding the co-existence and legal validity of common law with the parliament in England, he went on:

> What other way was left open to regulate their life except to make their own custom, because there was no parliament...? But when we have got a parliament, the function of which is to make law, the question that we have to ... consider is whether we are going to allow the people as such who are outside the parliament to have a parallel authority to make their customary laws...?[18]

This perception of the state as an instrument of social reform to be imposed on people without creating a social consensus derives essentially from the norms of functioning inherent in colonialist state machinery and ideology. The English educated elite among the Indians had faithfully imbibed the colonial state's ideology, projecting itself as the most progressive instrument of social reform, failing to realise that many of these enactments (such as the Sharada Act) remained paper tigers of which people were not even aware. The contempt for Indian society, labelled backward, uncivilised and degenerate, was all pervasive. Notice the words used by Ambedkar: "...some communities like the Hindu community needed the reform so badly— it was a slum clearance."[19]

Having argued that customary law amounted to "anarchy" and that it had evolved only because India lacked a parliament, he also put forward the self-contradictory argument he had picked up from the orientalists that Indian society was static:

> ...this society is an inert society. The Hindu society has always believed that law making is the function either of god or the 'smriti' and that Hindu society has no right to change the law. That being so, the law in Hindu society has remained what it was for generations... Society has never accepted its own power and its own responsibility in moulding its social, economic and legal life. It is for the first time that we are persuading Hindu society to take this step.[20]

The derivation of this terminology from that of the British rulers is apparent. It was a commonplace of 19th century British thought to label Indian society stagnant and resistant to change. The diversity of Indian society and culture bewildered the British rulers and made the task of centralised governance difficult, accustomed as they were to the relatively far more homogeneous societies of Europe. Hence their desire to homogenise Indian society, its norms and practices, and to wipe out all those diversities that they could not comprehend. This attitude was inherited by the English-educated rulers of independent India along with the machinery of colonial government that had fully internalised it.

Arrogating to themselves the status of 'first time' reformers only betrayed the ignorance of the Nehru camp. The evolution of law in precolonial India provides ample evidence of change and reform. To take the most obvious example, the institution of the dayabhaga system by 'jimutavahana' which is considered as the more liberal and reformed school over the more orthodox 'mitakshara'. However, the latter was not static either. Four major schools evolved within mitakshara. There is almost no principle introduced by the Hindu code which did not already exist somewhere in India as accepted law. There were, however, several existing much more liberal principles which were decimated by the Hindu code, and have not been restored even today. (I will provide examples of some of these later in this paper.) In their stated determination to put an end to the growth of custom, the reformers were in fact putting an end to the essence of Hindu law, yet they persisted in calling their codification 'Hindu'.

II

The smritis are collections of precepts written by rishis—that is, sages of antiquity. All of the smritikars stress the importance of custom and usage. But the very same authorities who insist that these smritikars were the founding fathers of Indian jurisprudence themselves admit that ethical and moral obligations were regarded by these exponents of dharma as of more importance than legal obligations. Justice Desai in his authoritative introduction to Mulla's treatise on Hindu law says that "...much of the traditional law of ancient India would be termed as 'morality' because that law was not 'a direct or circuitous command of a monarch or sovereign to persons in a state of subjection to its author'".[21]

Dharmashastras were not strictly religious treatises either. Dharma itself means the aggregate of duties and obligations, religious, moral, social and legal. This code of dharmic conduct was expected from each of the social roles a person performs. But there is no attempt to insist on a universal code for all of humanity. It is meant to be situation and time specific as well as person and place specific rather than an immutable set of laws. And the authority to change or start

new customs too lies with not just the biradari but also with the 'kula' or family. Narada states: "Custom is powerful and overrides the sacred law".[22] *Manu Smriti* itself, which was sought to be provided with the halo of final authority, stresses: "A king... must inquire into the law of castes (jati), of districts (ganapada), of guilds (shreni), and of families (kula), and settle the peculiar law of each" and goes on to add: "Thus have the holy sages, well knowing that law is grounded on immemorial custom, embraced as the root of all piety good usages long established."[23]

Even some of those smritis which deal exhaustively with various topics of law and are generally referred to as codes were not codes in the strict sense. The surviving known smritis were compiled at different times and in different parts of the country and consequently differed considerably from each other. But characteristically, none of the smritikars pick up cudgels with or deny the authority of other smritikars in an attempt to prove that theirs is the most authoritative version of a single code of conduct. Instead, they assume that the various codes should coexist, not challenging each other:

> The smriti was not autonomic law which is the result of a true form of legislation or is promulgated by the state in its own person. It was not imposed by any superior authority...The general effective motive, according to these smritikars, was observance of dharma and the sanctions recognised by the people themselves...one view of the genesis of legal institutes [codes] was that the king and the law were created by the people.[24]

Most of the leading smritikars make explicit statements to that effect. For example, Medhatithi and Vijnaneshvara, as also the *Mahabharata* and the *Arthashastra* of Kautilya, maintain the view that law as enjoined in the vedas and the smritis was of popular origin and the sanction behind that law was not the will of any supreme temporal power.[25]

The smriti of Yajnavalkya gives a list of 20 sages as law givers. The mitakshara explains that the enumeration is only illustrative and dharmasutras of others are not excluded. There is no attempt to assign a hierarchical order to the authority of their authors.

Brihaspati (one of the 20 important smritikars) ruled that a decision must not be made solely by having recourse to the letter of written codes since if no decision was made according to the reason of the law or according to immemorial usage, there might be a failure of justice. Acting on these principles the rishis abrogated practices which had come to be condemned by the people and ordained and prescribed rules on practices and customs which had come to be recognised and followed by the people.[26] An oft-repeated maxim was that reason and justice are to be given more regard than mere texts.

The dharmasutras of Gautama, Baudhayanaa, Apastamba, Harita and Vasishtha are accepted to be the most ancient of those extant and deal with duties of human beings in various relations. However, they do not pretend to be anything more than compositions of ordinary mortals and the writers do not hesitate to make clear that often they are merely "compilers of traditions, handed down to them and clung to that position even when introducing changes and reforms."[27] Composed in different parts of the country at different times, they were not bodies of law struggling with each other for supremacy. Each author accepts the validity of other schools of law. For instance, Apastamba's work, which is believed to embody the customs of certain regions of southern India, is one of the most respected sutras. While emphasising the view that the vedas were the source ('pramana') and nucleus of all knowledge, Apastamba takes care, at the end of his work, to impress his pupils with the statement: "Some declare that the remaining duties (which have not been taught here) must be learnt from women and men of all castes" and goes on to add: "The knowledge which...women possess is the completion of all study."[28]

The *Gautama Dharmasutra* which is believed to be the oldest of the extant works on law lays down the injunction that the king is duty-bound to preserve the time-honoured institutions and usages of different communities—cultivators, traders, herdsmen, moneylenders and artisans. The king is not expected to impose his laws on others, only to preserve and implement. The adherence to the doctrine of accepted usage and the enjoined duty of the interpreter of law is to see that customs, practices and family usages prevailed over any outside writ. This distinguished Hindu law from those of societies which adhered the idea that the word of god came to them in the form of a sacred text.

There is no concrete evidence of which caste and community's customs were being documented by particular smritikars If at all they had any practical application, it was local and specific to certain groups. The rishis who compiled the smritis did not exercise temporal power nor do they owe their authority to any sovereign power. Therefore, what they enjoined was not intended to be imposed from above on any community. The authority their codes enjoyed depended on the reverence they were able to elicit and the willingness of groups and individuals to submit issues to judgment under its provisions. This reverence could not be imposed by force as modern judges do by threatening to punish on a charge of "contempt of court" people who criticise them or ignore their judgments. Most important of all, a dharmic code, in their view, was one which was "agreeable to good conscience".

Gandhi is one of the few modern social reformers to have understood this simple principle. By this means he could propose a radical agenda of social reform for all communities seeking sanction from no extrinsic authority—textual, religious or temporal—and initiate a far-reaching campaign for social reform, declaring:

> Every word of the printed works passing muster as 'shastras' is not, in my opinion, a revelation... The interpretation of accepted texts has undergone evolution and is capable of indefinite evolution, even as the human intellect and heart are... Nothing in the shastras which is manifestly contrary to universal truths and morals can stand... Nothing in the shastras which is capable of being reasoned can stand if it is in conflict with reason.[29]

He then goes on to add: "My belief in the Hindu scriptures does not require me to accept every word and every verse as divinely inspired...I decline to be bound by any interpretation, however learned it may be, if it is repugnant to reason or moral sense."[30]

He could present himself as a modern-day sage calling upon people to overthrow customs that did not conform to principles of equality and justice or went against "good conscience" because he had inherited a tradition whereby the power to change its own customary law rested with each community.

This continues to be in some essential ways a living tradition in India. Each caste and sub-caste and occupational grouping continues to assert its right to regulate the inner affairs of its respective community and does not pay much attention to either ancient textual authorities or modern parliament-enacted laws. When a person or a group in India seek to defend a particular practice or resist following something being proposed, the common statement one hears across the country: "*hamare yahan to aisa hi hota hai*" or "*hamari biradari mein to yeh nahin chalta hai*" ("This is how it happens in our community" or "In our biradari we don't do it that way".)

In direct contravention of the genius of the indigenous law, the British rulers, through the privy council, laid down that only such customs would be recognised in law as were ancient, observed without interruption, uniform, obligatory, and not 'immoral" or "opposed to public policy". The legislators in independent India unquestioningly incorporated this formulation into the Hindu code, thereby not only enabling both themselves and judges arbitrarily to overturn any custom by labelling it 'immoral' but also

stultifying custom itself. As Ambedkar succinctly put it: "What are we doing? We are shutting down the growth of new customs. We are not destroying existing customs."[11]

The Indian legislature thus completed the process, begun by the privy council, of trying to homogenise and stultify customary practice by imposing on it norms of their own devising. Although the British claimed that they only interpreted Hindu (or Muslim) law and did not interfere with it, in fact by the very process of setting up their law courts for judicial interpretation (which acquired the force of law through the notion of binding precedent) the British altered the law—in some ways beyond recognition and irretrievably. Let us take a couple of examples—many more could be cited. According to Vijnaneswara, in the mitakshara, 'stridhan' (women's wealth) is explicitly defined as including wealth acquired by inheritance and partition. But the privy council in 1912 discarded this, deciding that neither wealth inherited from a male nor wealth inherited from a female becomes a woman's stridhan, and that, therefore, on her death, it does not pass to her heirs but reverts to the heirs of the person from whom she inherited it. The Maharashtra school was in certain respects the most liberal of the different schools of Hindu law in giving recognition to the rights of women. The founder of this school, Nilakantha Bhalta, does not merely present traditional solutions but suggests that he evaluates them keeping in view the current needs of society. Even though in the early years the law courts took this school seriously, it slowly was eclipsed in favour of more conservative schools. The same happened with other more liberal schools. For instance, in 1908, the Bombay high court rejected the *Balamabhatti* of the Maharashtra school which was favourable to women. This work was written by a woman named Lakshmidevi, who expressed very liberal views and gave well-reasoned interpretations in furtherance of the rights of women. At one time considerable importance was attached to the opinions of this author by the Bombay high court but in later decisions the same court ruled that this text "cannot be accepted without due caution and examination".[12] Another very telling interpretation relates to the definition of "legal necessity", for which a 'karta', or manager of joint family property, can alienate it, to include "payment of government revenue".[13]

These court judgments, over time, became more authoritative than the shastras from whom they supposedly derived their authority. Even though in the beginning these judgments affected only the disputed parties, they slowly came to be seen as binding on the entire community because British jurisprudence gave the weight of law to judicial precedents. This too added an unprecedented rigidity to Hindu law. The numerous high court, supreme court and privy council decisions gave rise to a mass of case law which came to supersede not only customary usages but the shastric texts on which they claimed to base their pronouncements.

Perhaps even more important than their remaking of the law through misinterpretation was the British attempt at destruction of people's own institutions of arbitration and settlement. A distant law court, functioning in a foreign language, and observing bewildering procedures imported from a foreign country, was to administer laws which had formerly been understood and decided at the community level. When, for instance, it is said that the Bombay school of mitakshara law recognised more female heirs than did the other three schools, this meant that people in that area by traditional practice recognised and honoured the claims of those heirs. Once the British courts took over, however, it meant that they translated—and often mistranslated—certain texts, arbitrarily rejected some, including those that favoured women, and decided disputes in a way that took power completely out of people's hands, leaving them at the mercy of English educated lawyers.

It was repeatedly pointed out, in the course of the debates on the Hindu code, both in and outside parliament, that codification might well lead to making life more difficult for people, unless machinery was set up to implement the law easily and swiftly. Language was the first obstacle. For instance, Venkatraya Sarma pointed out: "The codification of Hindu law in English will give to it a permanent alien character..."[14]

The second obstacle was the expense and delay involved in litigation. This was most evident in the case of divorce, which the reformers claimed to be introducing for the first time to Hindu society, even though they were repeatedly told that formal divorce existed amongst large sections of the population, and *de facto* divorce even among the upper castes, who claimed in theory that marriage among them was indissoluble. Despite being reminded repeatedly over the years that legal divorce would be inaccessible to most people unless institutions were established and implemented for this purpose, the government took no steps to do so. In 1945 the Madras Provincial Backward Classes League, in a statement ardently supporting the Hindu code, had said:

> Divorce ...is also welcome—but the procedure for obtaining divorce should be simplified and made within the easy reach of the poor backward classes who constitute nearly 65 per cent of the Hindu population in this province. We are poor and cannot afford...expensive measures of going to the court for obtaining a divorce. I suggest, therefore, that some government officers should be entrusted with this power in each district for instance, district registrar of assurances, sub-registrar or panchayat officers.[15]

Thereafter, too, each time the divorce provisions were discussed in parliament, this point was raised. In 1951, for example, Babu Ramnarayan Singh of Bihar said: "In...90 per cent of the society, we know that divorce is a daily routine, ... Two, four or five of them sit together, both the contending parties come and they break some stalk of grass; and their mutual relations are broken—this constituted the 'divorce'. Not a penny was to be incurred on this nor any botheration...Now all of them will have to go to the district judge for divorce, what a lot of expenditure and botheration will this procedure mean?"[16]

He then went on to remark that the effect of passing such laws without creating an implementation machinery would be that people would ignore them and continue to rely on their own institutions: "We have panchayats and panchs; and [since] in our country customs and usages are pliable, they will continue to hold good and people would accept them automatically...What the country thinks, and what she needs, government never worry about it ...the government go on spending money lavishly...go on passing baseless and futile laws against the will of the public."[17]

C D Pande of Uttar Pradesh gave a graphic account of the reality of government functioning—how it worked to harass rather than to help people, and therefore how its arrogating to itself more powers could only mean more harassment unless people had the wisdom to keep a healthy distance from this tyrannical machinery:

> They do not have enough money even to...try ordinary cases, which are pending for several months together... in this country unfortunately whenever a citizen comes into contact with government machinery, he is subjected to vexations at every step...An ordinary citizen finds it difficult even to get a ration card. Do you think it will be easy to get a divorce certificate in a court of law for a person who is ignorant and poor? You have not got the machinery to deal with the cases...People manage their own affairs in an automatic manner...You wish to take upon yourself a responsibility for which you are not prepared.[18]

A brief examination of the four acts will illustrate some of the points outlined above. For reasons of space I am only focusing on some of the salient absurdities and drawbacks introduced though much more can be added if one were to examine the changes introduced in detail.

Hindu Marriage Act

The Hindu Marriage Act, by the time it was passed in 1955, had undergone considerable change. Its original provision for civil marriage had been removed and separately passed under the Special Marriage Act, 1954. Its major innovations related to the abolition of the requirement that husband and wife be of the same caste as a necessary precondition for a valid marriage, the enforcement of monogamy, and uniform provisions for dissolution of marriage for all castes.

The first two were more or less generally accepted as desirable in theory if not in practice, by the time the bill came to be passed. The main objection to enforcement of monogamy sprang from resentment at Muslims being allowed polygamy—a point we shall deal with later—although customary law regarding 'karewa' marriages, polyandry, polygamy with a view to having a son in case the first wife was unable to provide one, were also canvassed. The major part of the debate came to revolve around the provisions for dissolution of marriage. The legislators had borrowed lock, stock and barrel the British notions of dissolution which had developed very slowly and hesitatingly through the 19th century in England. In a desire to adhere to the Biblical dictum "What God hath joined together, let not man put asunder", English law had, as it were, constructed a series of steps on the way to complete dissolution, and had also provided for backtracking—hence the provisions for void and voidable marriage, restitution of conjugal rights, judicial separation. Legal language used by British jurisprudence refers to divorce or separation granted by a court as 'relief', which is to be granted only to an "aggrieved" spouse. The logic appears to be that marriage is a punishment from which the "erring" spouse deserves no 'relief'. Hence the establishment of the legal principle that a spouse cannot "take advantage of his/her own wrong" to seek relief and the even more absurd principle that if both parties concurred in wanting a divorce this amounted to "collusion" and the divorce should be refused.

In contrast, the customary Indian practice of dissolution of marriage went through no such stages. *De facto* separation—living separately without formal dissolution—was practised routinely. Some texts also provided for dissolution if a spouse disappeared or was categorised as a 'degenerate'. In the large number of communities where divorce and remarriage were practised, the split was a one-time affair, not requiring the couple to go through formal stages. The negotiations were conducted by the community decision-making body in a relatively flexible manner. Undoubtedly, among certain upper caste communities which condemned women to live under numerous restrictions such as purdah and disinheritance, customary law did not provide women adequate protection against the capriciousness of men and allowed for imbalances such as only men being allowed the right to unilateral divorce and even polygamy. However, in a large number of non-Sanskritised communities, women too enjoyed the right to leave their marriage without incurring any social stigma. For instance, even today in Rajasthan there are several communities among whom a woman can freely walk in and out of marriage with no other restrictions except that the man she has chosen as her next husband must reimburse the prior husband the amount the latter paid as bride price and marriage expenditure. Some systems like the 'marumakkattayam' in Kerala even practised what amounted to divorce on grounds of incompatibility at the instance of either partner. As K Kuttikrishna Menon, government pleader from Madras pointed out:

> The local legislature has passed the Madras Marumakkattayam Act (XXII of 1933) containing provisions regarding marriage and divorce which are far more liberal than those met with in any other part of the civilised world.... Divorce may be effected by a registered instrument of dissolution executed by the parties...or by an order of a civil court on a petition presented by a husband or a wife...the petition need not allege any grounds...the mere desire of either party...is considered sufficient....The complete freedom...has not disturbed the domestic tranquillity of the people in any way...[39]

Such forms of divorce finally, after much debate, were excepted under section 29(2) which reads: "Nothing contained in this act shall be deemed to affect any right recognised by custom or conferred by any special enactment to obtain the dissolution of a Hindu marriage, whether solemnised before or after the commencement of this act." Giving these forms of divorce the right to co-exist with the contrary requirements of the Hindu Marriage and Divorce Act, amounts to declaring that the new law has no teeth at all. It is not surprising, therefore, that barring a small section of the urban educated elite in India, very few people go to court to get their marriages dissolved. Often the women are abandoned by their husbands and thus divorced *de facto* without any formal procedures, or the matter is settled through the mediation of biradari elders.

The norms set up by the Hindu Marriage Act were derived from (a) British law and Victorian notions of the essential indissolubility of marriage, and (b) the hegemonic culture of dominant groups living on the north-western plains of India which was far more repressive than the culture of many other regions and even of lower status communities in this same region.

The Hindu Marriage Act imposed the notion of adversarial divorce and the notion that it should be made as difficult as possible, which were imported from 19th century Britain. The lawmakers failed to draw on indigenous systems of divorce in framing the law. This was partly because of a contempt for indigenous systems, especially those of the south, which was shared by both the supporters and the opponents of the bill. For example, S P Mookerjee of West Bengal, speaking against the bill, expressed typically cavalier disregard of the alternative systems available in the south: "Somebody said...that south India was specially progressive and many of the laws which we are considering are already in existence there today. I say good luck to south India. Let south India proceed from progress to progress, from divorce to divorce...why force it on others who do not want it?"[40]

Several members of parliament pointed out that the framers of the Hindu Marriage Act were mistaken in thinking that British notions and practices were more advanced than Indian ones. To quote S C Misra: "...there are certain people... who think that they have brought forward a very progressive measure...it is certainly not more progressive than what you...see around you...It is just like the foreigners who came to India and said: 'You Hindus are in darkness. We are bringing you out into enlightenment.'"[41]

In an incisive and well-reasoned speech, a supporter of the bill, Jaisoorya of Medak, pointed out:

> The hon minister's ministry evidently did not know where to look for divorce clauses. They possibly thought there is nothing in our ancient system. I say there is Kathyayana Narada and several others... The ministry had to fall back upon...a very very antidiluvian, barbaric divorce law called the Indian Divorce Act...of 1869 made by the ...old Victorian minded Britishers...in Europe the Europeans considered British social laws as extremely reactionary. But, we for generations have been influenced by British jurisprudence...If you cannot find in our ancient laws, by our own thinking, reasonable provisions for divorce, then you might as well copy from other countries...Scandinavia, for instance, is far more advanced than Britain.[42]

He went on to point out that while the act, following British law, lays down that a marriage can be dissolved only if a spouse is not heard of for seven years, Narada and Kautilya had allowed dissolution after three

years of disappearance, and Kautilya had allowed for divorce by mutual consent "whenever there is mutual hatred between husband and wife."[43] He advocated rational divorce provisions which should form the nucleus of a uniform Civil Marriage Act: "Our laws are always lagging behind... All these ancient and archaic ideas of judicial separation, nullity, restitution of conjugal rights...take years."[44]

He also pointed out that "cruelty, endangering life and limb" was an inadequate formulation as it left out of account mental cruelty, humiliation, and even lesser forms of violence like slaps. His and other members' impassioned pleas, however, fell on deaf ears, and the act was passed with not only all the archaic provisions of British law but the inevitable concomitant bag and baggage of British court decisions which are cited even today as precedents. Over the years, some legal changes have been made as, for example, incorporation of divorce by mutual consent and the concept of mental cruelty. Others have been squeezed in by judicial decisions coexisting uneasily with the archaic provisions. For instance, the partner against whom a restitution order has been passed can fail to comply with it, yet sue for divorce on that ground. Other changes that have come about in British law, such as divorce on grounds of irretrievable breakdown of marriage, have not yet been accepted in India, and the adversarial concept of divorce continues to be dominant.

If, on the one hand, some opponents of the bill pleaded against making divorce more expensive and difficult for the poorer classes, some supporters of the bill actually argued that this was a positive feature of the bill, as it would enforce marital virtue on communities given to easy and 'immoral' divorce and remarriage. The tone of contempt and moral opprobrium thus exhibited seems derived from British missionary discourse. To quote a woman member, Kamala Chaudhri:

> .. in 80 per cent of our community I have seen that a panchayat is called and separation is effected within a minute's time...in certain communities even the panchayat does not assemble...Males and females are quite free and leaving each other they can remarry whomsoever they like....the greatest benefit that we would have of this Bill is that our backward communities which have no cultural background will become cultured and their moral standard will be raised.[45]

This bias was not an individual aberration; it is incorporated into the notion of 'customary divorce' that the act, in its final form, allowed as a concession to those communities who insisted on their right to retain their own forms of divorce. A "custom", as defined in the act, must not be "immoral" or "opposed to public policy". Decisions from British times are still treated as precedents. Thus, a caste custom which permits a woman to leave her husband and remarry without his consent was adjudged void for immorality, just as a custom which permits a dissolution of the marriage tie by either spouse on payment of a sum of money fixed by the caste was adjudged void as being opposed to public policy.[46] There is even a ruling that a prenuptial contract between a husband and wife which enables the wife to live separate from her husband if he leaves the wife's natal village, is void because it is against public policy.[47] On the other hand the mere fact of a husband marrying a second wife or mere infidelity on the part of the husband or the fact that the wife is a minor was not considered sufficient ground to disentitle him from claiming the restitution of conjugal rights.[48] Thus, the saving of custom in the matter of divorce merely evaded the problem by passing the buck to individual judicial opinion, thus allowing for law to be made by judges in those instances where the legislature decided to let the custom coexist uneasily with reformed law.

The mindlessness of the tendency to uniformity is to be seen in matters other than divorce in the Hindu Marriage Act. Sushama Sen, a supporter of the bill, replying to a query from a Kerala member, V P Nayar, as to why 'saptapadi' should be considered necessary for a valid marriage when many other forms of marriage were perhaps more widely prevalent (for example, in marumakkattayam marriages, which were contracts not sacraments, the ceremony consisted of a simple exchange of clothes), declared: "I am glad to find that only saptapadi can form a complete marriage. This will be in conformity with the modern progressive society."[49]

How and why saptapadi is more 'modern' and 'progressive' than an exchange of clothing remains unexplained, but the statement is typical of the reformer's style of argument which relied on arbitrarily labelling positive their own measures, and labelling as negative any practice different from the ones with which they were familiar.

The process of creating greater uniformity resulted in annoying a number of communities who expressed the desire to be exempted (Sikhs, coorgs, virashaivas, among others); it also resulted in taking away superior rights that women had in certain communities without seriously affecting the customary practices among those communities which made women live insecure lives. This process had already begun under the British. For example, the Hindu Women's Right to Property Act (HWRPA), 1937, ostensibly passed to enhance women's rights, established the Hindu widow's limited estate in her husband's property (in opposition to the original mitakshara law, as noted earlier). It thereby also took away from Jain widows the absolute interest in property inherited from their husbands, including full power of alienation in respect to such property which they actually enjoyed till then under Jain customary law. Thus the reformed law worked to their detriment.

At the same time it did not destroy or override the customary practices of those communities which allowed widows precarious economic rights. For instance, among jats of Haryana and Punjab, the tradition of karewa form of marriage with a view to keeping the widow from inheriting her husband's share of the property continues unaffected despite HWRPA of 1937 or the Hindu Succession Act of 1956. Under the karewa system the widow is to be accepted as wife by one of the younger brothers of the deceased husband; if this arrangement is not possible, she is to be accepted by the husband's elder brother or his agnatic first cousin. Very often the candidate chosen is a mere child and the widow is expected to bring him up. Equally often, the brother chosen may already have a living wife, thus resulting in a bigamous marriage. In most cases, the widows concerned are unwilling but get coerced because claiming their share from a joint family property is not feasible.

The government does not merely look the other way when the law against bigamy or child marriage is openly flouted but in some cases even facilitates it. For instance, 'war widows' are supposed to receive a large sum as compensation as well as numerous additional benefits such as grant of land, army group insurance benefits, special pension and assistance for each dependent child, apart from the usual pension. The ministry of defence reinforces levirate marriages in places like Haryana and Punjab by the simple device of withdrawing these benefits if the widow remarries outside the family. This amounts to making a mockery of the Hindu Succession Act by supporting a discriminatory custom which lays down that a widow's right to husband's property is conditional rather than absolute as laid down by the reformed law.[50]

A glaring example of such backward movement as a result of the Hindu code was what happened to marumakkattayam women who lost their right, among other things, to adopt any number of daughters, and, most important, their full and inalienable right by birth in inheritance of all forms of parental and ancestral property. A Karunakara Menon, a supporter of the code, was one of those who argued for incorporation of marumakkattayam principles into the uniform Hindu law or, failing that, for exemption of marumakkattayam communities:

> We should not be dragged down from the position that we are in at present...The provisions have been conceived from a patriarchal point of view ..Why should grandson or great grandson be an heir preferred to sister or her children? People in Malabar will never agree.[51]

Unfortunately, people, especially women, of Malabar, do not seem to have voiced their disagreement forcibly enough. This could have been partly because, as M V Vellodi argued, these communities had not "sufficiently realised the implications of the contemplated changes."[52] Originally, the marumakkattayam, 'nambudri' and aliyasanthanam' systems had been exempted from the purview of the Hindu code, but the select committee headed by Ambedkar, against his judgment, removed the exemption. Ambedkar accused the committee of having in its "enthusiasm transgressed...the bounds of reasonableness."[53] But despite this statement, he and the government did not choose to make the issue a centre of debate, but allowed the select committee's decision to prevail.

It was symptomatic of the cavalier attitude of the legislature towards the south in general, and the overwhelming north Indian bias in their approach to the law, that there was no member on the select committee of 1948 who understood marumakkattayam law. This was pointed out by V P Nayar.[54] Some members from the south like Vallatharas of Pudukkotai did express their resentment: "...the northern members have not yet got sufficient appreciation of the south just like the Americans are not able to have sufficient appreciation of India..."[55]

Other communities which did not have vocal representatives in parliament got even shorter shrift. For example, the khasi community, amongst whom the youngest daughter inherits the parental home, was mentioned in passing by a member from Assam, Rohini Kumar Chaudhuri,[56] but no one seriously considered studying their system or incorporating it into the uniform law.

This mindset arose from the fact that parliament was dominated in terms of numbers and political influence by members from the northern plains, who tended to assume that Hindu culture and Indian culture were synonymous with the culture of certain hegemonic castes in their own regions. This assumption, which is dominant even today, had unfortunate effects because the culture of the north-western plains was in many ways the most socially oppressive. These were the regions where the devaluation of women was most severe, manifested not only in such phenomena as institutionalised seclusion through various forms of purdah, but also in exaggerated son preference, low sex ratio, high mortality rates of women and girls, low literacy and employment rates, and, most important, in the context we are discussing, the perception of daughters as an unproductive liability to be got rid of through marriage and sent as far as possible from the natal village. Norms and taboos arising from this culture (for example, that daughters only take from, and never give to, the natal family) were posited as true for all of India, even though in fact they were not prevalent in very many other regions, including most of south India. The most these other regions and communities could hope for was exemption—as tribals or on grounds of custom—and even this was achieved only in a few cases after a long battle. Ambedkar had been basically opposed even to exemption of tribals. Even though most tribals in the northern plains were now a settled peasantry, yet their culture continued to be much less repressive in matters relating to marriage and divorce. But in matters relating to succession and property arrangements, variants of the mitakshara system as interpreted by the British had been imposed on them during land settlement operations, with the result that women had no independent rights in land but only a usufructory right, the equivalent of a Hindu widow's limited estate. This despite the fact that in almost all tribal communities women are the primary workers on land and run the agricultural economy with little help from men.[57]

Changes in Guardianship Act

A justification repeatedly offered for applying the roadroller of uniformity was that this would pave the way for a uniform civil code for all communities, and that passing the law for Hindus would strengthen the hands of government to pass it for other communities too. However, in actual fact, the passing of a supposedly secular law for Hindus (which was in fact a hybrid of some kinds of Hindu law and some kinds of British Christian law) had the opposite effect—a movement further away from a uniform civil law. There were several reasons for this, some of which will be examined towards the end of this paper. But, most blatantly, the legislature, when it codified laws and labelled them 'Hindu', actually thereby replaced earlier laws which had been applicable to all communities, that is, uniform civil laws which had been accepted without protest. A signal example of this process is the Hindu Minority and Guardianship Act, 1956.

The Guardians and Wards Act, 1890, was already in existence, and applied to guardians and wards of all communities. The Hindu Minority and Guardianship Act was passed "in addition to" the Guardians and Wards Act.[58] However, it was not explained why, instead of amending the Guardians and Wards Act, wherever necessary, a separate law had now to be passed for Hindus. There was nothing particularly 'Hindu' about the provisions of the Hindu Minority and Guardianship Act. In fact, the provisions were conceived from an authoritarian statist point of view, giving government powers to interfere with parents in a way unknown to the Hindu or any other Indian community. If any law was to pave the way for a uniform civil code, it would be something like the Guardians and Wards Act, and certainly not a separate act applied to Hindus and arbitrarily labelled 'Hindu' as if it was based on religious principles. As Thakur Das Bhargava argued:

> ...this is an absolutely unnecessary bill and it also goes against the principle of having a common civil code... this is a mischievous bill insofar as the provisions of the Guardians and Wards Act will not apply uniformly to all the nationals... Now a Hindu minor will be quite different from a Muslim minor and a Christian minor...it creates more distinctions than are there in the present law.[59]

In the prevalent practice, in all communities, a *de facto* guardian of a minor was recognised as such. This continued to hold good for other communities under the Guardians and Wards Act. However, the Hindu Minority and Guardianship Act introduced the artificial concept of a "natural guardian" which would also appear to be imported from England: "As in this country [England] so among the Hindus the father is the natural guardian of his children..."[60]

In the absence or unfitness of the father, the mother would be the natural guardian but no other person could be so termed. This narrow concept of natural affection clearly derives from a western social set-up and nuclear family. A member pointed out:

> Under the Hindu law, there is nothing like a natural guardian... As a matter of fact, you have taken away the naturalness of the guardianship. Every person is a good guardian to a minor under the Hindu law...Every *de facto* guardian is a good guardian.
>
> You have thought that India has developed to that extent that there is no relationship except that of the father and the mother. But there is also the grandfather, the maternal uncle...and...many others... who bring up the child after the father and mother are dead...[61]

What is here described is a family and community set-up in a culture shared by Hindus and non-Hindus, which may be termed an Indian culture. The legislature created an unnecessary sense of grievance by passing the Hindu Minority and Guardianship Act which, in any case, was unworkable. The act lays down that a person will be recognised as guardian only if appointed by a father or mother in their will, or if appointed by a court. The writing of a will is alien to Hindu law, so the provision has nothing 'Hindu' about it. It should have remained part of the Guardians and Wards

Act. However, it is also irrelevant to Indian conditions: a member had pointed out: "...in a country in which nearly 80 per cent of the people do not know what a will is, and many people are illiterate, do you want to say that in every case in which the father and the mother are not there, the minor's cases must go to court and get a guardian appointed?"[62]

The Hindu Minority and Guardianship Act also does not allow a guardian, even a parent, to alienate any part of a minor's property without the permission of the court, a patently unworkable proposition. The positive aspects of the act were that it gave the mother (in the father's absence) the right to appoint a guardian by will, and it took away the father's right to make a will depriving the mother of her guardianship right, after his death. However, it certainly was far from giving women equal rights. Several members proposed that custody of the child should be with the mother not just up to age five as the act lays down, but up to ages 12 to 14. Amendments to this effect were moved and summarily refused by law minister Pataskar as "besides the point" and likely to "lead to interminable quarrels between the parents."[61]

An example of how this new legislation created religious bias in law is the provision (opposed by several supporters of the bill) that a parent ceases to be a natural guardian if he or she converts to another religion. No such provision existed in Hindu law and, in the terms of the bill itself, the word 'natural' would suggest that guardianship was based on biological parenthood and not on the parent's religion. Significantly, this was the only provision approved of by the Hindu Mahasabha MPs who were otherwise opposed to the bill. It was described by government as part of the process of consolidating Hindus as Hindus. In the words of Ambedkar:

> The first change is that the power of the Hindu father as natural guardian of his minor son has been taken away if he renounces the world or ceases to be a Hindu. The original law was that the father was the natural guardian and no matter what change took place in his condition either by his religion or in any other way, he still continued to be the guardian of his minor son. The committee felt that as this was a code intended to consolidate the Hindu society and their laws, it was desirable to impose this condition, namely, that the father shall continue to be the natural guardian so long as he continues to be a Hindu."[64]

The Hindu Adoption and Maintenance Act, 1956, is also the product of the same kind of hybridising effort—a weird mixture of British adoption law with one kind of Hindu adoption, 'dattaka', with the result that the act retains such irrational anomalies as not allowing a person to adopt a son if he already has a natural or adopted son, not allowing adoption of a daughter if there is already a natural or adopted daughter, and thus restricting the number of adoptions possible by any one person to a maximum of two—one boy, one girl.

The main innovation the government claimed to be making was permitting a daughter to be adopted. However, by the law minister's own account, it was an English judge, relying on a doubtful translation by an Englishman (Colebrooke) of *Dattaka Chandrika*, who had ruled that adoption of girls was invalid. Prior to this, several courts had recognised the customary adoption of girls. In Bombay and Calcutta judges had ruled that adoption of a daughter by a dancing girl was invalid, because the judges regarded the custom of professional dancing as immoral. Two Madras decisions had, however, upheld such adoption, even simultaneous adoption of two girls, provided the adoption was not made for the purpose of prostituting the girls. Some of the leading schools of Hindu law laid no restrictions on adoption of daughters. Nanda Pandit in his *Dattaka Mimansa* has favoured adoption of a daughter and regards it as conducive to spiritual benefit to the adopter and his ancestors. In actual fact, among most communities, girls were routinely adopted under customary law. Often it was only a legal fiction. For instance, if the forbidden 'sagotra' marriage was to be made legal, a relative or friend of another 'gotra' would adopt the girl, thereby technically changing her gotra. Likewise in many parts of India, custom allowed women to adopt on their own. However, the reformed adoption law does not allow a married woman to adopt in her own right, or even jointly with her husband. Only the man can adopt, albeit with his wife's consent. When it was pointed out that this falls short of equality, the law minister Pataskar claimed that such equality would be going too far:

> I do not think there can be one adoption by the husband and another adoption by the wife. ...That is simply trying to subject this legislation to ridicule. The wife is not given the right. It is true .... I do not want to go, nor will it be desirable in the interest of the society to go so far. I want that it is primarily the husband's business to adopt...[65]

In making this statement, Pataskar overlooked the fact that under 'krithima' form of adoption, prevalent in and around Mithila, a wife or widow could adopt a son to herself, without the consent of her husband or anyone else.[66] Krithrima adoption was recognised as legally valid though no ceremonies or documents were required for it. Tek Chand pointed out: "Krithrima adoption of the strict Hindu law is a secular type of adoption whereas the 'datta homam' adoption of Hindu law is a sacerdotal form of adoption."[67]

Paradoxically, the Hindu Adoption and Maintenance Act recognises only datta homam or dattaka type of adoption. Without stating any reason, other customary forms of adoption such as krithrima and 'illatom' (adoption of son-in-law, prevalent in some parts of south India), and 'dwayaya-mushayan' (simultaneous adoption of one or more sons) were rendered invalid. These were not extinct textbook rules but were living practices when the law was sought to be codified. For instance, my colleague Giri Deshingkar recalls that his wife's uncle, who came from a village in north Karnataka, was adopted by his own mother-in-law, who was a widow. That made the husband and wife brother and sister, but it was considered a perfectly legitimate adoption. Ambedkar has offered an absurd explanation for legislating such adoptions to be invalid:

> ...all these customary adoptions are nothing but devices to keep property within the two families which enter into this bargain, and ... since we have passed the constitution and included in the Directive Principles one article saying that the state should take steps not to allow property being concentrated in the hands of one or a few, such devices...ought not to be tolerated.[68]

It should be noted that with the ruling out of customary adoption, property was likely to pass, for want of an heir, into the government exchequer. From such cavalier justification of state interference, his conclusion naturally followed: "Besides, there is no reason why parties who want to make a genuine adoption should not conform to the rules and regulations regarding the dattaka adoption which is permitted by the law."[69]

The dattaka form of adoption required a ceremony of giving by the natural parents or guardians of the child and taking by the adoptive parents. This meant that an orphan or foundling could not be adopted unless he or she had a legal guardian (as defined under the Hindu Minority and Guardianship Act) to perform the giving ceremony. It also meant that *de facto* adoption was not recognised. Even if a child was known to have been brought up from infancy by adoptive parents, the adoption could be challenged in court and held invalid if it was proved that a giving and taking ceremony had not taken place or that the person who gave the child was not a guardian legally entitled to do so. Dattaka adoptions led to endless litigation, as was pointed out by many MPs, and not refuted by government. Government, however, because of its anxiety to label the act 'Hindu', preferred to retain the give and take ceremony as a sign of 'Hinduness' rather than to follow other forms of customary adoption practised by Hindus which did not involve a religious ceremony.

Thakur Das Bhargava once again pointed out that all communities in India had been influenced by one another's laws and evolved similar customs in regions where

they lived in proximity to each other and that the Hindu Adoptions and Maintenance Act, like the Hindu Minority and Guardianship Act, was an unnecessary step in the opposite direction:

> Today, in the Punjab, Hindus, Muslims and Christians, all follow the law of appointment of heir....We are again making the mistake of making an exclusive law for Hindus. ..You should have waited a while longer and then made one law for all....You have taken some things from the Hindu religion and left out the rest. It would have been better if you had just said anyone can adopt anyone they like.[70]

To this, law minister Pataskar replied that the customary practice of appointment of an heir in Punjab was technically different from adoption as under the Hindu Adoption and Maintenance Act, hence the former would not be abrogated by the latter. However, he did not answer the salient question of the inconsistency within the act itself. Most of the inconsistencies arose from the framers' uncertainty as to whether the purpose of adoption was to have an heir or to bring up a child. So, for example, a man is not permitted to adopt a son if he has a living son or son's son or son's son's son. This apparently has to do with the desire to prevent disinheritance of biological male heirs in the male line. Dabhi argued that this defeated the idea of women's equality, as it allowed a man to disinherit his daughter or granddaughter in favour of an adopted son. He moved an amendment supported by Thakur Das Bhargava, an opponent of the bill, and Sushama Sen, a supporter of the bill, which Pataskar negatived. Another such inconsistency was allowing the adoptive parent to disinherit the adopted child by will. As Raghavachari of Penukonda pointed out, once such disinheritance was allowed, why restrict the number of children that can be adopted?

All the objections, both from supporters and opponents, could be summed up in N C Chatterjee's justifiable statement that: "....the hon minister has not the courage of his convictions. If he wants to secularise it, let him do it properly."[71]

New Maintenance Act

The maintenance provisions under this act are deplorably inadequate. The established right under Hindu law of a concubine to maintenance was arbitrarily eliminated on the pretext of its being an encouragement to immorality. The code of Yajnavalkya, on which the mitakshara system is based, had laid down that the maintenance granted should amount to one-third of the husband's income. But under the reformed law the amount of maintenance granted to a wife is left to the individual judge's discretion, though it cannot exceed one-third of the total income. Thus while the law lays down an upper limit, there is no mention of the minimum amount that must be her due. It is not at all clear what either of these alterations had to do with 'Hindu' law or with furthering women's equality. In fact, both move in the opposite directions.

Theoretically, the reformed Hindu maintenance law allows a woman to claim a maximum of one-third of the joint incomes of her husband and herself. That means that if, for example, she is earning Rs 500 and her husband Rs 1,000, she cannot claim anything because she already has one-third of the joint income which is Rs 1,500. But even for those women who are not earning, in practice it is extremely difficult to claim and get their right under Hindu law. The case is a civil one which means that the husband can employ all sorts of dilatory tactics to drag the case out for years. One of the biggest hurdles in the way of getting a fair maintenance is that the burden of establishing the husband's income and assets falls on the abandoned or divorced wife. Given that in India an overwhelming majority of people either work on land or own businesses in joint families or are self-employed, their real earnings are usually not part of any official record. That makes it almost impossible for a woman to prove her husband's income to the court's satisfaction. A woman may end up spending much more on court expenses than the pittance she is likely to get by way of maintenance through the court. Moreover, there is no way of ensuring that the husband will make regular payments. If he were to stop after paying alimony determined by the court for a couple of months, a separated or divorced wife has no redress mechanism available but to go to court again. She cannot, for instance, approach the police to demand that they ensure that the court order is complied with.

The near total failure of Hindu maintenance laws becomes evident if we consider the fact that most women prefer to plead under Section 125 of the Criminal Procedure Code which is not really the relevant procedure for maintenance of a divorced wife. Getting a maintenance allowance from the husband has been defined as the right of a divorced woman in reformed Hindu law whereas 125 CrPC exists to safeguard all destitute women, children and old parents. For instance, even a destitute father could claim maintenance from his children under this provision. Yet most divorced women have to sue for maintenance under this clause because it is a criminal case and they can get relief somewhat more quickly. However, under this provision, they can get a maximum of only Rs 500 per month which is much less than the statutory minimum wage in India and often ridiculously inadequate in relation to the amount many of them would be entitled to as maintenance after divorce. Also, the sum of Rs 500 is a fixed one and bears no relation to the income of the husband. Even if he is earning lakhs, she can claim a maximum of only Rs 500. Under the Hindu maintenance law, she may be able to claim more, but the procedures under the civil law are so cumbersome that it is hardly worth fighting for under those clauses.

Hindu Succession Act

The Hindu Succession Act, 1956, was by far the most controversial part of the four acts. It was also perceived as the key part of the code, as no other rights could be effectively claimed by women unless they had economic rights. Raghuramaiah pointed this out forcefully:

> ...divorce will not be really effective unless there is... an equal right of property...a woman who has no independent source of living would naturally be very chary about taking recourse to these divorce provisions...this bill will be of no consequence, and of no benefit to the women of India unless they are given an equal right to property...[72]

But did the Hindu Succession Act actually give women 'an equal right to property' or did it only profess to do so? The original provisions on succession in the Hindu code, framed by the B N Rau committee and piloted by Ambedkar, abolished the Mitakshara coparcenary with its concept of survivorship and the son's right by birth in joint family property, instead substituting the principle of inheritance by succession. These proposals met with a storm of opposition. The extent of opposition within the Congress itself can be gauged from the fact that in 1954, then law minister Biswas, on the floor of the house, expressed himself as not in favour of daughters inheriting property from their natal families. As supporters of the bill pointed out on several occasions, the reason for the virulence of the opposition to this provision was that it affected each individual male personally as he would have to share property with his sisters. Sita Ram Jajjoo, marwari from Madhya Bharat, identified the reason for resistance accurately: "Here we feel the pinch because it touches our pockets. We male members of this house are in a huge majority. I do not wish that the tyranny of the majority may be imposed on the minority, the female members of this house."[73]

However, the tyranny of the majority was in fact imposed, and by the time the bill was finally passed in 1956, it was unrecognisable. The major changes were: (1) Retention of the mitakshara coparcenary with only males as coparceners.

(2) Coparcener's right to will away his interest in the joint family property. This provision was unexpectedly introduced by an amendment by law minister Pataskar in the final stages of the clause-by-clause debate when the bill was to be passed, in 1956. It was widely perceived and pro-claimed, even in the contemporary press, to be a capitulation by government to what were by one MP termed the "fifth column" of the Hindu Mahasabha within the ranks of the Congress.
(3) Removal of exemption of marumakkattayam and aliyasanthanam communities; that is, virtual destruction of the only systems in which women were the equivalent of full coparceners.
(4) Alteration of the original provision that a daughter would get a share equivalent to half the share of a son in self-acquired property of the father who died intestate.

Ambedkar saw this alteration as a *fait accompli* in spite of him: "My enemies combined with my enthusiastic supporters and my enemies thought that they might damn the bill by making it appear worse than it was."[74]

Let us look at the implications of each of these provisions. The retention of the mitakshara coparcenary meant retaining, without codifying, a large part of earlier Hindu law which discriminated against women. One way out of this would have been to also make women coparceners. This was suggested as early as 1945. In the written statements submitted to the Hindu law committee, a number of individuals and groups, including nine women students' and youth and ryots' organisations (significantly, all from Andhra Pradesh—the first state to actually amend the Hindu Succession Act in 1984 to make women coparceners) had advocated a full share and a right to partition for daughters. G Krishnamurthi, subordinate judge, Chicacole, Andhra Pradesh, had suggested that daughters be made coparceners. In 1956, when the bill was being finally debated prior to enactment, K C Sharma moved an amendment that the daughter and her children should be deemed to be members of the Hindu coparcenary in the same way as a son or his children. This would have been the logical step to take since the framers of the bill claimed to be trying to incorporate al: the most progressive elements of the different schools of Hindu law, and such a system was actually in existence in Kerala. However, law minister Pataskar's reply, instead of attempting logic, merely amounted to an emotional rejection:

> I really find that my friend Pandit K C Sharma is very progressive in his outlook. ...I cannot imagine of a family which can go on smoothly by the addition of daughters, their heirs and so on...It is admitted that a daughter does go out of the family by marriage.[75]

This assumption that daughters must go out of the family on marriage and, thereby, cease to be full members of their natal family was at the root of all the inequities built into the Hindu Succession Act. One such inequity was the clause enabling state governments to pass laws to prevent fragmentation of land. Those who had acrimoniously argued for explicit exemption of agricultural land from inheritance by daughters demanded that the minister make an explicit statement that the new clause would amount in reality to the same thing as exemption. Bhagwat Jha Azad had asked:

> Is it your understanding that after this law is passed, states in which there is no such prior law can pass such laws, disregarding this law, and can make provisions that landed property shall not be given to daughters...If your interpretation is that under this law daughters will not be able to demand their share in land then I have no objection.[76]

The minister's silence to this question would seem to have amounted to consent.

The second disparity was the list of heirs being different for a male and a female, with a woman's in-laws taking precedence over her parents, while a man's in-laws figure nowhere at all in his list of heirs. The idea of a woman's property and the heirs to it being somehow intrinsically different from a man's derives from the 'stridhan' system, but in-laws did not precede parents as stridhan heirs. The bias in favour of in-laws is thus introduced here purely on the basis of the contemporary north Indian practice, repeated *ad nauseam* by certain members, that a woman's parents would not even drink water in her village, let alone agree to inherit her property. Despite being repeatedly told that there were no such taboos in south India, the north Indian members persisted in identifying the northern custom with 'Hindu' and 'Indian' tradition and ideals. They dismissed the southern practice of normal interaction with daughters as an "aberrant" custom or usage. The exchanges were often almost comical, except that the results of such wilful arrogance were tragic.

When, for example, Mukut Behari Lal Bhargava was arguing that no Hindu parent would want to inherit a daughter's property, L Krishnaswami Bharathi asked:

"Why not? Why not? What is the harm?
Bhargava: Perhaps my honourable friend comes not from India but from an outside country.
Bharathi: I come from south of India.
Bhargava: In India no father nor mother will ever think of receiving anything from the daughter.
Bharathi: That may be so in the Punjab.
Bhargava: It is so in the whole of northern India. I cannot speak with authority about south India...in our part of the country the father or mother will not even take water in the house of the daughter.
Bharathi: It is not so bad in our part of the country.
Bhargava: That may be a custom or usage prevalent in your part of the country, but in my part of the country, an overwhelming majority will be opposed to the idea... Therefore the entire fabric of the rules of devolution is based on anti-Hindu ideals."[77]

Interestingly, while a north Indian custom is here passed off as a Hindu ideal, no one quoted the numerous shastras which give precedence to parents of a woman as heirs to stridhan, as a much more well-founded Hindu ideal! Instead, as a concession, the order of heirs was altered only for members of formerly marumakkattayam and aliyasanthanam communities, but the rest of the south was brought under the new inheritance system where a woman's in-laws take precedence over her parents. This was the logical outcome of the provisions in the Hindu Succession Act which facilitated disinheritance of daughters. The property of daughters could not be passed on to surviving parents when the new law accepted the assumption that a daughter should not get inheritance rights in her parent's property.

Yet another inequity were the provisions denying a married daughter the right to residence in her parental home unless widowed or deserted and denying any daughter the right to demand her share in the house if occupied by male family members. There were long debates on whether a widow should have the right to residence if her husband had also left behind a house, and whether only a deserted wife should have the right to residence in the parental house or also one who had left her husband. The law minister's remarks on the last issue are revealing:

> I think those women who desert their husbands are not likely to be needy women for whom provision has to be made. ...I do not know whether we should provide for a woman who deserts her husband, because she might desert him for the purpose of marrying another, or she has other means of maintaining herself.[78]

No one mentioned denying the right of residence to a son who deserted his wife. Clearly, the operative assumption is that the right to residence is not really a 'right' the daughter should have as the son does but only a charitable concession to be made for a needy daughter. After much debate, the right was also granted to a woman who has separated from her husband.

Similar arguments based on the daughter being or not being needy were used by the law minister to justify allowing the father to will away his interest in the coparcenery property—a proposal which was one of the

most hotly disputed of all. Pataskar argued that one daughter may be well-married or single with a good job while another is poor and in need, so the father should be able to decide who needs property more. Such an argument would apply equally well to sons but was not used to deny them their right by birth in the coparcenary. The imagined distinctions between daughters derive from such distinctions made by certain schools of Hindu law where, for example, a daughter with a son was preferred to a sonless daughter, or a single daughter was preferred to a married daughter for inheritance purposes. It was the stated purpose of the Hindu Succession Act to do away with all such distinctions and place daughters on an equal footing with sons. Yet, the distinctions persisted.

From the very start of the codification process, many of those engaged in the debate had pointed out that the newly introduced provision of the will could be used as an instrument to deny daughters their rights. Some welcomed this and proposed that it be made easier; others warned of its dangers. For example, in the written statements submitted to the B N Rau committee, we have one high court judge of Madras complacently (and as it happened, accurately) foretelling how the law would remain a dead letter:

> ...it is possible for the Hindu citizen who does not agree with the proposals to get over them. He could make a will and avoid those rules of inheritance by women which may not be to his liking...I, therefore, do not think they are likely to have any serious consequences in general.[79]

In one of the written statements submitted to the Hindu law committee, a graduate from Moga went further to say: "Easy and unquestionable form of will in favour of the sons and against daughters should be suggested."[80] Several persons had suggested some check on the testamentary power in order to protect the maintenance right of women, and their inheritance rights. A written statement to the Hindu law committee pointed out: "The right of alienating property by 'will' ...is one not conferred or recognised by ancient law, or by the existing Hindu law. The idea of 'will' itself is foreign and a later importation...There must be a preliminary part dealing fully with testamentary succession and limiting the rights of a testator..."[81]

It was suggested that a man be permitted to will away only half of his property on the analogy of Muslim law which allows only one-third to be willed away. The bar association of Rawalpindi, however, pointed out that such a curb in itself would not work because he might "gift away the property to his sons" in his life-time.[82] These arguments were repeated and elaborated over the years in parliament, so it cannot be contended that the government was unaware of the implications of conferring the testamentary right with regard to ancestral property—a right absolutely unknown to Hindu law.

That the real pressure groups behind the change in property laws were not women's rights advocates but industrialists who saw economic advantage in rendering property more mobile in the hands of individual male owners is suggested by some very revealing articles in the contemporary issues of *The Eastern Economist*, over the years 1949 to 1955. This was the journal of the Federation of Indian Chambers of Commerce and Industry (FICCI), and thus may be said to represent the view of an important section of big business interests. The position taken by the journal in its editorials was that the most important benefit of the bill, although it was perhaps the least noticed aspect, was not women's rights at all, but rendering property more liquid by allowing men to alienate it. The journal was not in favour of women's inheritance rights. More than once it pointed out that the testamentary right could be used to set at nought women's rights. In the issue of March 18, 1949, the lead article 'The Economics of the Hindu Code' remarked:

> It is curious how little of the discussion centred around basic economic factors. There is indeed a feeling among a few that economics played no little part behind the scenes...the Hindu code minimises those factors which attach to an individual by virtue of his birth and enables him to shape his destinies by free contractual relations...the daughter will get a share equal to that of the son... the principle of equal shares to daughters...it is said, not unreasonably, would aggravate the evil of fragmentation of agricultural holdings...But this...can for the most part be avoided by wise use of the testamentary power and neither an urban family business nor a family agricultural holding need be prejudiced...In the ultimate analysis, the true hallmark of a sound property system would lie in its mobility, in the reduction of the hindrances to freedom of transfer...

While rationalist social reformers pride themselves on their conquest of the conservative opposition and women are elated by their hardwon rights, the economist may perhaps find some merit in the system of ownership of, and succession to, property which the code contains. *What has least been noticed may possibly prove to be of the largest economic worth*"[83] (emphasis mine).

Six years later, the argument had shifted, and the journal actually took the stand that while the mitakshara family system should be replaced by the dayabhaga, daughters should not be given inheritance rights immediately but that these could be left to be introduced gradually by the "more progressive states".[84] The testamentary right, then, was essentially a right given to fathers to obviate the rights of daughters.

In the final debate in 1956, this became a central issue. It was pointed out that a man could disinherit not only daughters but even traditional female heirs such as a widowed daughter-in-law. Earlier, these female heirs had a limited estate but this was ensured to them; now the so-called absolute estate would depend on the man's will. It was argued by many members that the clause meant undercutting the whole bill whose ostensible purpose was to provide equal inheritance rights to women. The provision that allowed daughters to sign away their rights in favour of their brother or others even in the insignificantly small share that would come to them in coparcenery property, made a mockery of the whole exercise. S S More expressed his disappointment:

> Are you giving anything substantial to the daughters? ...I will say: "No". ...Those who are opposed to this bill, those who want to see that their daughters should not get their dues should do nothing else but ...prepare standard will forms and give them for signature by everybody who has some property...this particular clause is very sinister. It takes away by the right hand what we are trying to give to the daughters by our left. ...this sort of keeping a loophole in the whole measure is not a good practice. Let us be honest. If we do not want to give to the daughters anyhting, then surely, let us say that... in view of the fact that the elections are in the offing, we are not prepared to go whole length.[85]

On the other hand, some members rejoiced openly in the inclusion of the clause. Raghuvir Sahay said it openly: "By giving this right, the greatest bitterness of the bill is removed. To take the sting out of the tail....When you give a Hindu the right to make a will I think all the faults of the bill are dispelled."[86] He added that he initially was opposed to the bill but gradually changed his stand, because it represented a middling position between two extremes. The inclusion of the right to will away coparcenary interest clearly played a part in inducing him to change his stand.

One ferocious opponent of the bill, B D Pande of Almora, who claimed that Hindu religion was founded on women's piety and generosity in refusing to take property and break the family, and that men and women were created unequal by god, announced on the floor of the house that he had already made his will and that his daughters had given in writing that they would not claim a share in his property. Thus it was clear even at that point that the right to make a will being introduced in the Hindu Succession Act would be used primarily to snatch away a daughter's rights. Several members wanted to put some sort of a restriction as exists in Muslim personal law on the right to a will in order to ensure a minimum measure of protection for women members of the family.

For instance, Kelappan moved an amendment that a Hindu should not be able to dispose of more than one-third of his property by will, and Jayashri moved that a Hindu not be able to leave by will more than half his property to anyone but his wife or children. The law minister refused to accept these amendments.

Thakur Das Bhargava proposed an amendment along the lines of English law, that if a man disinherited by will his widow, minor sons or unmarried daughters, they could have a claim to maintenance on his property. This amendment was supported by Renu Chakravarty and other ardent supporters of the bill, but Pataskar negatived it, saying the right to maintenance would be protected under the Hindu Adoption and Maintenance Act. That was a hoax. The provisions under the new maintenance law were even more inadequate than the deliberately incorporated loopholes in the succession act. Given the clarity with which all the movers of amendments argued their cases, pointing out that the will could be used to deprive women of even the limited rights they had under uncodified law, it can only be concluded that government deliberately chose to create this loophole. Kelappan argued:

> I cannot understand how this government can afford to be indifferent to a glaring injustice which this clause 32 seeks to perpetuate... In the interests of justice and the well-being of society, some restrictions have to be imposed on a person's right to will away his property, even if it is self-acquired.[87]

Even the contemporary press saw the amendment introduced by the law minister as "a concession to orthodox opinion"[88] and commented: "Much as they protested to the contrary, the retentionists of the traditional pattern of Hindu society had little reason to be disappointed with the outcome of their stout opposition to the bill, which has led to its toning down."[89]

The introduction of the right to will away one's interest in coparcenary property in effect meant giving men much more power over property than they had under traditional mitakshara law, not to talk of other schools which were more favourably inclined to women. Even under the mitakshara law the coparcenary system restricted the rights of individual men to alienate property, thereby safeguarding the rights of all members of the family including even infants and children in the womb, and also the rights (though unequal) of women and illegitimate children to maintenance from the joint family property. Although many powers were vested in the karta or male head of the family, who was supposed to administer the property in the interests of all members, decisions regarding disposal of family property were to be taken collectively. Although notionally each male had an equal share in the property, expenditure was not to be apportioned only to males but also to females. Expenditure on women members' needs, gifts and endowments for pious and charitable purposes, or on the special needs of some members, was to be undertaken from the common funds, and no coparcener was entitled to complain that more had been spent on another member than on himself. Some mitakshara schools even allowed a wife to act as a karta in her husband's absence.

The right to will is completely alien to Hindu law. Its introduction into a law labelled 'Hindu' was thus a singular irony. Pataskar, while defending the new clause, first attempted to give a sentimental tone to the debate:

> There are many hon members in this house who feel that if once this right to will is given coupled with the right to partition which the son enjoys, it may defeat the purpose of this legislation. But as I have been always saying, I have got at least better faith in human nature, and I think the father...will have equal regard for the son and the daughter... After all, it is much better to leave it to the judgment of the father and I think he is bound to exercise it in a fair and equitable way. Whom else, excepting the father, can you trust to achieve this purpose?[90]

Yet, this touching faith in the egalitarian propensities of fathers did not prevent him from clearly pointing out in the very same speech that the purpose of the new clause was to give these fathers the right to decide who should get property, a right they did not have earlier; and thereby also the right to disinherit the daughter completely. He argued that a man "...can under the new provision contained in clause 32 of this bill make a will in respect of his interest in the joint family property, and provide that she [the daughter] shall have no share in his interest. ...It is thus clear that those who want to be governed only by the existing rules of the mitakshara system even after the passing of this act have been given the choice to do so."[91]

One would have to look far to find another law minister who was willing to point out so blatantly in a parliamentary debate how a government-sponsored bill contains within itself the means for its own circumvention! The provision of the will has indeed become a standard method for disinheriting daughters. Apart from the father's will, it is a fairly common practice that fathers and brothers make the woman sign a will on the eve of her marriage that she forfeits her share of property in favour of her brothers.

If, indeed, the purpose was to give people a 'choice' to be governed either by the new act or by their earlier systems of law, then why was that choice denied in matters of succession to followers of the marumakkattayam, aliyasanthana and nambudari systems? The act decreed that at each death in such a family a partition would be deemed to have taken place, and the property devolve by succession, not survivorship. The right of birth in these systems was thus done away with. The original Hindu code had provided similarly as regards the mitakshara system as well, but following protests, had decided to safeguard its existence and continuation. The lack of sufficient protest from matrilineal communities allowed for the decimation of the matrilineal systems and the further spread and strengthening of the discriminatory aspects of mitakshara law.

A genuine 'choice' could have been more validly given to people by passing a uniform civil law with rational and genuinely egalitarian provisions, and allowing people to voluntarily opt for it. This proposal had also been repeatedly made over the years by many people, but had been studiously ignored by government. When written statements were collected in 1945, a number of respondents had suggested that the code be made optional, and had argued that this would be in keeping with the spirit of Hindu law which allowed for new schools of thought and law to take root and flourish. T G Aravamudan, advocate, Madras High Court had put forth the advantage of such an approach:

> Hindu law... is a complex of varying schools... There has been also room in Hindu society for a wide range of thoughts...and practices... from polyandry to polygamy, and from dayabhaga to aliyasanthana. A new school of Hindu law—albeit by way of a code enacted by a legislature—may not therefore be prevented from materialising... No Hindu group ever sought to force its pattern of thought and practice on another... The draft Hindu code should therefore be...a 'school' of Hindu law which one may adopt if one so desires, but which one may not impose on any other.[92]

It was argued that this would be more democratic and would place upon proponents of the code the responsibility of informing people of its provisions. V Narayanan, an advocate from Madras, had suggested: "...let the progressives...induce large sections of the community to disown their present laws...and...gradually elbow out the diversities of thought and conduct... characteristic of present-day Hinduism."[93]

The proposal to make the code optional was not a utopian one. Such measures as the Special Marriage Act already existed as examples of options available to citizens of all communities. If the government was genuinely desirous of setting up norms of equality and gender justice, it would have done better to frame a thoroughgoing egalitarian civil code rather than undertaking the shoddy piecemeal alteration of Hindu law in the name of reform. Such a civil code could then have been made available to any citizen who opted to be governed

by it. The government seems never to have seriously considered this proposal, and by the 1950s it had more or less ceased even to be proposed. When Ambedkar challenged the notion in 1951, no MP was able to offer an answer:

> Are women to have the right to make an option or not?... If the husband makes an option under this law, will it apply to his wife...? If the husband does not apply it to himself, will the wife be free to do so?... It would be utter confusion. ...Our law may be deformed in some way, but it should not altogether be unaesthetic: It must be good to look at.[94]

The sudden leap here from practicality to aesthetics suggests the basic nonseriousness with which the proposal was treated. In any case, the reformed Hindu law is hardly aesthetic given the dishonesty with which it was framed to defeat the very purpose for which it was initiated, viz, providing equal rights for women.

Away from a Common Civil Code

The idea of an optional code does indeed raise serious problems, such as who would be allowed this option: the family or a unit or each individual in the family? One possible way out was to allow women special rights to seek redress under the optional, egalitarian, civil law in case they felt dissatisfied with the deal offered to them under their respective customary laws. This step of positive discrimination would be in tune with the professed aim of the new legislation—that is, eliminating the discriminations against women incorporated in diverse customary laws. It would, in effect, amount to giving women in every family and community the veto power in deciding whether a family was to continue being governed by its customary law or move towards an egalitarian civil code. Thus a community would have to evolve their customary practices to be more in tune with the concept of gender equality, in order to continue commanding voluntary allegiance, rather than be able to force obedience.

In the first few years of Indian independence, the atmosphere was relatively more propitious than it is today for the acceptance of an optional civil code by certain sections of all communities, including Muslims. Had such an optional civil code been attractive enough in terms of benefiting those who opted for it and had the government set up a machinery to make the code easily implementable, more people would gradually have gravitated towards it. Those women who felt wronged by the inequities of their community's personal law would have been able to opt for the code, thereby building pressure for reform from within. In such a situation, no community would have occasion to feel that it was being singled out for forced reform of its laws or that other communities were being pampered by being spared such alteration.

The route followed by the government of forcing an altered uniform law on Hindus alone bred resentment and developed a persecution complex among the educated Hindus, which was based on an understandable logic. Questions such as the one raised by V G Deshpande were never answered:

> When I try to understand the meaning of the Hindu code bill, has it anything to do with the name 'Hindu'? Does it signify that it is based on Hindu traditions, Hindu ideas, personal law and values...Government is going to introduce certain mischievous principles which it dare not apply to the Muslims, Christians, Parsis or Jews.... The Hindu code bill is a big conspiracy to encroach upon the personal laws of the Hindus.... The Hindus are...the objects of special favour from our great Congress government! When we come to oppose it, we are called communalists and reactionaries... and those who support it are the secularists, non-communalists and the nationalistic legislators...why this personal law of the Hindus alone is being interfered with in this secular state?[95]

The logic is hard to fault. To pass a law labelled 'Hindu' seems hardly a secular move. Nor were the real motivations of the bill's proponents as genuinely secular as they claimed. They repeatedly spoke of the need to unify and consolidate the Hindu community. And in this aim, they found an ally in the Hindu mahasabha. In an unexpected speech congratulating the minister on passing the Hindu Succession Act, N C Chatterjee of the Hindu mahasabha, who had been opposing the legislation all along, laid his finger on what he saw as its achievements—unifying Hindus, and making property liquid in the hands of men, that is, giving them more arbitrary powers over family property:

> I ought to confess frankly that when I was a student of Hindu law...I was amazed at the wonderful diversity of the law, between the 'mayukha' and the dayabhaga, between the Mithila and the Dravidian school. There was almost a feeling of revulsion. I believe in Akhand Hindustan and.. I wanted to have...one uniform Hindu law...Sir B N Rau advocated the introduction of dayabhaga and complete elimination of coparcenary system. I was very happy...if you really want to develop trade and commerce, if you really want to build up a new India, if you really want to develop your industries and your business in the private sector, you cannot do it under the antiquated system of law.[96]

There is little love shown here for a key characteristic of Hindu culture, namely, its diversity. It is contemptuously dismissed as an 'antiquated system of law'. Instead, there is a vision of a new capitalist India in which men control trade and commerce, and of an 'Akhand Hindustan' in which only one kind of Hindu exists, a kind not 'repulsive' to the ideologues of the Hindu mahasabha wishing to reshape Hindu society to resemble the dominant west. The supporters of the bill often used similar logic, arguing against that diversity which was the strength of Hindu culture. In one telling exchange, when a supporter of the code, K Santhanam, was passionately arguing for "unity and integrity", an opponent pointed out the dangerous undertones of this argument:

Santhanam: "...the great constitution ...is based on the unification, on the integration and on the strengthening of India... Similarly, this bill is based on the principles of unification, integration and strengthening of the Hindu community. ...that Hindus should be dissected under various regional groups... is pronouncing the doom of Hindu society. Sir, the enemies of Hindu society cannot ask for anything better...

Rohini Kumar Chaudhuri: ...the hon member is speaking communalism. He is talking of unifying all the Hindus, probably against the Muslims and others."[97]

Although that may not have been the intention of the speaker, the intervener had perceived an important tendency which was to grow in the following decades, not just among Hindus but also among Muslims, and in which the enactment of the Hindu code did play an important part. This is not to suggest that all those who argued against the codification and reform of Hindu law were upholding the more egalitarian aspects of traditional customs. Nor were many of the opponents of the Hindu code bill inspired by respect for the rich diversity of India's cultures. Many were motivated by nothing better than the desire to preserve male power and privilege and felt threatened by the rhetoric of gender equality used by the reformers. Much of the resistance of Hindu Mahasabha and Jan Sangh legislators as well as the right-wing lobby headed by Congress stalwarts like Rajendra Prasad was founded in their fear that women's independence would lead to domestic disharmony and upset the social order.

Unfortunately, those holding obscurantist views on women's role in society came to be clubbed along with those who had enlightened reservations regarding the efficacy of the proposed reform effort. The latter included many members from the south who were used to traditional systems which provided far better protection to women than the modern reformers were willing to envisage.

In the debates on the Hindu code, we find many members appreciatively and with much learning elaborating the strengths inherent in the diversities of Hindu culture. Today, several of those same sections of political opinion (like the RSS-BJP) are much more

enamoured of 'unity'. Those who once advocated giving people an option or taking a referendum are today vociferously advocating the forcible imposition of a uniform civil code. One reason this important and deplorable change in perception has come about is that government's view of things has become more widely acceptable.

Limitations of Statist Reform

The government, in the name of modernising the society, was desirous of taking more and more power into its own hands. This was true of all spheres of life, and the attempt to intervene in and control people's lives is evident in the legal sphere as well. Those who saw themselves as progressives simplistically identified government control with an anticapitalist development, especially because the government used socialist rhetoric. In this attempt to use government as an instrument of social reform, not realising that usurpation of power is not synonymous with reform, the progressives were even willing to bypass the people. None of the reformers, for example, seriously disputed their opponents' contention that a large majority of those defined as Hindus, particularly in the rural areas, were completely unaware that their personal laws were being changed so drastically, or that such sweeping powers over their personal lives were being usurped by government; for example, that henceforth they would be required to make wills in order to appoint guardians for their children, or get themselves registered in order to act as guardians for their orphaned siblings, nephews or nieces. The reformers were not unduly disturbed by the ludicrousness of what they were proposing in such matters as these. This is because like the British rulers, they too were enamoured of playing god and tended to see the enactment of laws itself as a substitute for social reform.

To think that a change on paper is a change in fact has been a besetting malady of Indian social reformers right up to the present day. The solution to every problem, whether it is sati or dowry or police atrocities, is sought in yet another high-sounding law or amendment of the law, with little concern for understanding carefully the reality at the ground level. The real effect of the laws, however, is to give a sense of grievance to the group legislated upon, in this case, the Hindus, although the laws were full of loopholes and did not change anything substantially in Hindu practice. For instance, the right to have up to four wives has caused much heartburn to the anti-Muslim lobby among the Hindus. It is projected as one of the prime examples of 'pampering' the Muslim community. However, despite polygamy being outlawed under the Hindu Marriage Act, polygamous marriages are in fact as frequent among the Hindus (5.8 per cent) as among the Muslims (5.7 per cent).[38] Yet the Hindu community feels wronged because Muslim personal law had not been formally touched.

The Congress game of throwing illusory crumbs to a misguided Muslim leadership in the form of such enactments as the Muslim Women's (Protection of Rights on Divorce) Act, 1986, also has the effect of consolidating the Muslim community on the platform of resisting a uniform civil code or even any reform in Muslim personal law. (This too evolved through a similar process as the Hindu law under British rule and has little to do with koranic injunctions.) So definite has the polarisation become that even reform of the kind that has taken place in Islamic countries has not been possible in India, and women's protests from within the community are either silenced or silence themselves for fear of engendering a Hindu-Muslim conflict. Muslim belligerence on this issue only reinforces prevalent anti-Muslim prejudices and the Hindu desire for the government forcibly to impose uniformity. This trend was already visible even during the parliamentary debates during the 1950s. Strong anti-Muslim sentiment, barely held in check, was repeatedly expressed, despite the conciliatory attempts made by several Muslim members, like Naziruddin Ahmed, who, from stated motives of self-preservation, fully supported Hindu opposition to the bill. The following comment by U M Trivedi of Jan Sangh provides an example of anti-Muslim hysteria:

> ...if you desire to elevate the moral standard of the less orderly classes—well, who are the less orderly classes? They are those who can and do marry four wives—you only want to hit at the Hindu society...So, it is not going to govern a Mohammedan who walks about the streets saying talak, talak and divorces his wife.[39]

The issue (which is, in one sense, a non-issue, given the wide gap between legal precept and actual practice in both communities) has fuelled the process of Muslims being perceived by Hindus as a pampered minority, even while they continue to be deprived and discriminated against in several concrete ways. The Muslim community has lived up to the stereotype by seeing a common civil code as anathema. The Muslim leaders have not been able to come up with meaningful alternatives, nor even attempted to work out changes to give better protection to women under Muslim law, as has been done in some of the Islamic countries.

However, the codification of Hindu law did have some positive effects in terms of opinion making, and of opening a debate on women's rights. The debate enabled many people to come up with far-reaching ideas and proposals which were stimulative of discussion even if not incorporated into law. At various points during the years when the code was being debated both inside and outside the parliament, startlingly radical ideas were thrown up. Here is one example, from the written submissions to the B L Rau committee. Subramanya Ayyar, an advocate from Umayalpuram, proposed:

> ...as compared with man, women are at a considerable disadvantage... A man can lie down in open street but a woman needs the protection of a home. Similarly men can be with the minimum of clothing... But a woman has to be protected with clothing as a greater necessity. Again a man can beg anywhere and eat. But can a woman expose herself to the mercy of society in this way?... Hence... do you not think that woman should possess rights over residence, clothing and properties (the source of food) in preference to man?...Hence can you not suggest that all inheritance to properties should be woman's and not man's?...Among the Muhammadans at the time of the marriage certain portion of the properties are set apart as the exclusive property of the wife which will not be affected by debts or any other bad circumstances of the husband. ...sheer logic ...and common-sense shows that women should be owner of properties, house, etc, in preference to men,... there is nothing opposed to the fundamental principles of Hindu law that women should be owners of properties in preference to men...Please...press for these reforms even though it may mean explosion of established usage.[40]

The reform of Hindu law carried forward the tradition, already established during the national movement, of legitimising notions of women's equality in the polity and in society at large. It paved the way for further gradual reform, such as, for example, introduction of divorce by mutual consent into the Hindu Marriage Act.

Summing Up

Yet, the overall effect of the misleading rhetoric used, of codifying law only for Hindus without giving them any option, and of trying to stamp out diversity in the name of Hindu unity, was negative, insofar as:

(1) It gave Hindus the false notion that Hindu women now have equal legal rights, which is far from being the case;

(2) It created the myth that reformed Hindu law is 'secular', not 'religious' or 'personal', whereas Muslim personal law is 'religious', therefore, backward, and can be secularised only by Hinduising it;

(3) It left Hindus with a ridiculous sense of grievance. They have begun to believe that Hindu men are worse off than Muslim men because the former have been deprived of 'rights' that the latter enjoy.

Apart from causing a deep rift between the Hindus and the Muslims, some of the main problems with the acts as they were finally passed were the following:

(1) They were a curious "hybrid"[10] of Hindu law and British law, in many cases of the more irrational parts of both systems of law.

(2) In an attempt to placate the opponents of equal rights for women, the acts set up untenable and self-contradictory systems that were unworkable and could only be subverted in practice.

(3) They roadrollered out of existence a number of functioning local and regional legal systems, several of which provided better rights to women in certain respects, without setting up a functional alternative machinery to inform people of their rights under the new laws.

(4) They failed to live up to the lawmaker's stated intention of combining in the reformed code the most progressive elements of Hindu law. In fact, many of the ancient texts as well as contemporary customary practices provided better rights to women in different important respects than do these acts, which are primarily based on a combination of outdated British jurisprudence and British misinterpretation of Hindu law.

(5) Codification fossilised Hindu law and customs into a conservative mould. This need not have been the case if the reformers had seriously done what they professed they were attempting to do—viz, make the reformed law an aggregate of some of the most progressive features of various customary practices and shastric precepts. Instead they chose the very opposite route.

The reformed law turned out to be such a shabby unworkable piece of legislation because :

(1) The reformers' notion of progress was to emulate the rather conservative victorian English patterns of marriage and inheritance which were then far from egalitarian even when compared to the social norms prevailing in other western societies. Thus the Anglo-Hindu law which we were saddled with provides pitiful rights to women as compared, to say, inheritance and marriage law prevailing in the territory under Portuguese rule. The Goan Civil Code, passed during Portuguese rule is, for instance, far more egalitarian than the reformed Hindu law.

(2) Within India their reference point was the customary practices of some of the dominant communities in north-western India among whom women's rights have been seriously eroded, rather than a vast number of those which provided adequate protection to women, especially in the north and north-east. This is because the reformers inherited their zeal for reform from the rhetoric of British administrators whose perceptions had a similar regional and caste bias. Through the 19th century, they had assiduously built a stereotype of Indian womanhood derived from the life condition of those select castes and communities which practised strict purdah, forbade widow remarriage and imposed severe restrictions on women. Nair women from Kerala, meitei women of Manipur, meenas from Rajasthan or Jain women who did not fit into the oppressive stereotype, were presumed to be either non-existent or 'non-Indian'. The reforms carried out even in post-independence India envisage limited improvements, taking this limited stereotype as the universal reality all over the country. Thus in many ways the reformed law proved to be a step backward.

In the 1950s (as throughout the freedom movement period), a very large number of politicians, particularly in the ruling Congress party, were lawyers. Educated as they were in English law, they were simply ignorant of customary law. When this elite inherited the mantle of governance from the colonial rulers, they also inherited a good portion of the latter's contempt, based both on ignorance and arrogance, toward the Indian people. As a result most reform efforts undertaken by them have tended to follow the same pattern adopted by the British. Its characteristic features are : (1) an attempt to remodel Indian society to follow British norms; (2) Considering the British norms as progressive and, therefore, superior, even when in actual fact it may lead to introducing retrogressive changes and curtailment of existing rights of the colonised people; (3) Relying exclusively on statist measures such as passing laws and threatening punishment without as much as attempting to inform the people about the new laws being enacted for them, leave alone getting their approval. Thus the laws either become a source of tyranny or are ignored.

The few guarantees for women provided in the new laws could not really be implemented because the reformers did nothing to improve upon the British legal machinery which they inherited after independence. This machinery was designed for harassing and fleecing people rather than for protecting their rights. Instead of dismantling the topheavy judicial machinery and restoring or building the institutions of local and village self-rule, the rulers of independent India furthered and completed the process begun by the British. This is one reason why so many laws remain a dead letter. Unless villagers chose to spend the time and money to fight a lengthy battle at distantly placed courts in the urban centres, functioning through an alien language, the law was unlikely to intervene in their lives, especially in family matters. Bigamy, child marriage and dowry continue to exist long after they were declared illegal and made penal offences. The statist reformers can then attribute this vast gap between law and social practice as proof of people's 'backwardness'. Occasionally, they acknowledge the futility of the exercise they undertook. This is evident in their laying down that marriages solemnised in contravention of the law, for example, child marriages, would be valid.

Today, we are reaping the bitter harvest of the seeds sown by the misguided rhetoric and strategy employed by the codifiers of Hindu law. Unfortunately, the reformers of today are following the same track in their insistence on imposing a uniform civil code on all communities despite hostile, active resistance from the concerned communities. One of the reasons for this cussedness is that the progressive historians have projected the controversy around the reform in Hindu law through simplistic stereotypes which portray the pro-reform lobby led by Nehru and Ambedkar as the diehard champions of women's rights and all those who had any kind of reservations about the proposed reforms as conservative obscurantists not willing to concede equality to women. Through my analysis of the parliamentary debates I try to demonstrate that the task of moving a society towards more egalitarian and humane norms is a far more complex task than self-appointed modern reformers are willing to acknowledge. Reform, to be meaningful, has to be based on creating a new social consensus, a task seldom taken seriously by those who are enamoured with statist measures imposed from above.

The history of the Hindu law reform shows that when reformers claim to speak on behalf of huge segments of population, whose traditions and institutions they have no real knowledge of, they are more likely to do harm than good. Even the most well-intentioned reform can end up disastrously without an intimate knowledge of the community which is sought to be reformed.

This knowledge comes only when those seeking reform work closely with the communities involved and are compelled to listen to them in a way that those who control the state machinery are not. Whenever people become objects of reform, rather than active subjects, the effort is unlikely to produce worthwhile results, especially when the initiative comes from an elite which is either literally alien, as were the British, or has become alienated from the lives of people over whom it rules, as are the English-educated elite of India. Those who see themselves as reformers or revolutionaries tend to assume that all their interventions are *ipso facto* for the good of society even while they may actually be doing harm in the process. The claims of self-appointed reformers need to be examined carefully and tested through concrete proof of how their actions affect society in actual fact. Rhetorical claims about the beneficial

aspects of reform they are undertaking should not be taken as a substitute for real benefit.

Much of the current social, economic, political mess is precisely because of the governing elites' callous disregard and ignorance of the real conditions and aspirations of India's people. As one of those who belongs to India's current generation of self-appointed social reformers, I feel it is crucially important that we learn to take the people of this country more seriously, and continually subject our actions and interventions to thorough scrutiny.

Notes

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1 J Duncan Derrett, *Religion, Law and the State in India*, The Free Press, New York, 1968, p 225.
2 Ibid, pp 233-35.
3 Ibid, p 240.
4 Ibid, p 244.
5 Ibid, p 251.
6 The *Mitakshara* is a running commentary on the code of Yajnvalkya: It was written by Vijnaneswara in the latter part of the 11th century. The *Dayabhaga* purports to be a digest of all the codes. It was written by Jimutavahana who flourished in about the beginning of the 12th century. See Mulla, *Principles of Hindu Law*, N M Tripathi Pvt, 15th ed, 1986, p 86.
7 *Constituent Assembly of India (Legislative) Debates*, Vol V, No 1, 1948, p 3647.
8 *Lok Sabha Debates*, Vol IV, 1956, Part II, p 6860.
9 Mulla, *Principles of Hindu Law*, op cit, p vii.
10 Mulla, op cit, p 76.
11 *Lok Sabha Debates*, Vol IV, 1956, Part II, p 6951.
12 *Parliamentary Debates, House of the People*, Vol V, 1954, Part II, pp 6973-76.
13 Ibid, pp 7253-54.
14 *Constituent Assembly of India (Legislative) Debates*, Vol V, No 1, 1948, p 3647.
15 *Lok Sabha Debates*, Vol IV, 1956, Part II, p 6922.
16 *Constituent Assembly of India (Legislative) Debates*, Vol VI, 1949, Part II, p 542.
17 *Parliamentary Debates*, Vol XV, 1951, Part II, p 3185.
18 Ibid, p 3186.
19 Ibid, p 2951.
20 *Constituent Assembly of India (Legislative) Debates*, Vol V, No 4, 1948, pp 3652-53.
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22 Ibid, p 67.
23 Ibid, p 23.
24 Ibid, p 11.
25 Ibid, p11.
26 Ibid, p 12.
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28 Ibid, p 15.
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30 M K Gandhi, Young India, October 6, 1921, *The Collected Works of Mahatma Gandhi*, Vol XXI, p 246.
31 *Constituent Assembly of India (Legislative) Debates*, Vol V, No 4, 1948, p 3652.
32 Bhagwan v Warubai (1908) 32 Bom 300; Dattaray v Gangabhai (1922) 46 Bom 541, 558, cited in Mulla, op cit pp 57-58.
33 Mulla, op cit p 325.
34 Sri Venkatraya Sarma, *Written Statements Submitted to the Hindu Law Committee*, Vol II, 1945, Madras, 1947.
35 Ibid, p 453.
36 *Parliamentary Debates*, Vol XV, 1951, Part II, p 3101.
37 Ibid, p 3102.
38 Ibid, p 3110.
39 *Written Statements Submitted to the Hindu Law Committee*, op cit, p 360.
40 *Parliamentary Debates*, Vol XV, 1951, Part II, p 2716.
41 *Parliamentary Debates*, Vol V, 1954, Part II, pp 7150-51.
42 Ibid, pp 7224-25
43 Ibid, pp 7225-26.
44 Ibid, p 7227.
45 *The Constituent Assembly of India (Legislative) Debates*, Vol VI, 1949, Part II, pp 538-39.
46 Narayan v Laving (1878)2, Bombay 140; and Keshav v Bai Gandi (1915) 39 Bom, 538, 29 I C 952 (15) A B 107, cited in Mulla, op cit, p 565.
47 *Tekait Mon Mohini v Basanta Kumar*, 1901, 28 Cal 751, cited in Mulla, op cit, p 755.
48 *Paigi v Sheonarain* (1886) 8 All, 78; *Motilal v Bai Chanchal* (1902) 4 Bom, L R 107; Binda v Kaunsilia (1891) 13 All 126, 164, cited in Mulla, op cit, p 567.
49 *Parliamentary Debates*, Vol V, 1954, Part II, p 7132.
50 See Prem Chaudhry, 'The Custom of Widow Remarriage in Haryana', *Manushi*, No 80, 1994.
51 *The Constituent Assembly of India (Legislative) Debates*, Vol VI, 1949, Part II, p 504.
52 *Written Statements Submitted to the Hindu Law Committee*, op cit, p 500.
53 *The Constituent Assembly of India (Legislative) Debates*, Vol II, 1949, Part II, p 831.
54 *Parliamentary Debates*, Vol V, 1954, Part II, p 7124.
55 *Lok Sabha Debates*, Vol IV, 1956, Part II, p 6905.
56 *Constituent Assembly of India (Legislative) Debates*, Vol V, 1948, Part II, pp 3648-50.
57 See, for instance, Madhu Kishwar, 'Toiling without Rights. The Ho Women of Singhbhum', *Economic and Political Weekly*, Vol XXII, Nos 3, 4, 5, January 17, 24 and 31, 1987. The discriminatory provisions denying tribal women equal rights to land were challenged in the supreme court by *Manushi* on behalf of tribal women in 1981.
58 *Lok Sabha Debates*, Vol VI, 1956, Part II, p 102.
59 Ibid, pp 153-57.
60 *Besant v Narayaniah* (1914) 41 I A 314, 38 Mad 807, 819, 24 I C 290 ('14) A P C 41, cited in Mulla, op cit, p 1059.
61 *Lok Sabha Debates*, Vol VI, 1956, Part II, p 158.
62 Ibid.
63 Ibid, pp 210-11.
64 *The Constituent Assembly of India (Legislative) Debates*, Vol II, 1949, Part II, p 828.
65 *Lok Sabha Debates*, Vol X, 1956, Part II, p 3024.
66 Mulla, op cit, p 621.
67 *Lok Sabha Debates*, Vol X, 1956, Part II, p 3004.
68 *The Constituent Assembly of India (Legislative) Debates*, Vol II, 1949, Part II, p 835.
69 Ibid, p 835.
70 *Lok Sabha Debates*, Vol X, 1956, Part II, pp 2893-2900.
71 Ibid, p 2961.
72 *Parliamentary Debates*, Vol V, 1954, Part II, pp 7197-7205.
73 *The Constituent Assembly of India (Legislative) Debates*, Vol VI, 1949 Part II, p 508.
74 *The Constituent Assembly of India (Legislative) Debates*, Vol II, 1949, Part II, p 841.
75 *Lok Sabha Debates*, Vol IV, 1956, Part II, p 7227.
76 Ibid, pp 6880-81.
77 *The Constituent Assembly of India (Legislative) Debates*, Vol VI, 1949, Part II, pp 469-70.
78 *Lok Sabha Debates*, Vol IV, 1956, Part II, p 7567.
79 *Written Statements Submitted to the Hindu Law Committee*, Vol II, 1945, Madras 1947, p 356.
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86 Ibid, p 6846.
87 Ibid, p 7613.
88 *The Hindustan Times*, May 4, 1956, p 1.
89 *The Hindustan Times*, May 9, 1956, p 1.
90 *Lok Sabha Debates*, Vol IV, 1956, Part II, pp 6969-70.
91 Ibid, pp 6968-69.
92 *Written Statements Submitted to the Hindu Law Committee*, p 390.
93 Ibid, p 444.
94 *Parliamentary Debates*, Vol XV, 1951, Part II, p 2948.
95 *Lok Sabha Debates*, Vol IX, 1954, Part II, pp 2243-49.
96 *Lok Sabha Debates*, Vol IV, 1956, Part II, pp 7656-57.
97 *The Constituent Assembly of India (Legislative) Debates*, Vol VI, 1949, Part II, pp 477-480.
98 *Report of the Committee on the Status of Women*, Govt of India, 1975.
99 *Parliamentary Debates*, Vol V, 1954, Part II, p 7085, U M Trivedi of Jan Sangh.
100 *Written Statements*, op cit, p 408
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Standard Chartered

(Incorporated in the United Kingdom with Limited Liability)

BALANCE SHEET OF INDIAN BRANCHES AS AT MARCH 31, 1994

(In thousands of Indian Rupees)

	Note	1994	1993
CAPITAL AND LIABILITIES			
Capital	4	240,000	184,913
Reserves and surplus	5	1,364,393	1,250,425
Deposits	6	25,149,576	23,233,757
Borrowings	7	706,230	25,521,097
Other liabilities and provisions	8	6,556,001	2,994,163
		33,776,200	52,999,442
ASSETS			
Cash and balances with the Reserve Bank of India	9	3,330,346	8,143,647
Balances with banks and money at call and short notice	10	864,303	1,134,673
Investments	1(c), 2 & 11	13,452,382	21,823,981
Advances	1(d) & 12	8,583,036	7,172,133
Fixed assets	1(e) & 13	1,359,744	1,348,899
Other assets	2 & 14	6,186,389	13,376,109
		33,776,200	52,999,442
Contingent Liabilities	2 & 15	22,507,120	50,015,701
Bills for collection		1,657,667	927,890

The accompanying notes are an integral part of this balance sheet.

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

(In thousands of Indian Rupees)

	Note	1994	1993
INCOME			
Interest earned	16	3,384,540	4,421,488
Other income/(expense)	17	1,373,661	(2,756,466)
		4,758,201	1,665,022
EXPENDITURE			
Interest expended	18	2,675,398	4,874,966
Operating expenses	19	1,071,679	870,814
Provisions and contingencies		350,290	8,737,662
		4,097,367	14,483,442
PROFIT/(LOSS)			
Net profit/(loss) for the year	1(h)	660,834	(12,818,420)
APPROPRIATIONS			
Transfer to statutory reserve		132,167	-
Transfer to Head Office account		528,667	(12,818,420)
		660,834	(12,818,420)

The accompanying notes are an integral part of this statement.

Arthur Andersen & Associates
Chartered Accountants

Sd/-
Vijay Sahni
Partner

Sd/-
Martin Fish
Chief Executive, India

Bombay July 30, 1994

Standard Chartered

(Incorporated in the United Kingdom with Limited Liability)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1994

(In thousands of Indian Rupees)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The accompanying financial statements of Standard Chartered Bank—Indian Branches ('the Bank') are prepared under the historical cost convention (as modified by note 1(e) below) and conform to the statutory provisions and practices prevailing within the banking industry in the country.

(b) Transactions involving foreign exchange

(i) Monetary assets and liabilities in foreign currencies are translated at rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') at the year end except for foreign currency non-resident ('FCNR') account balances under the FCNR Account Scheme which are valued at the relevant rates notified by the Reserve Bank of India. The resulting profits/losses are included in the profit and loss account.

(ii) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.

(iii) Outstanding forward exchange contracts and spot exchange contracts are revalued at rates of exchange notified by FEDAI prevailing at the year end and the resulting profits or losses are included in the profit and loss account.

(c) Investments

(i) Permanent investments
Permanent investments are carried at cost, adjusted for amortisation of premium and accretion of discount over the period to maturity.

(ii) Current investments
Investments in Government and other approved securities and other quoted investments are valued at the lower of cost or market value. Where market quotations are not available, the market value is estimated by management based on market yield expectations for investments of comparable risk and duration. Commercial paper is valued at carrying cost. Unquoted investments, including investments in subsidiary companies, are valued at cost less amounts written off, if any.

(d) Advances

Doubtful advances are identified by periodic appraisals of the portfolio by management, and appropriate provisions are made. The related interest on such doubtful advances is credited to an interest suspense account and not accrued to profits until received. Advances are stated after deduction of provisions and interest in suspense. All provisions against doubtful advances are made on a gross basis with tax relief being accounted for only in the year of write-off.

(e) Fixed assets and depreciation

(i) Fixed assets are stated at historical cost less accumulated depreciation, except premises which were revalued at March 31, 1993 and stated at market values as at that date, determined by a Government registered valuer. The surplus arising on revaluation is credited to a revaluation reserve.

(ii) Assets acquired from 1984 and onwards are depreciated on the straight-line method and all other assets are depreciated on the diminishing balance method. In respect of revalued assets depreciation is provided on the revalued amount and charged to the profit and loss account. Excess depreciation arising out of the revaluation has been transferred from the revaluation reserve to the profit and loss account. The Department of Company Affairs vide notification dated December 16, 1993 has amended rates prescribed in schedule XIV of the Companies Act, 1956. The Bank has applied such revised rates of depreciation to assets existing as at April 1, 1993 and assets acquired thereafter.

(f) Income recognition

Interest income is recognised on an accrual basis except in the case of non-performing advances where it is recognised on receipt.

(g) Staff benefits

The Bank has created separate recognised funds for pension and gratuity benefits to its employees. Provisions made for pension and gratuity benefits to its employees are based on actuarial valuation. However, retiring allowances paid voluntarily to pre-scheme retirants (i e employees retiring prior to January 1, 1978) are accounted for on a payment due basis.

Standard Chartered

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1994

(h) Net profit/(loss)

The net profit/(loss) disclosed in the profit and loss account is after accounting for, *inter alia*, provision for income-tax, provision for doubtful advances and other necessary provisions.

2. INVESTMENTS AND CLAIMS

The developments during the current year in respect of the deficiencies identified by the Bank in the financial year ended March 31, 1993, in its assets arising from its earlier transactions in the securities markets are described below:

(i) The Central Bureau of Investigation continues to investigate the criminal complaint filed by the Bank in respect of the reported deficiencies. Civil action against several banks and financial institutions to recover amounts, some of which are also the subject matter of the criminal complaint, is also being pursued. At March 31, 1994, the assets in question amounted to Rs 12,702 million (1993: Rs 12,702 million) and are included net of cumulative provisions and write-offs of Rs 10,636 million (1993: Rs 10,636 million) as claims under 'Other Assets'.

(ii) The Bank is aware of claims against it amounting to Rs 2,204 million (1993: Rs 2,103 million), including claims of Rs 1,060 million (1993: Rs 1,632 million) which, if successful, would result in the Bank itself having claims on other parties. The claims against the Bank includes a claim for certain securities valued at Rs 216 million (1993: Rs Nil) made by the Custodian appointed under the Special Court (Trial of Offences Relating to Transactions in Securities) Act 1992 ('Special Court Act').

(iii) On January 17, 1994, the Special Court established under the Special Court Act pronounced a judgement on 'ready forward' transactions, terming them to be illegal and void. However, the judgement also stated that each 'ready forward' transaction's legality would have to be decided on the basis of facts attached to the respective transaction. The Bank's management believes that the judgement itself may not necessarily apply to its transactions. The Bank has received legal advice that the judgement may be reversed on appeal. Accordingly, the Bank has not provided for any potential liabilities based on the above judgement.

In respect of the above claims and counter claims, the Bank has obtained opinions of external legal counsel. Because of the legal and other complexities surrounding such claims, it is not possible to determine the extent of their recoverability. However, pending the eventual outcome, management considers that appropriate provisions and write-offs have been made.

Certain of the Bank's investments continue to be affected as follows:

(i) Bankers' Receipts ('BR') issued amounted to Rs 322 million (1993: Net BRs held Rs 136 million), net of assets on account of BRs held of Rs 481 million (1993: Rs 2,332 million) and Subsidiary General Ledger forms ('SGL') held amounted to Rs 2,248 million (1993: Rs 2,328 million) at March 31, 1994. Although these BRs and SGLs held, issued by nationalised banks and other institutions, have not been settled on their due dates, these have been acknowledged by the counter parties and are currently in the process of being settled.

(ii) Certain securities aggregating Rs 309 million (face value: Rs 380 million) (1993: Rs 240 million; face value: Rs 300 million) are still to be registered in the Bank's name by the issuers. The Bank is pursuing these matters to cause the registration of the securities pending resolution of disputes between the issuer and the counter party and disputes between the Bank and the Custodian.

The Bank in its past income-tax returns claimed as deductions the losses arising due to deficiencies in certain assets which are subject to consideration by the income-tax authorities. The income-tax authorities, in connection with the income-tax assessment proceedings, ordered a special audit of the Bank's financial statements and securities transactions for the two years ended March 31, 1991 and 1992. The tax authorities have not specified the manner in which this special audit report is to be used. As such, it is not possible to ascertain the outcome of such tax proceedings. Accordingly, no provision for the impact thereof has been made in these financial statements.

3. INQUIRY PROCEEDINGS

Following certain inquiry proceedings by regulators into the conduct of securities trading during the years 1991 and 1992 of some nationalised and foreign banks, the Bank, subsequent to March 31, 1994, has been required by the Reserve Bank of India to show cause as to why an amount of approximately Rs 343 million should not be levied against it for not maintaining adequate cash reserves with the Reserve Bank of India. The Bank's management believes that it has sufficient grounds to contest the show cause notice.

Further, certain proceedings relating to the operation of Vostro accounts are pending against the Bank. The outcome of such proceedings is uncertain.

Accordingly, no provision to reflect the impact, if any, of the aforesaid matter has been made in these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
4. CAPITAL		
Deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	240,000	184,913
5. RESERVES AND SURPLUS		
Statutory reserve		
Balance, beginning of year	133,898	133,898
Additions during the year	132,167	-
Balance, end of year	266,065	133,898
Revaluation reserve		
Balance, beginning of year	1,116,527	-
Additions during the year	-	1,116,527
Deductions during the year	(18,199)	-
Balance, end of year	1,098,328	1,116,527
	1,364,393	1,250,425
6. DEPOSITS		
In India		
Demand deposits		
From banks	157,837	86,764
From others	2,493,309	2,054,508
	2,651,146	2,141,272
Savings bank deposits	1,937,883	1,486,562
Term deposits		
From banks	6,375,000	10,200,000
From others	14,185,547	9,405,923
	20,560,547	19,605,923
	25,149,576	23,233,757
7. BORROWINGS		
In India		
Reserve Bank of India	489,960	386,600
Other banks	13,771	23,678,385
Other institutions and agencies	23,388	1,456,112
	527,119	25,521,097
Outside India		
From banks	179,111	-
	706,230	25,521,097
8. OTHER LIABILITIES AND PROVISIONS		
Bills payable	1,181,428	1,120,067
Head Office account (includes profit for the year Rs 528,667)	2,952,112	-
Inter-office adjustments (net)	68,856	246,100
Interest accrued	869,734	900,687
Others (including provisions)	1,483,871	727,309
	6,556,001	2,994,163
9. CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Cash in hand (including foreign currency notes)	53,154	68,088
Balances with Reserve Bank of India		
In current accounts	3,277,192	8,075,559
	3,330,346	8,143,647

	1994	1993
10. BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
In India		
Balances with banks		
In current accounts	681,014	804,133
Outside India		
In current accounts	183, 289	330,540
	864,303	1,134,673
11. INVESTMENTS		
In India		
Government securities	8,675,237	11,068,619
Other approved securities	1,145,926	1,870,533
Shares	110,484	59,623
Debentures and bonds	2,316,653	8,341,494
Subsidiaries/joint ventures	501	31,913
Others (including Units)	1,203,581	451,799
	13,452,382	21,823,981
12. ADVANCES		
(a) Bills purchased and discounted	1,608,432	775,516
Cash credits, overdrafts and loans repayable on demand	6,040,344	6,155,289
Term loans	934,260	241,328
	8,583,036	7,172,133
(b) Secured by tangible assets	5,861,928	6,041,696
Covered by bank/Government guarantees	1,332,528	551,792
Unsecured	1,388,580	578,645
	8,583,036	7,172,133
(c) Advances in India		
Priority sector	1,470,967	322,655
Public sector	1,702,938	931,228
Banks	24,736	89,338
Others	5,384,395	5,828,912
	8,583,036	7,172,133
13. FIXED ASSETS		
Premises		
Balance, beginning of year	1,155,575	39,048
Additions during the year	7,420	-
Revaluation during the year	-	1,116,527
	1,162,995	1,155,575
Less: Depreciation to date	(34,648)	(15,568)
	1,128,347	1,140,007
Other fixed assets (including furniture and fixtures)		
Balance, beginning of year	321,732	243,268
Additions during the year	64,520	80,775
Deductions during the year	(1,248)	(2,311)
	385,004	321,732
Less: Depreciation to date	(153,607)	(112,840)
	231,397	208,892
Net book value	1,359,744	1,348,899

Premises have been revalued at March 31, 1993 and the surplus arising on revaluation of Rs 1,116,527 has been credited to a revaluation reserve.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
14. OTHER ASSETS		
Head Office account (includes loss for the year Rs Nil; 1993: Rs 12,818,420)	–	7,804,596
Interest accrued	282,526	871,415
Tax paid in advance/tax deducted at source (net)	1,758,855	1,177,777
Stationery and stamps	1,062	844
Others	4,143,946	3,521,477
	6,186,389	13,376,109
Others include:		
Claims	2,066,364	2,066,364
Other items	2,077,582	1,455,113
	4,143,946	3,521,477
15. CONTINGENT LIABILITIES		
Claims against the Bank not acknowledged as debts	2,242,354	2,109,693
Liability for partly paid investments	500	19,615
Liability on account of outstanding exchange contracts (including spot exchange contracts Rs 220,988; 1993: Rs 212,713)	13,868,645	39,704,678
Guarantees given on behalf of constituents		
In India	4,032,842	3,126,609
Outside India	165,341	550,408
Acceptances, endorsements and other obligations	1,948,107	2,575,252
Other items for which the Bank is contingently liable		
Bills rediscounted	177,731	1,509,536
Underwriting commitments	71,600	419,910
	22,507,120	50,015,701
16. INTEREST EARNED		
Interest/discount on advances/bills	1,389,497	2,166,117
Income on investments	1,877,405	2,060,425
Interest on balances with the Reserve Bank of India and other inter-bank funds	107,343	178,578
Others	10,295	16,368
	3,384,540	4,421,488

	1994	1993
17. OTHER INCOME/(EXPENSE)		
Commission, exchange and brokerage	253,804	289,883
Net profit/(loss) on sale of investments	1,025,467	(151,331)
Net loss on revaluation of investments	(146,099)	(3,165,108)
Net loss on sale of buildings and other assets	(257)	(478)
Net profit on exchange transactions	206,036	258,407
Income earned by way of dividends from subsidiaries/joint ventures	–	3,186
Miscellaneous income	34,710	8,975
	1,373,661	(2,756,466)
18. INTEREST EXPENDED		
Interest on deposits	1,476,780	1,896,764
Interest on Reserve Bank of India/inter-bank borrowings	1,190,333	2,961,139
Others	8,285	17,063
	2,675,398	4,874,966
19. OPERATING EXPENSES		
Payments to and provisions for employees	554,712	450,776
Rent, taxes and lighting	64,411	54,775
Printing and stationery	28,749	30,537
Advertisement and publicity	44,120	14,505
Depreciation on Bank's property	41,648	32,177
Directors' fees, allowances and expenses	97	329
Auditors' fees	1,600	1,600
Law charges	35,058	27,003
Postage, telegrams, telephones, etc	60,684	47,036
Repairs and maintenance	43,975	42,067
Insurance	15,558	16,998
Other expenditure	181,067	153,011
	1,071,679	870,814
Other expenditure includes:		
Travelling	96,246	87,787

20. VOLUNTARY RETIREMENT SCHEME

Following a decision to rationalise its operations in India, the Bank, subsequent to March 31, 1994, introduced a Voluntary Retirement Scheme ('the Scheme') for certain of its employees. The Bank is currently in the process of determining the impact of the Scheme.

21. PRIOR YEAR COMPARATIVES

Prior year comparatives have been reclassified wherever necessary to conform to the current year's presentation.

Standard Chartered

(Incorporated in the United Kingdom with Limited Liability)

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

We have audited the accompanying balance sheet of Standard Chartered Bank—Indian Branches ('the Bank') as at March 31, 1994 and the related profit and loss account for the year then ended. Our audit was conducted in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 277 of the Companies Act, 1956, the financial statements are not required to be, and are not, drawn up in accordance with Schedule VI to the Companies Act, 1956. The financial statements are, therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

As explained in Note 3 to the financial statements, the Bank has been required by its regulator to show cause as to why certain amounts aggregating Rs 343 million should not be levied against it. The Bank's management believes that it has sufficient grounds to contest the show cause notice. Also, certain other inquiry proceedings are pending against the Bank, the outcome of which is uncertain. Accordingly, no provision to reflect the impact, if any, of the aforesaid matters has been made in these financial statements.

In our opinion, subject to the effect of such adjustments, if any, as might have been required had the outcome of the matters referred to in the preceding paragraph been known, the accompanying financial statements give a true and fair view of the state of affairs of Standard Chartered Bank—Indian Branches as at March 31, 1994 and of its profit for the year then ended.

As explained in Note 2 to the financial statements, the Bank continues to pursue the recovery of the deficiencies identified in its assets arising from its transactions in the securities markets. Further, the Bank is aware of several claims against it, some of which, if successful, would result in the Bank itself having claims on other parties. Because of the legal and other complexities, the recoverability of the carrying amounts of such claims, and the ability to resist claims against the Bank, is dependent on the success of various pending civil and criminal actions. Pending the eventual outcome, the Bank h - nade appropriate provisions and write offs.

Further, as explained in Note 2 to the financial statements, the Bank in its past income-tax returns claimed as deductions, the losses arising due to deficiencies in certain assets which are subject to consideration by the income-tax authorities. It is not possible to ascertain the outcome of the income-tax assessment proceedings. Accordingly, no provision for the impact thereof has been made in the accompanying financial statements.

Furthermore in our opinion,

(a) the transactions of the Indian Branches which have come to our notice have been within the powers of the Standard Chartered Bank—Indian Branches;

(b) the balance sheet and the profit and loss account are in agreement with the books of account, and give the information required by the Companies Act, 1956 in the manner so required for banking companies; and

(c) the Bank has maintained proper books of account as required by law insofar as appears from our examination of those books.

Arthur Andersen & Associates
Chartered Accountants

Sd/-
Vijay Sahni
Partner

Bombay
July 30, 1994

Liberalisation and Small Industry

Need for New Growth Strategy in Kerala

K K Subrahmanian
P Mohanan Pillai

The growth of small industry besides resulting in employment-intensive industrialisation and wider dispersal of economic' activities ensures the maximum exploitation of latent resources, both human and material in the region. It is necessary, therefore, to design strategies and implement policies and programmes in the states for the growth of small industry in conformity with the ongoing economic reforms. A prerequisite for this exercise is a review of growth performance of the sector.

This article reports a survey of small industry in Kerala and compares it with the performance of the sector in other major states and with the all-India average.

THE process of liberalisation as part of the ongoing structural reforms in the management of the economy is getting entrenched in India. At the same time, there is the lurking fear in some quarters about negative tendencies that may set in especially with regard to equity on account of minimising the role of the government and indiscriminately relying upon the free play of market for investment allocations. For example, decisions on industrial location guided by market forces *per se* may have a tendency towards aggravating the spatial concentration of industrial activities and, thereby, increasing the disparity in development across regions in the country. The situation necessitates regional governments to take independent measures for increasing industrial investment in the respective regions.

Besides, the success of economic reforms at the centre depends on the style and speed of implementing market-friendly liberalisation measures of the states as well. State governments will, therefore, be required to have their own policy approaches towards debureaucratisation, fiscal discipline, decontrol, development of physical and social infrastructure, and other measures for creating a conducive climate for industrial location in the respective states. Thus viewed, strategies for industrial development of the states become the concomitance of macro-economic reforms of the centre. In fact, the increasing inter-state competition in recent years in offering fiscal concessions and other incentives for attracting large investments to specific regions can be seen as the manifestation of the state governments' increasing awareness of the importance of independent regional policies for regional industrialisation.

As stated in the *Economic Survey* of 1991-92, the ongoing economic reforms are introduced to "promote efficiency, reduce the bias in favour of excessive capital intensity and encourage employment-oriented pattern of industrialisation". A growth-strategy which is in conformity with the above objectives and is more complementary than competitive to wooing large investments from outside the state, lies in the promotion of modern small-scale industries (hereafter called small industry). The growth of small industry besides resulting in employment-intensive industrialisation and wider dispersal of economic activities ensures maximum exploitation of latent resources, both human and material, in the region. It is, therefore, desirable to design strategies and implement policies and programmes in the states for the growth of small industry in conformity with the ongoing economic reforms of the centre.[1] A prerequisite to such policy formulation is a review of the growth performance of the small industry in the respective states. The review along with a stock-taking of the current problems will uncover the potential as well as the constraints of each state relative to other states and help design strategies for inducing efficiency-based growth of the small industry.

The statistical data required for such review studies are scanty. However, an exploration into the area is now feasible[2] by examining the *Report of the Second Census of Small Scale Industrial Units* (covering units registered up to March 31, 1988) published by the Development Commissioner, Small Scale Industries (hereafter called census report). Although the census report does not directly give comparative statistics on growth performance of the small industry in different states as between 1972-73 (reference period of first census) and 1987-88 (reference period of second census) and relative to all-India, it is possible to generate from it the required data. In particular, such an exercise is timely and may prove useful in the case of Kerala, where for some time the commodity production has been in a crisis of stagnation[3] and efforts are now being made by the state government to speed up the rate of industrial growth.

The review has as its basic objective a comparison of the performance of small industry in Kerala relative to other major states and all-India average. The term smal industry denotes the small-scale units fallin within the purview of the Small Scal Industries Board (SSI Units) whether the are registered or not under the Factory Ac 1948. The units have an upper investmen limit.[4] The growth performance is measure in terms of changes between two time-point in regard to such indicators as number o units, value of production (output), net-valu added (income) and employment.

I
Growth Performance

We could begin with the evaluation of th growth performance of the small industry b recording the changes in selected indicator (Table 1) between 1972-73 (first census) an 1987-88 (second census). The small industr in Kerala did grow in number, but its growt record in net-value addition and employmen creation appeared awfully poor as compare to all-India. The point-to-point annua compound growth rate (ACGR) betwee 1972-73 and 1987-88 in Kerala was less tha one-half in value added, and one-third i employment generation at all-India Naturally, Kerala's share in all-India tota declined in 1987-88 as compared to 1972 73 in respect of almost all relevant growt indicators. Clearly, the tendency to depic Kerala's progress in the development of small scale industries by citing the number of unit registered without noting their dis proportionately poor contribution in term of income and employment should b discouraged; the data on proliferation o units would mystify the progress of smal industry in Kerala.

Average Size

The growth in number without com mensurate growth in other indicators lik investment, employment and value adde (income) meant that the average size of small scale units declined over time. The tendenc was found both in Kerala as well as at th

all-India level (Table 2). By 1987-88 the average size of Kerala units in terms of all the relevant indicators (except employment) was below all-India level whereas, it was higher in 1972-73 in terms of fixed investment and production. Perhaps, the higher average size in terms of employment in Kerala could be seen as a bright facet but the fact that the average size in terms of employment declined from 20 persons in 1972-73 to seven persons in 1987-88 in Kerala as against the corresponding figures of 12 and 6 respectively at all-India was discouraging. The more depressing feature was the decline in average size of units in terms of value of production (output).

Growth Performance in Neighbouring States

At this stage it was instructive to make comparison of the growth performance of Kerala with the neighbouring states of Tamil Nadu and Karnataka as reflected in select indicators (Table 3). The growth of small industry was most remarkable in Karnataka. As a result, Karnataka's share in all-India total increased substantially in all the growth indicators. In particular, its share in all-India output almost doubled whereas, the corresponding shares of Tamil Nadu and Kerala marked the decline. With respect to employment the share of Karnataka almost doubled, that of Tamil Nadu increased marginally and that of Kerala reduced by one-half between 1972-73 and 1987-88. In absolute terms, the small industry remained at the highest level in Tamil Nadu followed by Karnataka and Kerala in that order in south India. In terms of growth performance, however, Karnataka scored over the other two states with Tamil Nadu in the middle and Kerala at the bottom of the performance scale.

Overall, the growth performance of small industry in Kerala was poor as compared to its counterpart in all-India, and neighbouring states (Tamil Nadu and Karnataka). In particular, the average size of the units and factor productivity (both capital productivity and labour productivity) were lower with the result that their contribution to income generation was the least in Kerala. By all major criteria, the relative growth performance of small industry in Kerala remained poor. To wit, the symptoms of the performance-crisis were evident in Kerala small industry. Was this associated with the structure and changes therein?

II
Structural Change

The structural change could be studied by examining the changes in the pattern of distribution by size-groups and product-groups. We first examine the pattern of change in the size-structure.

Size-Structure

Here statistics on investment in plant and machinery for both 1972-73 and 1987-88 would be required. Considering that such statistics for 1972-73 were available only for a limited size-groups the change in structure could be analysed only in terms of three size groups, viz, up to Rs 1 lakh, Rs 1 to 3 lakh, and above Rs 3 lakh (Table 4).

It appeared, the smallest size group (up to Rs 1 lakh) in terms of number of units and value of production declined over the years. The change was in favour of the size-group, Rs 3 lakh and above. To some extent, the pattern of change in size-structure over time reflected the changing definition of 'small' industry. The continued dominance of the 'tiny' units in number as well as production of the small industry was, however, striking. Presumably, the predominance of 'tiny' units might have in general exerted a depressing influence on technological progress and productivity growth in Kerala.

Industry Structure

Another aspect that needed a review in relation to the relatively poor growth performance was the industrial structure. Here, we needed data on growth-indicators by product-groups for 1972-73 and 1987-88. As a very detailed product-groupwise analysis could have the danger of missing the wood for the trees[5] we considered the data at two-digit NIC product-groups. As the data in respect of value added and employment for 1972-73 were not available we carried out the analysis in terms of value of production (output). The value of production for 1987-88 was worked out at 1972-73 prices[6] for estimating the annual compound growth rate between 1972-73 and 1987-88. The pattern of distribution was, however, depicted by the percentage shares of each industry in the total output in 1972-73 and 1987-88 at current prices (Table 5).

As expected, output of different product-groups witnessed varying rates of growth. However, some sectors like basic metals and metal products recorded substantial growth rate between 1972-73 and 1987-88. Yet, more than one-half of total output in 1987-88 was shared by two NIC two-digit product-groups, viz, (1) food products, and (2) wood products. These very two groups along with rubber and plastics, chemicals and metal products accounted for more than 75 per cent of the output in 1972-73 as well as in 1987-88 though *inter se* shares were slightly different between these two time-points. One,

Table 1: Growth of Small Industry in Kerala, 1972-73 and 1987-88

Indicators	Kerala			All-India		
	1972-73	1987-88	ACGR Per Cent	1972-73	1987-88	ACGR Per Cent
No of units in census frame (lakhs)	0.11 (4 30)	0 38 (3.00)	8.62	2.58	9.87	9.36
No pf working units (lakhs)	0.07 (4.40)	0.26 (4 20)	8.86	1 59	5.94	9.18
Fixed assets*	44 00 (5.50)	122 00 (4.20)	7.03	797.00	2926.00	9.06
Plant and machinery*	22.00 (4 00)	66.00 (3.80)	7.60	537.00	1745.00	8.17
Production*	116.00 (4 40)	358.00 (2.60)	7.80	2603.00	13528.00	11.61
Net value added*	36.00 (4.30)	71.00 (2.20)	4.63	841 00	3230.00	9.39
Employment (no lakh)	1.26 (7.60)	1.69 (4.60)	1.98	16.53	36.66	5.45

Notes: * in Rs crore at 1972-73 prices.
ACGR = annual compound growth rate between 1972-73 and 1987-88. Figures in parentheses indicate the percentage share of Kerala in all-India total.
Source: *Report on Census of Small Scale Industry Units, II, 1977 and Report on the Second All-India Census of Small Scale Industrial Units for All-India and Kerala*, Development Commissioner, Small Scale Industries, 1992, Government of India, New Delhi.

Table 2. Average Size of Small Industry, 1972-73 and 1987-88

Indicator	Kerala			All-India		
	1972-73	1987-88	Per Cent Change	1972-73	1987-88	Per Cent Change
Fixed asset Rs	73	46	–38	57	50	–12
Plant and machinery Rs	36	25	-31	38	30	–21
Production Rs	193	137	-29	186	232	+25
Value added Rs	60	27	–55	60	55	-8
Employment (Nos)	20	7	-65	12	6	–50

Note: Rs in thousand, 1972-73 prices.
Source: Table 1.

therefore, can draw the inference that the industrial structure of small industry in Kerala was highly concentrated in 1972-73 and no significant change in the structure took place by 1987-88.

INDUSTRIAL BASE AND DIVERSIFICATION

Another way of looking at the structural change could be the mapping of the industrial base in 1972-73 and noting the changes that took place by 1987-88 in terms of some regional base study concepts like location quotient (LQ) and specialisation coefficient (SQ). The location quotient[7] could be used as a measure of relative regional concentration of a given industry compared to total national magnitude. A region would tend to specialise in those industries for which it would have some comparative advantage. Hence, industries with high location quotient (say LQ>1) could constitute the industrial base of the region. Keeping in view the limited data, LQ and SQ were worked out in terms of value of production (output).

It appears (Table 5) that the industrial base of Kerala small industry was constituted by a few blocks of resource-based industries, viz, food products, wood products, beverages, and rubber in 1972-73, and that more or less the same concentrated pattern (composed of wood products, food products, paper products, rubber products, and non-metallic mineral products) continued to be in 1987-88. Overall, the industrial base in Kerala was narrow and marked by the low share of modern engineering industries even in 1987-88. In other words, there was no significant level of diversification in Kerala during the period under review.

We could get a more precise idea of the extent of industrial diversification relative to national level by working out the specialisation coefficient (SQ)[8] which measured the extent to which a region showed a diversified pattern as compared to all-India. The estimated coefficient for 1987-88 was 0.34 as compared to 0.46 for 1972-73. Obviously, there was some degree of diversification in industrial production in Kerala, but it was far less than at the national level.

III
Current Status and Problems

Where does the foregoing pattern of structural change and growth place the small industry of Kerala? In other words, what is the current status of Kerala small industry in the all-India context? What are its major problems? It is against the backdrop of answers to these questions that one should draw new strategies for the development of small industry in Kerala. We already noted some aspects relevant to the questions under examination. At the cost of some repetition we take an overview of the key parameters of small industry in Kerala in 1987-88 (Table 6).

In 1987-88 there were 25,717 SSI units (small industry) in Kerala engaged in 1,708 products as against corresponding figures of 5,82,368 and 74,449 respectively at all-India. Units in Kerala are organised relatively more as proprietary units (82 per cent) located mostly in rural areas and engaged relatively more in manufacturing (60 per cent) as compared to all-India. Relatively, job work and repair/services were of lesser proportions which probably reflected the lack of engineering industries in the industrial base[9] particularly in the large and medium sectors and the lack of linkages with the small industry in Kerala. The ownership pattern was marked by relatively less involvement of scheduled castes and tribes. However, there was relatively higher involvement of women entrepreneurs in Kerala. Another noteworthy facet was the lower requirements of capital to generate one unit of employment. Also, average wages per employee was marginally less in Kerala as compared to all-India. The comparative picture was sharper in respect of money wages per worker (i e, excluding self-employed and own account workers). The small industry in Kerala was, however, seen to be haunted by some serious problems. In what follows an attempt is made to draw the contours of major problems in Kerala *vis-a-vis* other states (Table 7) and in different two-digit industries (Table 8).

CAPACITY UTILISATION

One major problem was excess capacity or low capacity utilisation. The average level of capacity utilisation defined as that part of the capacity which was utilised by the unit during the year and expressed in terms of percentage was 42.62 in Kerala as against 50.60 all-India. The performance of Kerala was worse than the majority of the states in the country.

Industrywise (Table 8), the rate of capacity utilisation in the dominant industries of Kerala (e g, food products, wood products and rubber products) was relatively lower than at the all-India level. Interestingly, where Kerala showed better performance relative to all-India were in such product-groups as electrical machinery and parts (52 per cent), metal products (47 per cent) and basic metal (46 per cent) (these could be included in the broad category of engineering) which had relatively low shares in the industrial base.

TABLE 3: SOME CHARACTERISTICS OF SMALL INDUSTRY IN KERALA AS COMPARED TO KARNATAKA, TAMIL NADU AND ALL-INDIA

	Years	Kerala	Karnataka	Tamil Nadu	All-India
Units	1972-73	6.20	5.60	16.00	140.60
(No '000)	1987-88	25.70	40.50	57.20	582.40
Employment (lakh)	1972-73	1.26	0.64	2.16	16.50
	1987-88	1.69	2.44	5.36	36.56
Fixed asset (Rs crore)	1972-73	44.00	44.00	111.00	1055.00
	1987-88	387.00	661.00	1086.00	9296.00
Output (Rs crore)	1972-73	115.00	80.00	322.00	7603.00
	1987-88	1136.00	2527.00	4513.00	42972.00
Average size No (employment)	1972-73	20.00	11.00	13.00	12.00
	1987-88	7.00	6.00	9.00	6.00
Average size (Rs '000)	1972-73	70.96	78.57	69.37	75.03
(fixed asset)	1987-88	150.58	163.21	189.86	159.62
Output/fixed asset (Rs lakh)	1972-73	2.61	1.82	2.90	2.47
	1987-88	2.93	3.82	4.16	4.62
Output/employment (Rs)	1972-73	9127.00	12500.00	14907.00	15776.00
	1987-88	67219.00	103566.00	84198.00	117218.00
Employment/fixed asset (lakh)	1972-73	28.63	14.54	19.45	15.63
	1987-88	4.36	3.69	4.93	3.94
Fixed asset/employment (Rs)	1972-73	3492.00	6875.00	5139.00	6394.00
	1987-88	22899.00	27090.00	20261.00	25357.00

Note: Figures in ( ) are relative percentage share in all-India.

TABLE 4: SIZE STRUCTURE OF KERALA SMALL INDUSTRY

Size Class Plant and Machinery Rs lakh	1972-73		1987-88	
	Number of Units	Production (Rs Crore)	Number of Units	Production (Rs Crore)
Upto 1	5691	72.72	20825	420.84
	(92)	(63)	(81)	(37)
1 - 3	386	24.81	3065	277.89
	(6)	(21)	(12)	(24)
3 and above	128	18.11	1827	438.21
	(2)	(16)	(07)	(39)
All size	6205	115.64	25717	1136.94
	(100)	(100)	(100)	(100)

Note: Figures in parentheses are percentages to total.

Was capacity utilisation better in the case of reserved items? Considering that reservation of items for exclusive manufacture in the small-scale sector remained a major policy measure, they should show up a better performance than unreserved items in terms of capacity utilisation. The second census revealed that out of total 846 reserved items in the country only 290 (34 per cent) were produced in Kerala. That accounted for a small share (17 per cent) of the total number of products (1708) manufactured in Kerala small industry. And capacity utilisation (40 per cent) of the units producing the reserved items was not higher, rather it was marginally lower, than that of unreserved items (42 per cent). At all-India level also the capacity utilisation of reserved items (48 per cent) was less than that of unreserved items (50 per cent). It appeared, product reservation as a policy strategy for the promotion of small industry needed a careful re-appraisal.

Employment

Turning to the question of employment generation, in the second census Kerala edged over all-India; during 1987-88 small industry provided employment to 6.6 persons per unit in Kerala as against 6.3 persons all-India. It must, however, be noted that a record better than Kerala was there in one half of the states in the country. Tamil Nadu showed a capacity higher than Kerala in employment generation though Karnataka lagged behind marginally.

In regard to employment, Kerala small industry had another discouraging feature of relatively low proportion of self-employed (14 per cent) as compared to all-India (19 per cent). The states with relatively higher proportion of self-employed were not confined to industrially advanced regions; industrially backward states like Madhya Pradesh, Rajasthan, and Bihar accounted for proportionately larger shares of self-employed in the labour force. To some extent, therefore, self-employment appeared associated with certain societal/cultural traits. And Kerala obviously was not one well endowed with such a trait. Yet, it was interesting to observe that engineering industries attracted relatively more self-employed in Kerala. Plausibly, the trend of technically qualified persons to get engaged in self-employment was picking up. Given the skill profile of the youth, therefore, there would be greater potential for the development of such industries in the small-scale sector in Kerala.

Wages and Productivity

Another feature of particular interest in the case of Kerala was in relation to the wages because the popular notion of Kerala being a high-wage economy continued to prevail and often cited as the basic constraint to industrial growth.[10] As noted earlier, the average money wage paid per employee at all-India level was marginally higher than the corresponding figure for Kerala. Besides, wage rate paid in industrially developed states like Maharashtra, Gujarat and West Bengal and the industrially upcoming states like Uttar Pradesh, Goa and Madhya Pradesh were also higher than what it was in Kerala. Yet, it should not be ignored that annual

Table 5 Distribution of Output and Location Quotient by Product Groups

NIC Code	Output in Rs Lakh 1972-73 Total Output	1972-73 Per Cent Share	1987-88 Total Output	1987-88 Per Cent Share	ACGR (Per Cent) in Output (1972-73 Price)	Location Quotient 1972-73	Location Quotient 1987-88
20 and 21	4893	42.26	44886	39.48	6.44	2.84	1.81
22	56	0.48	572	0.50	7.83	1.70	0.46
26	277	2.18	2774	2.44	6.03	0.40	0.41
27	1317	11.39	17577	15.46	8.16	2 89	3.50
28	440	3 80	5220	4.59	8.57	0.78	1.15
29	31	0 27	218	0.19	8.47	0.08	0.08
30	865	7.48	10360	9.11	9.07	1 29	1.54
31	830	7.18	8666	7.62	7.91	0.54	0.62
32	429	3.71	5616	4.94	9.41	0.77	1.20
33	283	2.45	1887	1.66	10.04	0.22	0.16
34	1320	11 41	7128	6.27	10.04	0.63	0.75
35	272	2.35	1945	1.71	8.00	0.29	0.30
36	194	1 68	2445	2.15	8.00	0.29	0.36
37	194	1 68	953	0.84	8.0[illegible]	0.32	0.33
38	60	0.52	680	0.60	6.5[illegible]	0.22	0.33
97	103	0.89	2748	0.42	na	0.93	1.49
Specialisation coefficient (SQ)						0.46	0.34

Note: For de-coding NIC see Table 8.

Table 6. Key Parameters of Small Industry in 1987-88

(Per Cent)

	Kerala		All-India		Kerala Share in All-India
No of Units					
Census frame	38030	100.0	986861	100 0	3.8
Closed	11763	30.9	304856	30 1	3.9
Working units (data collected)	25717	67.6	582368	59.0	4.4
Category Nos					
Small scale	24703	96.0	560470	96.2	4.4
Ancillary	7	0.4	3029	0.5	3.2
Service estt	917	3.6	18869	3.2	4.8
Activity Nos					
Manufacturing	15580	60.5	292301	50.2	5.3
Processing	3849	15.0	88711	15.2	4.3
Job work	2033	7.9	70399	12 1	2.8
Repair/service	2209	8.6	83118	14.3	2.6
Combination	2046	8.0	47839	8.2	4.3
Organisation Nos					
Proprietary	21202	82 4	468717	80.5	4.5
Partnership	3787	14.7	98049	16 4	3 9
Limited company	296	1 1	12283	2.0	2.4
Co-operative	301	1.2	1702	0.3	17.7
Ownership Nos					
SC and ST	366	1 4	13862	2.4	2.6
Women	3542	13 8	44759	7.7	8.0
Location Nos					
Rural	18093	70 4	245573	42.2	7 4
No of Products	1708		7449		22.9
Performance Ratios					
CU (per cent)	42 62		50.60		
FI/Emp (Rs lakh)	0 23		0 25		
Emp/FI (Nos)	4 31		3 94		
Output/FI (Rs lakh)	2 73		4 62		
NVA/FI (Rs lakh)	0 58		1.10		
NVA/Emp (Rs)	13403		27990		
Wages per emp (Rs)	5668		6270		
Wages per worker (Rs)	6603		7725		
WC/output (per cent)	12 52		17 33		
Export/output (per cent)	14 72		5 82		

Note: CU = Capacity utilisation, FI = Fixed investment (Rs lakh), EMP = Employment, NVA = Net value added; WC = Working capital

wages paid per employee in the neighbouring states of Karnataka and Tamil Nadu were marginally lower which could make Kerala relatively less attractive for industrial investment.

Plausibly, the lower average wage rate in Kerala as compared to all-India was due to the predominance of low-wage traditional and resource-based industries in its industrial structure. But industrywise details (Table 8) showed that the wage-rate in Kerala was higher than all-India average only in three out of 16 NIC two-digit groups. In modern engineering industries (e g, electrical machinery and parts, machinery and parts (except electrical, and metal products) the average wage rate paid in Kerala was not higher than the all-India level. In a general sense, therefore, the census did not lend empirical support to the popular notion of Kerala as a high-wage region.

Yet, it must be underlined that the census data did not dismiss the wage cost as a constraining factor in the growth of the small industry in Kerala. For, average money wages *per se* was not what mattered in investment decisions. What would matter to the entrepreneurs was the wage-productivity relationship. The share of wages in the net value added would, therefore, be the relevant parameter for considering the wage-cost hypothesis. Thus viewed, Kerala was one among the few states with high proportion of wages in the value added (Table 7). The share of wages in value added in Kerala was much higher than what it was in neighbouring states as well as other industrially developed states including West Bengal. In Kerala the wage share in value added on an average (42 per cent) was nearly twice as high as the all-India (22 per cent) level. Apparently, wage-productivity relationship in Kerala was found to be relatively unfavourable for prospective investment in the small industry.

A comparison of Kerala's record with other major states showed its relatively poor performance in capital productivity: net value added per one lakh rupee fixed investment in 1987-88 was Rs 0.59 lakh and only seven states were placed below the Kerala level. The situation was not much different with respect to labour productivity. Only three states in the country recorded labour productivity (net value added per employee) less than the level in Kerala. In all others labour productivity was higher than Kerala level. By industry-group, the labour productivity was relatively lower in food products, wood products and non-metallic products, which constituted the core of the small industry base in Kerala. Also the labour productivity in these industries in Kerala was much lower than the counterparts at all-India.

What accounted for the poor factor productivity? Was it due to inappropriate work-organisation, pampered work culture, outdated capital equipment or outmoded technology? The census data did not help us to answer the question. The analysis of productivity constituted an area where detailed studies would be required for policy formulation.

'Sickness': Closed Units

Another major problem of policy interest was the 'sickness' in small industry. How seriously was Kerala small industry afflicted by sickness? The census did not collect the required data to see 'sickness' in terms of cash loss/net-worth relationship, payment default, etc, as is generally done. However, it did give details about the closed units which could be used to reflect in some measure upon the gravity of 'sickness'. For, the closed (dead) ones must have been generally the 'sick' ones. It was a consolation that closed unit as a per cent of working units (proxy for incidence of industrial sickness) was of lower magnitude in Kerala (46 per cent) as compared to all India (52 per cent). The number of closed units as per cent of working units was below Kerala level in more than one half of the states in the country. Interestingly, the incidence was relatively low in the modern engineering industries (e g, metal products, machinery (other than electrical), and electrical machinery) in Kerala as compared to all-India. By inference, the potential for healthy development of engineering industries appeared high in Kerala.

Yet more interesting was the pattern of reasons for the closure (Table 9). Unlike the popular belief, it was not the labour problem that plagued the small industry in Kerala. The more frequent cause of closure was due to financial problems. The closure due to financial problems (62 per cent) in Kerala was nearly twice that of all-India (35 per cent). This was also reflected in the composition of working capital of small industry in Kerala. Although the ratio of working capital to turnover (production) in Kerala was marginally less (13 per cent) as compared to all-India level (17 per cent), the proportion of Physical working capital was of higher order with a figure of 82 per cent in Kerala as against 78 per cent at all-India. Presumably, given the location far down the south of the country and lack of a diversified industrial base and scaler linkages within the region, the small units in Kerala were generally required to block capital for inventory accumulation even if it was uneconomic. To some measure, therefore, structural factors contributed more to industrial sickness and death (closure) in Kerala than at all-India.

Performance Crisis

Our attempt at reviewing the relative growth and structural change of small indus-

Table 7: Performance Indicators, by States 1987-88

States	Per Unit Emp	Wage Share in NVA Per Cent	Self-Employed as Per Cent Total Employed	Wages Per Employee (Rs '000)	NVA Per Employee (Rs '000)	NVA Per Rs 1 Lakh FI	CU Per Cent	Closed as Per Cent Working
Early industrialised states								
Gujarat	8.04	34.64	19.73	6.63	19.13	0.60	44.84	55.08
Maharashtra	11.92	15.38	11.83	10.74	69.83	1.97	74.60	36.59
Tamil Nadu	9.38	30.63	12.55	5.53	18.05	0.89	72.69	43.39
West Bengal	6.79	35.85	16.18	5.69	15.87	1.15	35.95	79.66
Late industrialised states								
Punjab	4.55	20.41	30.52	5.39	26.41	0.96	63.06	47.86
Haryana	4.52	14.03	28.73	5.79	41.29	1.23	39.33	89.83
Karnataka	6.02	13.84	21.58	5.40	39.03	1.44	52.64	36.10
Industrialising states								
Andhra Pradesh	7.04	16.95	15.55	5.37	31.69	1.40	51.28	37.78
Assam	7.78	38.08	10.43	5.78	15.17	0.56	19.31	39.10
Bihar	5.22	34.40	20.99	4.53	13.16	0.72	37.47	42.54
Himachal Pradesh	3.66	34.30	28.77	5.68	16.56	0.52	29.96	40.90
Jammu and Kashmir	4.48	29.44	25.75	5.89	20.01	0.72	48.29	44.39
Kerala	6.58	42.30	14.16	5.67	13.40	0.59	42.62	45.74
Madhya Pradesh	2.15	14.95	38.94	6.47	43.29	2.64	46.20	48.01
Orissa	8.36	19.45	13.37	4.97	25.56	1.13	28.70	43.53
Rajasthan	4.22	27.85	30.95	4.62	16.57	0.56	57.30	60.35
Uttar Pradesh	6.55	37.79	18.93	6.04	15.99	0.57	40.27	69.91
Manipur	4.92	62.90	18.29	5.01	7.97	0.39	65.37	8.13
Meghalay	6.44	47.12	16.01	9.10	19.31	0.82	55.25	23.17
Nagaland	16.72	1.93	5.36	5.52	28.53	12.02	46.29	45.36
Tripura	12.45	47.07	7.72	4.39	9.33	0.64	40.76	74.54
Sikkim	15.65	16.59	7.07	7.26	43.76	0.58	51.38	54.55
Arunachal Pradesh	8.50	30.41	11.91	6.89	22.66	0.89	51.23	11.04
Goa	7.19	29.34	15.22	7.29	24.84	0.67	53.44	34.52
Mizoram	4.61	97.53	22.40	6.54	6.70	0.20	71.88	33.37
All-India	6.29	22.40	18.80	6.27	27.99	1.10	50.60	51.75

Note: CU = Capacity utilisation; NVA = Net value added; FI = Fixed investment; Emp = Employment.

try in Kerala has underlined *inter alia* its poor performance record as compared to neighbouring states or industrially advanced states or all-India. It also has highlighted some of the major problems that the small industry in Kerala are faced with. Particular mention may be made here of the relatively small size, low capacity utilisation, low factor productivity, unfavourable wage-productivity relationship and industrial 'sickness' (closure) due to severe financial and marketing problems. Thus, the signs of the performance crisis are seen in the small industry.

Our review suggests that the performance crisis cannot be explained away in terms of some unfavourable regional factors (like high money wages and trade union militancy) *per se* but has to be seen in the light of the weakness of size-structure, industry mix and other structural factors. By inference, the strategies and policies hitherto followed in the state have been ineffective to tackle the structural problems of the small industry and to facilitate its growth. It stands to logic that a change in the growth-strategies is now needed. The ongoing process of structural reforms of the centre gives an urgency to the change and to the task of designing new growth-strategies of the state government. The new strategy should aim *inter alia*, to remove structural constraints of the type uncovered by our review and help the units to reap economies of scope, sectoral-linkages and agglomeration so as to ensure the conditions for efficiency-based growth of the small industry in Kerala.

It is beyond the scope of this paper to go into the difficult terrain of strategy formulation. Yet, it may be relevant to mark the goals, which the plausible approaches should aim at. The central thrust of the government strategy hitherto has been one of promoting the proliferation of small-scale units by protective and promotional (regulatory) measures implemented through an elaborate but cumbersome system of institutional structures. This general growth strategy, which is based on the relative efficiency of large vs small question, is not of much help today because it implicitly assumes the independent existence of the small industry. The fact, however, is that the survival, performance and growth of small firms depend upon whether they led an isolated, or dependent, or inter-dependent existence [Kashyap 1992]. In the small industry, the hard thing is not being small but being lonely [Dale 1991]. It is the relationships among the samll firms and with the rest of the world that create the environment for survival and successful operation of the small industry. Although these relationships are largely based on the endogenous impulses of the firms to the socio-cultural factors and economic compulsions, these can be influenced by such government policies that induce the organisational forms and the related technological orientation and labour standards. Therefore, one crucial aspect of growth strategy for Kerala is to influence the organisational forms that establish relationship of inter-firm, inter-scale and inter-product inter-dependencies which help in reaping economies (internal and external) through division of labour (specialisation) and in expanding production possibility frontiers through innovations.

It follows that one strategy option for Kerala is the promotion of small industry on organisational patterns (e g, sub-contracting)

TABLE 8: INDUSTRYWISE PERFORMANCE INDICATORS 1987-88

NIC COD	Wage Share in NVA (Per Cent)		Self Employee As Per Cent Employee		Annual Wages Per Employee (Rs '000)		NVA Per Employee (Rs '000)		NVA per Rs 1 Lakh FI		CU Per Cent		Closed Per Cent Working Units	
	Ker	Ind	Ker	Ind	Ker	Ind	Ker	Ind	Ker	Ind	Ker	Ind	Ker	Ind
20 and 21	26	18	10	22	4	5	13	25	0.8	1.0	38	48	35	36
22	17	16	32	6	4	4	24	24	0.8	2.0	45	60	39	56
26	47	24	15	22	4	7	9	27	0 8	2.0	28	69	69	63
27	47	20	13	27	6	5	12	25	0.5	1.0	45	48	42	43
28	61	26	19	20	6	7	9	27	0 2	1.0	48	60	28	40
29	78	13	31	33	5	6	6	46	0.4	3.0	54	79	90	55
30	28	23	19	17	7	7	17	31	0.5	1.0	49	58	51	78
31	30	14	13	11	7	7	21	51	0.8	2.0	51	53	92	89
32	74	36	7	9	6	4	8	12	0.5	1.0	48	49	52	64
33	45	20	11	11	8	8	16	43	0 4	1.0	46	43	56	64
34	52	23	19	21	7	7	14	30	0.5	1 0	47	43	52	63
35	47	34	21	19	8	8	16	25	0.5	1.0	48	62	44	49
36	26	22	13	12	8	10	31	44	1.0	1.0	52	42	51	62
37	36	33	14	15	9	8	25	26	0.7	1.0	49	60	59	52
38	55	15	15	17	6	6	11	44	0.5	2.0	40	41	70	65
97	52	93	26	44	6	4	11	5	0.4	–	52	62	25	36
OT														
All	42	22	14	19	6	6	13	28	0.6	1.1	43	51	46	52

Ker = Kerala
Ind = India
Industry group Codes at 2 digit NIC

20 and 21	food products
22	Beverages, tobacco and products
26	hosiery and readymade garments
27	wood products
28	paper and paper products
29	leather and leather products
30	rubber and plastic products
31	chemical and chemical products
32	non-metallic mineral products
33	basic metal products
34	metal products
35	machinery and parts except elect
36	electrical machinery and apparatus
37	transport equipment and parts
38	misc manufacturing
97	repair services
OT	others
All	

based on inter-sectoral and inter-scaler linkages by building up a diversified industrial structure in Kerala. However, the success of such a strategy would largely depend upon the feasibility of developing a strong and diversified large-scale sector within the region based on 'foreign' (including big national capitalists) investment!

There may also be scope for trying out, if not as an alternative but as complementary of the above, another strategy of developing space-bound clusters of small-scale industries taking into account the regional specificities of raw material and skill availability and taking advantage of economies of scope and agglomeration. A strategy of promoting space-bound clusters of small firms where each cluster is related to a specialised industry as in the southern Italy's 'industrial districts' merits consideration for Kerala. The hall marks of Italian industrial districts are traits like clustering of product-specific small firms, flexibility of product and labour markets, availability of common services and pooling of local resources, product innovation and technological change on a continuous basis [for detail, see, Taub and Taub 1989; Sengenberger et al 1991, and Pyke et al 1990]. Such a pattern of organisation with its extensive division of labour and externalities not only reduces the entry cost but is also conducive to 'collective' efficiency, with the result that small firms can not only exist but can do so with efficiency and growth [Kashyap 1992]. Though detailed studies are needed to assess the potential, it seems, there is ample scope for developing small industry in Kerala on the basis of the comparative advantage the region has in specific skills and resources for specialisation in the production of specific industries (e g, engineering, electronics, softwares, rubber products, and modern agro-based industries) by organising the units into space-bound clusters as in industrial parks/districts.

To conclude, there are clear symptoms of the performance crisis in Kerala small industry. A change in the growth-strategies is, therefore, needed. The introduction of the liberal policy regime at the centre has added the urgency to the change and the task of designing new growth-strategies for Kerala. In this regard, many crucial strategy questions come up. One is this: how to induce organisational forms whereby small firms can overcome the limitations imposed by concentrated industry-structure, tiny size, and technological backwardness without being subjected to dependent relationship. Also, how can the regional government, instead of directly intervening with the usual bureaucratic attitude, play a market-friendly role as a facilitator from a distance for ensuring competition as well as co-operation, adequate support-structures and community services, and local institutions for industrial peace and innovations so that factor productivity is enhanced and the growth of employment, output and export is maintained on the basis 'collective' efficiency by the modern small industry in Kerala.

Notes

1 This conclusion for Kerala is based on the research findings reported in the authors' CDS Working Paper (1993).

2 Recently, Sandesara (1993) has attempted a review of the progress at all-India level based on the census data. The present paper dealing with Kerala follows a similar approach.

3 See the set of research articles on 'Kerala's economic performance published in the *Economic and Political Weekly*, September 1-8 and 15, 1990.

4 The upper limit prescribed by the government changed many times. The ceiling in investment of plant and machinery (original value) was Rs 7 5 lakh for small scale and if ancillary Rs 10 lakh in 1972-73 and Rs 35 lakh and Rs 45 lakh respectively in 1987-88. The limit was revised to Rs 60 lakh for small-scale industries and Rs 75 lakh for ancillary industries in 1991

5 Sandesara op cit.

6 Wholesale price index of manufactured products was used for working out deflation factor,

7 Location quotient (LQ) was expressed as:
$LQ = (X_{ij}/X_j) / (X_i/X_N)$
where, X = relevant growth variable (e g, output)
i = ith industry
j = jth region
N = national total

8 SQ is expressed as: $SQ = \pm \Sigma \{ (X_{ij}/X_j) - (X_i/X_N) \}$
If a region was as diversified as the nation, SQ would be zero while if all its industrial activity were concentrated in an industry which in turn concentrated in that region only, SQ will be equal to zero. SQ nearer the zero more diversified the region and vice versa.

9 For evidence see K K Subrahmanian, 1990.

10 The Report of the High Level Committee of the Planning Board, Government of Kerala (1984) advanced the high wage cost as the basic cause of industrial backwardness in Kerala. Subrahmanian and Pillai (1986) rejected the wage-cost hypothesis as the dominant explanation of industrial stagnation by showing the findings to the contrary in the case of ASI factory sector. Based on the data derived for ASI sample sector Thampi (1990) emphasised the validity of high wage cost hypothesis in the factory-registered small-scale sector in Kerala. The notion of Kerala as high wage economy continues to prevail.

TABLE 9: REASONS FOR CLOSURE

Reasons	No of Units Closed			
	At the End 1980		At the End 1988	
	Kerala	India	Kerala	India
Labour problems	45	968	371	6777
	(3.3)	(2.6)	(3.2)	(2.2)
Dispute among owners	31	1798	186	11023
	(2 3)	(9.6)	(1.6)	(3.6)
Raw material problem	49	2516	441	17016
	(3.6)	(6 7)	(3.7)	(5.6)
Finance problem	844	1090	7244	104668
	(61 8)	(29 2)	(61.6)	(34.7)
Marketing problem	99	4237	1043	43451
	(7.3)	(11 4)	(8.9)	(14.4)
Natural calamity	5	1477	60	10255
	(0 3)	(3 9)	(0 5)	(3.4)
Combined reasons	108	6788	1185	49738
	(7 9)	(18.2)	(10.1)	(16.5)
Others	183	8616	1233	58468
	(13.4)	(23.1)	(10.5)	(19.4)
Total	1364	37281	11763	301390
	(100.0)	(100.0)	(100.0)	(100.0)

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Ecocide or Eco-Ethic?

Rudolf C Heredia

IF there is one thing the Rio summit brought home to the third world, it was the Machiavellian primacy of politics over ethics. For, in the final analysis it was the more powerful noises that seemed to have prevailed, not the more reasonable and just causes that were heard and listened. The follow up to the summit seems only to reinforce this.

If, as L Balasubramanian observes, "the current thinking in the Indian environmental camp seems to be to capture political power at various stages of the political system", then it can hardly help to redress this balance in favour of ethics over politics. Again, if indeed "there is very little evidence of Indian environmentalists having even begun to address the problem of evolving a value system for their movement", it seems a little Quixotic to suggest that "environmentalism which has so far been developing as a new scientific discipline... has to transform itself into a modern religion...so encompassing and appealing as to make existing religions and their value systems superfluous" [1] For, authentic religions traditions cut much deeper than a political ideology, and cannot be produced by the dictate of some despot or party vanguard. And yet the urgency to develop and promote an environmental ethic with a coherent value system, one that goes beyond taboos and prohibitions to be meaningful and motivating in our present crisis, cannot be dismissed.

However, environmental ethics is still a problematic area, the more so when we realise that the ecological crisis we have precipitated both globally and locally is really the culmination of the many unresolved crises of our world, a world fragmented and disoriented, violent and alienating. We have shocked ourselves into realising how critically and crucially dependent we are on our fragile and fine-tuned environment, and how false and arrogant our presumed subjection of, and dominance over it really is. But, to adequately respond to such a crisis, we must grasp the deeper meaning it implies: that if we do not live in harmony with our environment we cannot live at peace with each other either.

For exploitation and greed *ad extra*, towards the ecological community cannot but precipitate the same *ad intra*, towards the human community, and vice versa. Indeed, it can be argued, that the root cause of the degradation and disintegration in the ecological community is the projection into it of the aggressive exploitation and oppressive alienation structured into our society. All human communities must live in and off their environment. Ecological crises were not unknown in earlier civilisations. However, we seem to repeat such history on a much grander scale. For the first time in human history, we seem capable of 'ecocide', destroying the entire ecological community altogether.

Now if the relationship of human societies to their environment is always a mediated one, this is firstly through their technology which interfaces directly with this environment. Technology does have a dynamic of its own, but at a deeper level it is oriented by other socio-cultural systems of a society. It is in this 'design for living' that ultimate human concerns are expressed in a world-view or *Weltanschauung*. The present ecological crisis, then, is forcing us back to such ultimate concerns, and any viable ecological ethic, must measure up to, and express these.

An ethic, as we understand the term, is a configuration of value preferences and behavioural norms, attitudinal orientations and motivating symbols, put together in an historical context for a specific people over time. The relationship between such an ethic to the structure and functioning of a society is certainly problematic, whether we speak of a religious ethic, like the Protestant or the Hindu one; or a secular one, like a work ethic or an ecological one. But to imagine that there is no relationship between the two is to espouse a superficial and mechanical analysis of society. Here we will attempt to sketch an eco-ethic which hopefully can restrain us from 'ecocide'.

Responses

Few people would argue that our response to the present ecological crisis has been adequate or effective. For, on the one hand, it is true that scientific environmentalism does not get beyond a technological fix, which is at best temporary and at worst superficial. On the other hand, deep ecology often gets lost in a muddled mysticism that is at best ideologically shallow and at worst politically ineffective. Moreover, while the attempt of green politics to bring together "ecology, social responsibility, grass roots democracy and non-violence",[2] has in places developed into a movement, it is as yet very far from inspiring an ecological ethic for a society. Some efforts have been made in this direction, but they have not really been effective in clearing the ground of prevailing misconceptions let alone establishing the basis for an ecological world view, a *Weltanschauung*.

Thus the 'myth of progress' still seduces us by promising a utopia of limitless growth. Indeed, in our consumerist society, it is not "religion but growth that has become the opium of the people".[3] In reaction to this there has developed a 'romantic primitivism', which idealises a 'back to nature' odyssey in response to our present problems. But neither of these can save us from the consumerist trap in which we are caught, or the downward spiral of poverty from which the poor seem to have no escape, or the 'tragedy of the commons' that is already overtaking us now, or the free rider theorem undermining distributive justice.

Indeed, where the ethical understanding of a society is itself based on utilitarian individualism, it cannot be an adequate foundation for an environmental ethic, which must involve the relationship of the community as a whole to its habitat, and not just be concerned with individuals in isolation. This is precisely the basic fallacy of the market mechanism and the invisible hand: the assumption that the good of individuals separately can be aggregated into the good of the community collectively. That is why such individualistic "freedom in community brings ruin to all".[4]

A value premised non-utilitarian ethic must be derived from a corresponding world-view. We would urge the following dimensions for such an ecological *Weltanschauung* to found an ethic adequate to our present crisis.

Firstly, *human fellowship*, not just between us in the human community but extended to the entire ecological one as well, to include the biotic and even the cosmic. Secondly, *cosmic evolution*, in which all of creation plays its part, each its own, and in which human beings, though still at the cutting edge of this process, are always 'a part' of the whole and not 'apart' from it. Thirdly, relationship to some transcendent or *ultimate reality* that will give meaning and value to our world lest we fall into the kind of anthropocentrism, that has been the bane of ecological thinking. We need to go beyond this without falling into a fragmented relativism that has little motivating force.

In the final analysis our ecological world-view must face up to the ultimate concerns of survival and salvation. And if by religion we understand, with Paul Tillich, "what

ultimately concerns man", then, our ecological *Weltanschauung* must have some religious grounding if it is to be both popular and profound. This does not mean that "environmentalism must develop for itself...the complete spectrum or religious paraphernalia".[5] Rather some radical and daring reinterpretations would be more appropriate here. Eco-ethics can thus still be scientific and secular even as they take on an enlightened and progressive religious motivation and support.

Thus the story of creation in the semitic religions must be reinterpreted to mean not dominance, and subjugation of the earth, which only traps us in an ecologically insensitive anthropocentrism, but a companionship with, and a responsibility for all creation in our common 'creatureliness', which would be more biocentric. The commanding Hindu metaphor of the world as the body of god, deriving from the ancient *Rigvedic* myth of a cosmic person ('purusha'), can dramatise for us this reality as the very ground of our being, without the escapism of an 'other worldly' 'moksha', or the fatalism of a this worldly 'karma'.

This *Weltanschauung*, of human fellowship, cosmic evolution and transcendent reality, must indeed be spelt out into an eco-ethic which is both down to earth and meaningfully motivating. Such an eco-ethic cannot be effective merely as a matter of personal morality. It must be articulated and structured in the values and norms, the attitudes and motivations of a society. What we need is a new paradigm for society, supported and maintained by such an ethic. We here indicate some of the essential parameters of such a paradigm corresponding to the three dimensions of our eco-world-view.

Firstly, human fellowship must be expressed in the primacy of the common good, understood as those conditions that make it possible for the members of the community to achieve the fulfilment of their nature. This goes beyond a utilitarian calculus of the greatest good for the greatest number, and must be foundational for our paradigm. Further, to achieve this common good a society must be structured on the principle of subsidiarity and its obverse, i e, neither abrogating authority upwards for what we can do at lower levels of a community, nor abdicating responsibility downward for what must be done at higher levels.

The values supportive of such subsidiary are expressed by 'solidarity', a term which here attempts to encompass our inter-relationships and inter-dependence, as well as each one's individuality, and uniqueness. Ideally such a society would be egalitarian and participative for it would not be a mass society but one on a human scale, concerned with 'being' rather than 'having', to use a distinction from Eric Fromm, a community of free persons, where, as Marx has said, the freedom of each must be the condition of the freedom of all.

Secondly, cosmic evolution must mean a regenerative development. For such a society growth would be not just sustainable, but regenerative as well. This implies more than just leaving the environment uncompromised by degradation and pollution, but renewing it to create a new earth community—to reach beyond our grasp. Such development can of course only be in terms of a qualitative growth not merely a quantitative change, a "limitation of the empire of necessity and the widening of the sphere of freedom", in Christopher Dawson's words.[6] For this we must learn from the Taoist ethic of frugality, of "grace without waste", and not merely a contractual ethic of accommodation.

Thirdly, a relationship to a transcendent or ultimate reality in the context of this human fellowship and the developmental process must leave no room for a metaphysical pessimism of the myth of the eternal return. Rather it must be expressed in terms of a *purposeful teleology* that will help us to take responsibility for our future. Ernst Bloch's *Philosophy of Hope* could be of help here.

The common good, regenerative development and purposeful technology must be elaborated further into a charter of human rights and cosmic duties. The first deriving from Roman law and articulated in Kantian terms in the west is the foundation for idea of inalienable rights. But this must be checked and balanced by the second, which can be found in the complex Indian tradition of dharma, as the performance of duty that keeps the world in right order and harmony. Together these help to break away from a one-sided ethic, be it anthropocentric, biocentric or cosmocentric, to a more holistic ecological one.

Too often the immediate urgency of the ecological crisis displaces issues of ultimate concern, with which we must come to terms for any creative solution to our present crisis, rather than merely a superficial fix, technological, political or otherwise. Of course, our response to the ecological crisis must find a social expression that effectively impinges on, and restructures our society. It cannot be just a matter of individual morality. For unless we overcome the alienation and anomie of our human community, we can hardly expect to live in peace and harmony in the ecological one.

James Gleick writing on *Chaos* speaks of the "butterfly effect"; an inconsequential cause precipitating gratuitously disproportionate consequences. Thus he explains how the flap of a butterfly's wing in Tokyo might upset a delicate meteorological balance and precipitate a cascade of effects that finally result in a hurricane in Havana! In facing the overwhelming ecological crisis that confronts us today, we can still hope that we "act locally", and even though it may seem as inconsequential as the beat of a butterfly's wing, we may still be able to provoke people to "think globally", and so revolutionise our ecological consciousness precipitating a new ecological ethic.

Ultimately our relationship to our world, as Bernard Lonergan[7] remarks, is "mediated by meaning and motivated by value". But if such mediation is to result in a lasting and effective ethic, then it must be symbolically expressed in social rituals, and in common images. This is what gives popular religion its enduring influence. We are not about to advocate an eco-religion. Better a sound secular ethic than a pseudo-religious one. However, we still are a long way from either. Perhaps the rite of a common meal, a "sahabhojan", building up the life of the commonweal could be the beginning of a ecological ritual that would symbolise and effect our common union with each other and the world around. We need also a myth, a new creation story to re-enchant the world for us, to re-enact and dramatise our place in the cosmos and our relationship to it. All this can be essentially secularly and rationally scientific without being irreligious or pseudo.

As yet we have no much common ecological myths or rituals. But we do have a compelling image of our planet in our space age world: a beautiful and fragile blue sphere, floating free and precariously in the dark of empty space. This is our Gaia that we have violated and now waits to be healed, that we have degraded and now wants to be renewed. Hopefully we still have a chance to make it a place where children can play, where laughter can be heard, and where we can all dance to the music of the universe, and watch the earth-rise to, not the sunset on, our future!

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Population and New World Order

Western governments and UN agencies are proclaiming that population growth must be controlled in the interests of development and for the sake of women's rights. But the question which will be vocalised in the alternative NGO conference parallelling the International Conference on Population and Development at Cairo next month will be whether women really have any say in the population control strategies being evolved ostensibly for their well-being. **2201**

The national population policy draft submitted to the government by a high level expert group is not only heavily biased against women but will, if its recommendations are implemented, lead to a centralisation of power and authority. **2189**

Implementing Reform

If South Korea shows that the state can effectively intervene in the economy, the examples of Chile, Argentina and Mexico suggest that turning all decision-making over to the market can backfire. What will happen in India remains to be seen. **2209**

Forests vs People

The recent state initiatives in the forestry sector, such as the proposed Forest Act, seek to continue a century-old process of discriminating against the rural, and especially tribal, poor which will lead inevitably to an escalating conflict between forest communities and the state. **2192**

Burden of Debt

India's external debt has not only grown rapidly over the 1980s, but has been contracted on increasingly hard terms. What are the reasons for the surge in the debt and its servicing burden? **2232**

No Credit

Reports indicate that the full beneficial impact of the good monsoon will not be realised for want of bank credit to farmers. This calls for urgent corrective action. **2197**

Visual Impact

A recent report by a group of child psychologists in Britain shows that there is a definite link between violence portrayed on television and aggression in children. **2198**

De-Islamisation

The mass conversions of Muslims to Hinduism, which have largely occurred in the backward regions of northern India where brahminism has not yet been challenged by assertive 'lower' castes, have generally focused on the process of de-Islamisation rather than on acceptance and assimilation of the Hindu religion. **2214**

Keynesiana

A question which has teased many a curious mind is what triggered Keynes's interest in India. **2205**

Water for All

The people of Saurashtra have, this summer, taken the initiative to evolve a sustainable means of overcoming the perennial water crisis in the region. **2199**

Too Close

The central problem that has both constrained and distorted the performance of public enterprises in this country is an unhealthily close dysfunctional relationship between them and the government, preventing the enterprises from functioning in a business-like manner. **2246**

Signals of Corruption

THE prime minister, P V Narasimha Rao, while turning down the demand of Congress members of the parliament for taking action against S Venkitramanan, former Reserve Bank of Governor, for his involvement in the bank scam, is reported to have indicated that the government of India taking any action against Venkitramanan would send wrong signals abroad and hurt the country's image in the international community. He parried by asking his colleagues: "Have you thought of the reactions of other countries if we sent a former governor of our Reserve Bank to jail?" To his colleagues from Maharashtra his onslaught was more direct. He quipped: "Why should the government submit to the opposition pressure? Once you start yielding, there will be no end to yielding. It will set off a chain reaction and you will have to face a similar situation in Maharashtra as well. Are you prepared for that?" The Maharashtra MPs were totally disarmed by the PM's counter-offensive. They realised that they shall have to keep their mouth shut to protect their chief minister.

The people of India still have no idea of what signals the government would like to send to other countries and especially to the rich countries. If recent government decisions and actions can give hints on the working of the mind of the prime minister and his ministers, they are these. They want to tell the world that though frauds and scams abound in India because of the complicity and failure of the ministers and the administrators, no action would be taken against them and they would be continued in the same positions which provided to them the opportunity to perpetrate massive frauds on the people of India. Ministers and administrators are indemnified against any enquiry and prosecution for wrong doing, complicity or dereliction of duty.

The prime minister wants to tell the world that the government is not concerned about corruption albeit it would like the foreign business houses to indulge in corruption for obtaining extra territorial and extra legal concessions from the government as such an approach would ultimately provide to the ministers and administrators additional grounds to make money through corruption, nepotism and favouritism.

The prime minister wants to send signals all over the world that giant business houses wanting to enter Indian market would have all the opportunity to mop up unprecedented profits, much higher than they have ever dreamt of realising in their own country. They would further be protected through government assurances and guarantees even though such guarantees are bound to spell disaster to the country. He wants to tell the world that the foreign business houses will be given special facilities, denied to Indian entrepreneurs all throughout, to collect jacked-up capital costs from India and to charge anything for the services and goods that they may develop in the country.

KISAN MEHTA

Bombay

Controlling Tobacco Use

RAJESH KUMAR (July 16) has stressed on legislation, taxation, administration and education as an approach to the solution of the problems caused by tobacco. However, he has forgotten that the attachment to the use of tobacco is more psychological than a habit. A person, addicted to tobacco is generally hesitant to give up the habit even if he suffers from it. No education or legislation or other solutions will persuade such a person to give up tobacco.

In Bihar, Orissa, West Bengal and UP, persons are more prone to chewing tobacco which is also a matter of social status. For example, a school teacher will say in Orissa that it is his profession which forces him to chew 'paan'. Private surveys indicate that in Orissa around 95 per cent of school teachers and 65-75 per cent of state government employees chew 'paan' habitually. In Bihar it is 'khaini' and in other states there are forms of tobacco which are not taboo. While the economic burden may restrict a person's tobacco habit it cannot cure the person completely. Hence, taxation, is not going to curb the problem.

The most practical solution lies in the establishment of de-addiction centres, in addition to the solutions suggested by Rajesh Kumar. Both the educated and the illiterate are aware of the fact that tobacco is harmful, yet they have not the courage to kick the habit. The establishment of de-addiction centres for tobacco users may involve a high investment but in terms of national health, productivity and an improved standard of living, the returns will also be very good. Co-operation between the government and the NGOs on this will be desirable. The centres will provide a good solution because: As tobacco is not socially taboo, people will not mind visiting de-addiction centres; users generally want to give up the habit but cannot do so on their own—the centres can provide right guidance to them; and often giving up one form of tobacco use leads the person to use another form which can be prevented at de-addiction centres. However, the de-addiction centres should be exclusively for tobacco. If combined with other centres for drug or alcohol abuse the very aim will be hampered and will not serve the purpose.

MANOJ KUMAR SAHOO

Bhubaneswar

In Custody

"WHERE law ends tyranny begins" observes the constitutional bench of the Supreme Court in its majority judgment upholding the constitutional validity of the Terrorist and Disruptive Activities (Prevention) Act, 1985. The irony of the statement, not surprisingly, completely escaped the honourable judges who were deliberating on an act which represents the single most tyrannical means of oppression the state has armed itself with on the pretext of protecting national interest. The TADA, its promulgation, its continued extension and its extensive use, underlines the failure of the democratic polity and an abdication of responsibility by the judicial system. It has taken nine years and 400 writ petitions for the apex court to uphold the constitutionality of the act. Nine years in which the act originally applicable in two union territories and four states as a temporary measure to deal with what was construed to be an extraordinary situation in order to protect the 'unity and integrity of the country' has been repeatedly extended and has now been invoked in 23 states of the union. Nine years in which the act has been blatantly misused to tyrannise the powerless—the minorities, political dissenters, tribal groups, petty offenders and anyone who poses a threat, however temporary or mild, to the state and its minions.

The myth that was created to justify the necessity of this bit of legislation in the first place was that the existing criminal procedures were insufficient and inadequate to deal with the situation created in the wake of the Khalistani secessionist violence and to provide speedy trial especially where the perpetrators were powerful enough to intimidate witnesses and otherwise subvert the law. Ironically enough the legislation has, in fact, encouraged delay in legal proceedings and undermined the process of law. Of the 52,998 persons arrested under TADA up to March 1993, only 434 were finally convicted and of these none under the section relating to 'terrorist activity'. Only 12 per cent of those arrested have even been chargesheeted and only in 1 per cent of the cases have the detenus been brought to trial. Because those arrested under the act may be detained without trial for a period of 180 days and chargesheets may not be filed up to a year, a desultory approach to documenting the charges and collating evidence has resulted. The normal safeguard available to those arrested, that they have to be produced before a judicial magistrate within 24 hours after arrest, is eliminated if TADA is invoked. Besides, the act condones, even encourages, procedural norms which make for fair treatment of the detenus. The admission as evidence of confessions before superior police officers, while it is frowned upon by the Supreme Court, has been upheld in the constitution bench decision. However, the two minority judgments of the same court have roundly condemned the procedure drawing attention to the fact that confessions are often extracted during custodial interrogation (read torture), and irrespective of the rank of the officer cannot be assumed to have been given voluntarily and not under duress.

The ease with which this act, ostensibly aimed at dealing with terrorist activity, has been extended to several states is an ominous comment on the state of public and parliamentary ignorance and unconcern about state repression. The act automatically comes into force in an area which is declared to have been affected by terrorist activity. But incredibly, some of the largest detentions have been in Gujarat (number of detenus, 14,094 in 1992) where the act was brought into force ostensibly because of "security problems in the sensitive Kutch border district". It has been extensively used in the state to apprehend people during communal violence, against farmers agitating in Mehsana district and against labourers demanding land in Morvi village. So threatening is the use of the act that it has become a means of extortion: the rate for avoiding being arrested under TADA in these parts is said to range from Rs 1,000 to Rs 20,000. In Gujarat particularly, but also elsewhere, the act has acquired a communal image. So much so that the Minorities Commission has called for repeal of the act. Not only has it been used against Muslims but also against other minorities. In Uttar Pradesh during BJP rule it was used as a generalised measure to repress the Sikh community, especially in the Terai region: of 118 people arrested in 1992, 116 were Sikhs.

That the TADA provisions blatantly violate constitutional assurances is well known. Not even the apex court's judgment denies that. However, it condones these violations for the greater good of the 'nation'. Judging whether an act which in the nine years of its operation has been extensively used to suppress constitutional rights may be said to be functioning for the good of the 'nation' is evidently an onerous task.

Perhaps the most depressing aspect of the act is the ease with which people's representatives in parliament and in state assemblies have allowed it to be extended time and time again. Not that the ruling party has not been skilful enough in managing the show. Each time the act has had to be extended, the matter has been introduced in parliament in such a manner that debate is sidelined or, by the very nature of the proceedings, suppressed altogether. For instance, in 1987 when it came up for extension for the first time, a bill to the effect was introduced along with a bill relating to president's rule in Punjab; in 1989 it came up for discussion along with the Chandigarh Disturbed Areas (Amendment) Bill; in 1993 along with a bill amending the Indian Penal Code at a very late hour after a long and trying session. The easy passage through parliament is matched by the lack of consistent mobilisation to oppose the extension of the act.

TADA represents the high point of the response of a state apparatus which can and has legitimised tyranny by circumventing in part and co-opting in patches the judicial and legal arms. Opposition to such a measure cannot be confined to the courts, but must become generalised. In its absence, the TADA will not only legitimise, as many believe it has already done, procedures which do not afford safeguards but turn on its head the long held principle of justice that an accused is presumed to be innocent unless proven otherwise.

POWER

Uses of Public Sector

THE power minister, N K P Salve, has come out with views on the privatisation of the public enterprises under the control of his ministry which are, on the face of it, at variance with the government's acknowledged policies on the subject. In a newspaper interview earlier this month he disclosed that he was against selling off shares of central power companies.

It does not follow, of course, that what Salve said in fact represents the government's policy or that the government will not, in due course, bring the public sector power companies within the ambit of its disinvestment programme. What is quite likely is that the power minister, after being seen to give in to one demand after another of intending foreign investors in the power sector, including agreeing to a guaranteed rate of return on investment and a sovereign guarantee by the government of India in respect payment for power sold to the State Electricity Boards, was just trying to refurbish his political image by appearing to take a stand against privatisation.

These are games politicians play and should not be taken seriously. What does deserve some notice is the argument advanced by Salve in support of retaining the central power companies in the public sector. According to him, because of the high capital cost of the power projects to be put up by the foreign companies, there will have to be a sharp rise in electricity tariffs. This is true enough. In fact this precisely has been a major criticism of the terms agreed to by the government for the proposed foreign investment in the power sector—that thanks to these terms, the foreign companies' cost of power generation will be roughly treble the current cost or even more. Where the power minister is clearly guilty of sleight of hand is in suggesting that the public sector power companies will be the beneficiaries of the upward revision of power tariffs and that, given the lower capital costs of their power plants, they will emerge as money-spinners for the government. The minister should know better than that; he no doubt does.

In the first place, it has been calculated that even with a three-fold rise in electricity tariffs the state electricity boards will be paying more to the proposed new foreign power companies than their selling price to the consumers. Further, the assumption that increases in the electricity tariff steep enough to meet the foreign companies' cost of generation will in fact be feasible is optimistic, to say the least. Apart from the serious impact of so sharp a rise in the price of a vital input like power on different sectors of the economy, there is the question of its political acceptability. It is instructive that even the National Development Council's high-powered committee on power, headed by the Maharashtra chief minister, while stressing the need for eliminating subsidies on electricity consumption, has suggested a tariff of no more than 50 paise per unit for power supplied to agriculture, against even the present average generating cost of about Rs 1.05 per unit, and this recommendation too has been promptly opposed by the three other chief ministers, those of Punjab, Karnataka and West Bengal, who are members of the committee. Clearly, the burden of paying the guaranteed price to the foreign companies will have to be shared out among the state electricity boards and the public sector power companies. The suggestion that the latter will shortly, and as a conse-quence of the entry of the foreign companies, turn into rich sources of divided income for the centre is disingenuous in the extreme.

There is yet another consideration to be reckoned with. Among the terms insistedupon by the foreign companies is not just a guaranteed price but also a guarantee of offtake of the power produced by them. This is expected to entail the SEBs being forced to reduce their offtake of power from the other suppliers, the public sector companies mostly, even though these may be lower-cost sources.

The burden of the extra-special terms which have been offered to the foreign power companies will, it is clear, fall on the rest of the power sector, apart from on the consumers of power. In this prospective scenario, the government will need to continue to have the public sector power companies under its control so that they can be made to absorb the costs of the foreign companies' entry into the power sector. Could this not be the calculation behind the power minister's unexpected enthusiasm for retaining the centre's power companies in the public sector?

BODO AGITATION

Price of Double-Dealing

Kamaroopi writes:

THE latest incident of arson and killings in the Bodoland Autonomous Council (BAC) area is part of a chain of events and initiatives, double-dealings and double-talk, whose origins go back to the very aims and objectives of the agitation for the creation of Bodoland; and which became even murkier after the signing of the Accord.

Hundreds, almost all of them descendants of persons of erstwhile East Bengal origin popularly (and wrongly) described as 'immigrant Muslims' (it was their ancestors who were migrants), have been killed in these incidents; and thousands have been rendered homeless. Many of those rendered homeless in the first of these outbreaks in October last year are yet to return to what is still left of their 'homes'.

The latest outbreak in several villages of Goardhana mouza under Barpeta Road police station began on July 19 and peaked with the attack in the small hours of July 24 on a relief camp at Bashbari near the Manas National Park (large areas of which have fo years been taken over by Bodo militant where victims of violence over the previou three or four days had been 'sheltered' b the administration. Indeed, the attack on th Bashbari camp took place when curfew wa in force in the whole area, the security force had orders to 'shoot at sight' any rioters, an virtually the whole political, civil and polic administrative leadership of the state startin with chief minister Hiteswar Saikia wer camping in the area.

There have also been several reports whic suggest that the riots were the outcome c some 'unorthodox' initiatives by the stat police in the wake of the blowing up of police vehicle by suspected Bodo militant on July 13 in the same area, in which th Additional Superintendent of Police c Barpeta district, along with six policemen was killed. A senior police official and minister have been named in several of thes reports as having incited a section of yout of immigrant origin (euphemism for Muslir youth) to attack Bodo settlements; and th Bodos are believed to have retaliated.

The official death roll is 61, including 1 'miscreants'; but the actual toll is believe to be much higher, with some minorit organisations putting it in four figures. Th armed forces, which have authority to operat in the whole state under the Armed Force (Assam and Manipur) Special Powers Ac notification issued towards the end c November 1990 for Operation Bajran against militants of the United Liberatio Front of Asom (ULFA), have been deploye The chief minister wants the armed force to act "independently of civil authority" i seven districts which come under the BAC

These are the facts. But facts by themselve do not explain the sustained virulence of th violence, or its persistence. As noted earlie the present events are causally related to th very ideology that sustained Bodo separati (or nationalist) aspirations, the apprehensior about loss of land, and the compromises th leadership had to make for a thoroughl opportunistic and unworkable deal, whos object was never any concern over the re problems on the ground, but self-promotio and cutting to size other leaders of faction of the establishment in Delhi and Dispur an possibily, also in Kokrajhar.

First, the demand for Bodoland. Th changes and the modifications in th demand ever since it was first put forwa by the All Bodo Students' Union (ABSU only underscore the lack of realism of the aspirations masked by high rhetoric abo threats to 'ethnic identity'; and their demons rated capacity to execute threats of widespre violence and disruption of normal life in th whole of the north-east. However, the uppi of the ante in Bodo nationalistic assertion h also to be related to the state government' indifference to the ABSU's more reasonabl demands. The memorandum submitted t Hiteswar Saikia on January 2, 1984 ABSU's 'long-standing grievances' did n mention separation from Assam or eve

political and administrative autonomy. The 46-point memorandum deals almost entirely with matters educational and cultural.

However, Demand No 46, dealing with the 'foreign nationals issue', has this significant passage: "...the influx of the non-tribal immigrants and foreign nationals is still going on in Tribal Belts and Blocks and other predominantly general tribal areas of entire Assam unchecked, thus outnumbering and outbalancing the indigenous peace-loving Plains Tribal people of Assam... Today it is practically seen with bitter experience that all 33 Tribal Belts and Blocks including predominantly general tribal areas of Assam have been pushed into a crucial position of being annihilated and extinguished totally by the unchecked continuous encroachment and influx of the so-called non-tribal immigrants and foreign nationals, and the same process has been rendering thousands of tribal people landless and insecure in all spheres of their community life."

The (first) Hiteswar Saikia government did precious little about these modest and legitimate demands and grievances. Later, due to various complex factors (including the restrictive concept of who and what constituted the Assamese nationality projected during the anti-foreigner agitation) the tribal youth leadership felt alienated from the 'brave new world' promised by the political successors of the anti-foreigner agitation, the Asom Gana Parishad government, and launched the agitation on March 2, 1987 for the creation (initially) of "a separate state with the status of a Union Territory for the Plains Tribals in the northern valley of the Brahmaputra"; for "District Councils in the Tribal compact areas of Southern valley of the Brahmaputra"; and for "Regional Councils for non-Karbi tribes in Karbi Anglong Autonomous District Council". Over the years, the fiction that the demand for Bodoland reflected the aspirations of all the plains tribal people of the state was dropped. Indeed, when the deal was finally clinched, even the demand for Bodoland was dropped.

WOMEN

New Words for Old

THE right words are all there. There is no quarrelling with the concepts either. The country paper for next year's Beijing conference on women which is doing the usual rounds can't be faulted for not viewing women as an integral component of development issues. Nor is there a dearth of progressive rhetoric. Drawing from the large body of data which has now accumulated, the document delineates the role women play in society, a role that has been under-recognised, underemphasised and trivialised. The fact that development programmes, even if they are not directly detrimental to women, often change the social situation in such a manner that women are disadvantaged, is also recognised.

The central focus is on the large proportion of women who live in extreme poverty. The document points out that "economic insecurity, large family size and domestic violence all combine to make the situation of women in extreme poverty such that it requires special attention by government and other agencies since extreme poverty by definition implies low absorptive capacity for development programmes". However, focusing on women as economic and not social categories does not solve the problem since the overall status of women remains unaffected. Programmes of empowerment for women such as facilitating asset ownership, encouraging legal literacy, etc, are some positive measures. The two-pronged approach suggested in the document is to stimulate and extend coverage of policies directed at asset creation and appropriate measures to ameliorate the immediate situation.

The document does not attempt to gloss over the impact of the new economic policies on women either. While admitting the difficulties of assessing such effects because of the short time span which has elapsed since the introduction of some of the policies, there is nevertheless a recognition that, women may bear a disproportionate brunt of the recessionary policies which lead to an increase of open employment. Further, the general emphasis on tradable goods may negatively affect the self-employed women who primarily deal in non-tradable goods. All this will offset the increased employment opportunities in the services sector and in export-oriented industries and may lead to households resorting to survival strategies which inevitably increase the burden on women.

One might suppose then that the department of women and children and the government have taken cognisance of the extensive damage that economic and social policies have caused to those who hold up half the sky. Such an extraordinary degree of gender sensitivity might, one would assume, lead to the logical conclusion that policies which contribute to the limiting of opportunity for a fair and healthy livelihood and a diminishing of access to material resources are in sum the single most important cause for women's deprivation.

That however is not the object of the exercise. The increasing visibility that women are receiving in public policy has overall less to do with a deep comprehension of their historic social disability than with the clear understanding of the imperative need to fill the yawning spaces in an economic structure being rapidly distorted. By demarcating for women, as a matter of considered choice, the self-employed and to some extent the informal sectors, the gathering storm of the poor and the marginalised is sought to be dissipated. Using the rhetoric and reason of the women's movement, self-employment is projected as a particularly ideal option for women, given their 'other' responsibilities of reproduction and nurturing. Conveniently, this also absolves the state of all responsibility of providing welfare services or of ensuring that the historic labour rights such as the limits of a working day are enforced. This is making a mockery of empowerment even though in narrow terms it provides the wherewithal to survive. By integrating such concepts into policy, the state is giving notice of the fact that the impact of the economic reforms on women will not be an interim phenomenon, but a permanent feature.

POPULATION POLICY

Missing the Point

A correspondent writes:

QUITE understandably, the National Population Policy recommended by the Expert Group on Population Policy headed by M S Swaminathan has fallen foul of the government bureaucracy as well as the non-governmental voluntary sector.

As for the bureaucracy, the officials of the department of family welfare are upset because the expert group has suggested the virtual dismantling of the department and its replacement by an autonomous structure—the Population and Social Development Commission (PSDC)—to be headed by "an eminent social worker or a professional respected in the country for commitment to the cause of population stabilisation and social development" and reporting directly to the prime minister. Addressing a press conference in Delhi recently, a member of the expert group lambasted the department of family welfare as a "non-functional body interested only in chasing targets and statistics". He further accused the department of spreading 'disinformation' against the expert group through the press with the purpose of consigning the National Population Policy to the backburner.

The expert group has suggested that no separate secretary of the department of family welfare will be necessary. This is naturally feared as a setback for bureaucrats seeking promotion to senior posts in a profession which is already choked by an excess of officials still awaiting promotion. With the fast-shrinking possibilities of upward mobility in the existing structure, the more proliferation there is of new departments—and new ministries with their respective wings—the merrier for the bureaucrats who are running the rat-race in the civil services. In contrast, in the police and defence services, the government has been encouraging the breeding of newer and newer paramilitary departments—the latest being the establishment of the Rashtriya Rifles, a new paramilitary arm under the army command—which provide berths for ambitious police and army officials at different levels in the hierarchy of these new departments.

But to come back to the expert group's suggestions, they are made in the context of the government's policy of decentralisation

and stress on the 'panchayati' system. The group opines that "the target-oriented approach of a centrally-sponsored/vertical programme has to yield place to a people-oriented, decentralised approach" and then suggests the integration of the family welfare programme (which includes population control measures) with other health care services run by the department of health. It therefore wants the panchayats and nagarpalikas to "prepare a socio-demographic charter for the respective village, town or city" with specific goals for "population stabilisation developed after discussion among the people of the area" to indicate the steps "which the local community plans to initiate for ending social evils like dowry, child marriage, female foeticide and infanticide and female and male illiteracy."

While these normative guidelines are fine and acceptable by those opposed to the 'social evils' mentioned above, one wonders whether the members of the expert group are familiar with the ground reality in the countryside where the panchayats are supposed to be agents of decentralisation. Till July this year, out of the 25 states, in 16 elections to the various tiers of the panchayati system—gram panchayat, panchayat samiti, zilla parishad—had not been held. Even if they are held, one wonders whether they would make any difference, since the tradition bound, orthodox village elders who hold sway (particularly in the rural areas of the Hindu-Hindi heartland) are likely to call the shots, and dominate the panchayats. It is these elders who have been meting out punishments in village community gatherings against inter-caste marriages (sometimes by issuing edicts to kill the 'dalits' who dare to choose partners from the upper castes, as has happened in villages in Uttar Pradesh and Bihar), who have been encouraging their followers to lynch women on false charges of witchcraft (in the tribal villages of Bihar and West Bengal), who have been issuing religious 'fatwas' against people daring to challenge the elders' orders (in Muslim-dominated villages).

The expert group has approvingly referred to the laws enacted in Haryana and Rajasthan debarring persons who do not adopt the two child family norm from contesting elections for panchayats, zilla parishads and nagarpalikas, and recommends that there should be a code of conduct which enjoins on all elected representatives of the people, from parliament to panchayat, to adopt voluntarily the small family norm. Does the group seriously believe that the powers that be—irrespective of political loyalties, whether in the states or the centre—the ministers and MPs and MLAs, who themselves breed large families will accept the recommendation? As one member of the group cynically suggested at the press conference, such a recommendation, if implemented, will be the end of politicians of the likes of Narasimha Rao and Laloo Yadav! Obviously, it is convenient for these leaders at the top—the chief ministers of Haryana and Rajasthan and their ilk—to impose the small family norm at the rural panchayat level (which could debar the small farmer or the landless peasant who might want more children to help him in the fields or supplement his meagre income, from contesting the panchayat elections). Significantly, the Haryana and the Rajasthan governments have refrained from imposing similar norms on candidates for assembly and parliamentary constituencies.

SRI LANKA

Vote for Reconciliation

WITH the swearing in of Chandrika Kumaratunga of the People's Alliance (PA) as the prime minister, 17 years of rule by the United National Party comes to an end in Sri Lanka. More importantly, the change of government offers new ground on which to confront the ethnic problems which have beset the country for several decades now. Whether the opportunity will be grasped depends very much on the degree of coherence the winning alliance is able to sustain in office.

In fact towards the end of the election campaign the UNP, now clearly losing ground, began to throw wild accusations at the Alliance's pact with the Sri Lankan Muslim Congress (SLMC) and allegedly the LTTE. Certainly, the PA had come to an understanding with the Muslim Congress which had in the last government supported the UNP. In this election, all the Alliance candidates in the north-eastern province contested on Congress tickets, while Congress members contesting elsewhere did so on Alliance tickets. The campaign clearly indicated the results that were to follow. There was enthusiastic support for the Congress in alliance with PA mainly because of disenchantment with the UNP's lack of progress in resolving the conflict in the north-east. The PA is seen as having greater chances of success, not only because it has made attempts to initiate a dialogue with the LTTE, but also because Vijaya Kumaratunga, party leader Chandrika's late husband, was the only leader of a major Sinhala party to have ever visited the north-east and shown a genuine interest in reconciliation.

Undoubtedly, the hope that there would be a solution to the long drawn out conflict explains the 49 per cent vote that the Alliance polled. Despite the fact that the UNP and sections of the Buddhist clergy tried to raise the bogey of a country succumbing to Tamil manipulations and acceding to an ethnic divide, the alliance has registered overwhelming support in the Sinhala dominated south, south-central and central provinces. The conflict in the north-east has been a huge drain on the Sri Lankan economy and a resolution of the tensions there, people perceive, would go a long way towards the institution of much needed developmental programmes. This has again served to capture the youth vote for the PA, which with the JVP out of the way provided the only focus, especially for first-time voters. With its 105 seats and the seven won by its ally the SLMC and one by an independent group, the PA is all set to form the government.

The elections in the north have, as expected, been a farce, with government control not going beyond Vavunia and the LTTE boycotting the elections. Despite heavy security, the LTTE managed to blow up a 400-tonne ship in the government-held harbour of Kanakesanthurai on the eve of the polls. The Eelam Peoples Democratic Party which supported the UNP has been declared to have won nine seats in the Jaffna area. The Tamil United Liberation Front which did not support the Alliance won five seats and the Democratic Peoples Liberation Front four.

Soon after the results were known there was some speculation as to whether the president may not use his wide-ranging powers to avoid inviting Kumaratunga to form the government. While the president does have the right to pick the leader of his choice, and not necessarily the person who has been named leader by the party capturing the largest votes in the proportional representation system, the overwhelming show of support for Kumaratunga, indicated by the 4.6 lakh preference votes she polled in Gampaha district (as against the former prime minister's 2.91 lakh in Colombo district) could not be overlooked. The president can dissolve the parliament after a year of its existence. This still means that the presidential elections, which have already been announced for November, will be held under the auspices of the PA.

The alliance in its manifesto had promised constitutional reforms directed at making parliament the supreme political authority. The PA has proposed the converting of the parliament to a constituent assembly for this purpose. But before doing that it will have to revoke the announcement on the presidential elections.

The other issue which the alliance has promised is the reorganisation of the provinces. The LTTE has demanded the permanent merger of the north and the north-east, which the UNP and some Sinhala groups see as a first step towards secession. While the PA has not accepted any conditions on this, it is not seen as being averse to granting the LTTE demand in the interest of a possible resolution of the conflict. But clearly the LTTE has seen the importance of publicly welcoming the victory of PA. This is a positive first step, and the prime minister has also acknowledged the urgency of initiating a dialogue with the 'Tigers', as she has referred to them, by retaining the internal security portfolio along with finance. Moreover, by appointing as foreign minister a Tamil known to be pro-India, she has also sent signals for a different kind of rapprochement with the Sri Lankan Tamils in the north.

However, Kumaratunga and her government face a tough time ahead in which a crucial factor will be her ability to keep the Alliance functioning cohesively.

Mideast Integrated

PROMOTED by Mideast (India) which is the flagship company of the MESCO group of companies, Mideast Integrated Steels is setting up a 100 per cent export-oriented unit to manufacture foundry grade iron with an installed capacity of 4,64,000 tpa. The project is the first Indo-Chinese joint venture in the steel sector in financial-cum-technical collaboration with China Metallurgical Import and Export Corporation (CMIEC) and will be using state of the art Chinese technology resulting in lower overall raw material consumption and one of the highest production levels of hot metal of two tonnes/m^3/day (which has been guaranteed by CMIEC). The company also plans to set up a 4 mw power plant and sinter plant which would run utilising waste gases generated from the blast furnace. The project which is being set up at a total cost of Rs 307 crore is to be located in close proximity to iron ore mines, port and infrastructural facilities with rail and road facilities running adjacent to the plant. It will be financed through equity capital of Rs 135.75 crore (Rs 69.1 crore from promoters and the balance through a public issue) and rupee term loans from financial institutions aggregating Rs 171.25 crore. The company's public issue will consist of 3,33,25,000 equity shares of Rs 10 each at a premium of Rs 10 per share and will open for subscription on September 8. The issue is to be lead managed by IDBI, IFCI and ITC Classic Finance.

Kedia Chemical Indus

Kedia Chemical Industries which is engaged in the manufacture of organic chemicals, pesticide intermediates and organic intermediates is now planning to broad base its area of operation by setting up a plant for the manufacture of technical grade pesticide and pesticide intermediate. The plant which will be located at the existing location of the company, namely, MIDC, Thane Belapur Road, and will be a multipurpose plant with capability to manufacture technical pesticides chlorpyriphos/acephate in addition to the capacities of 100 tpa for cypermetherin and 350 tpa of trichloro acetyl chloride. The project, which is to be set up at a total cost of Rs 5.8 crore, is to be part financed through a public issue of 17,00,000 equity shares of Rs 10 each at a premium of Rs 20 per share. IDBI, which has appraised the project, has sanctioned a term loan of Rs 2 crore. Commercial production is expected to commence by December 1994 and the company plans to market its new products to industrial users and a large number of formulators all over the country. The issue which will open for public subscription in the third week of September will be lead managed by SBI Capital Markets and Ind Global Financial Trust.

Hind Ind Chemicals

Hindustan Industrial Chemicals (HIC), a company engaged in trading in chemicals and other industrial products, has been promoted by the Rs 100 crore turnover company, Hindustan Alloys Mfg Co (HAMCO). HIC is now setting up a project for manufacturing hydrogen peroxide and sodium perborate with an installed capacity of 20,000 tpa (50 per cent w/w basis) and 10,000 tpa, respectively. The project is to be set up at a total cost of Rs 71.2 crore and is to be part financed through a public issue of 1,99,50,000 equity shares of Rs 10 each which will be offered at a premium of Rs 7 per share. The total cost of the project, which is expected to commence commercial production by December 1995/January 1996, is to be financed through equity capital of Rs 61.1 crore and equipment lease finance of Rs 10.1 crore. The company's products which are considered to be very versatile, dependable and environmentally desirable oxidising agents and bleaching agents, find application in almost all basic industries like textiles, paper and pulp, chemical, rubber, metallurgical, cosmetics, electronics, pharmaceuticals, etc. The issue will be lead managed by V B Desai Financial Services.

Geoservices (India)

Geoservices, which has been co-promoted by Geoservices Eastern Inc (GEI), Singapore—a part of the Geoservices SA worldwide—and Sahu, is currently engaged in the manufacture of mudlogging equipment and provides mudlogging services to various oil companies in addition to providing technical consultancy to GEI for its operations in India. The company now proposes to diversify through lateral expansion of operations into oil-field services such as bottom hole sampling and reservoir studies, production testing services and sub-sea test tree services, drill stem test services, production logging, horizontal drilling and mwd services, early production facility, DMS and technical consultancy services. Geoservices expects to commence its new activities by November this year when the tenders for the same are floated by the new oil companies. It has a technical collaboration agreement with GEI which will have a 25 per cent stake in the company's post-issue equity capital. Further, Geoservices is eligible for a 15 per cent price preference in ONGC/OIL contracts. The project is expected to cost Rs 4.5 crore and is to be part financed through a public issue of 32,20,000 equity shares of Rs 10 each at par. The issue which will be lead managed by Indbank Merchant Banking Services will open for subscription on September 1.

The data for the latest fortnight suggest that M3 growth has started accelerating in the current fiscal year, despite reduction in net RBI credit to the centre as also in net bank credit to the government. Bank deposits as well as non-food advances have grown at a faster rate. In the share market, though equity prices have reacted somewhat from the peak reached in the previous week, their levels still remain high. In the external sector, though the trade-weighted exchange rate in real terms for March 1994 shows a rise over the previous March, it still remains 16 per cent below the level prior to the July 1991 two-step devaluation. While the rate of foreign investment approvals in terms of amount has decelerated, the actual inflow seems to have picked up; so have foreign exchange earnings through tourism.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	July 30, 1994	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
All Commodities	100.0	269.9	1.0	10.2	7.5	4.2	5.1	10.8	7.0	13.6	12.1
Primary Articles	32.3	281.8	2.7	12.4	4.3	8.8	8.0	11.5	3.0	15.3	17.1
Food Articles	17.4	317.7	4.4	10.5	3.8	13.3	7.1	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	286.8	0.2	18.2	2.7	2.4	8.2	24.9	–1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	279.1	–0.4	9.8	18.8	0.4	3.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	261.4	0.2	8.9	7.4	2.8	3.8	9.9	7.9	12.6	8.9
Food Products	10.1	271.2	–0.7	9.6	7.9	7.6	10.2	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	300.6	2.7	10.2	5.1	11.3	8.1	7.0	5.8	17.1	16.9
All Commodities (Average Basis)* (April-July 30, 1994)	100.0	265.3	-	9.7	8.1	11.1	7.0	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Industrial Workers (1982=100)	272[3]	1.1	10.6	5.1	1.9	1.7	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	222[2]	0.5	8.3	7.3	-	8.3	-	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1175[3]	0.9	13.2	–1.9	0.0	–1.4	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	July 22, 1994	Variation: Over Month	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92
Money Supply (M3)	461966	5781 (1.3)	28400 (6.6)	21342 (5.8)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	88989	–1700 (–1.9)	6791 (8.3)	4859 (7.1)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	365802	4458 (1.2)	16962 (4.9)	12511 (4.2)	51601 (17.4)	41471 (16.3)	43392 (20.5)
Net Bank Credit to Govt	219535	2479 (1.1)	15749 (7.7)	19808 (11.2)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	240267	3512 (1.5)	3064 (1.3)	2091 (0.9)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Reserve Money	150158	2570 (1.7)	11536 (8.3)	11267 (10.2)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	100571	2081 (2.1)	3785 (3.9)	16498 (17.1)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	330566	3387 (1.0)	16752 (5.3)	11451 (4.3)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	168012	3428 (2.1)	4390 (2.7)	2956 (1.9)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food Advances	155880	3442 (2.3)	3165 (2.1)	13 (neg)	7476 (5.1)	24317 (20.1)	9127 (8.2)
Investments	145484	134 (0.1)	13091 (9.9)	4522 (4.3)	26737 (25.3)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	March 1994	Average for Fiscal Year So Far: 1993-94	Average for Fiscal Year So Far: 1992-93	Variation (Per Cent): Fiscal Year Averages: 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	263.8	225.4 (3.0)	218.9 (2.3)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	307.0	229.2 (2.5)	223.7 (0.2)	2.5	0.2	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	248.3	215.3 (2.2)	210.6 (2.1)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	325.1	289.7 (7.3)	270.0 (5.1)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Aug 19, 1994	Month Ago	Year Ago	1994-95 So Far: Trough	1994-95 So Far: Peak	1993-94: Trough	1993-94: Peak	End of Fiscal Year: 1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	4469 (65.5)	4115	2701 (–9.5)	3600	4508	2037	4286	3779 (65.7)	2281 (–46.8)	4285 (266.9)
National Index (1983-84=100)	2115 (66.8)	1946	1268 (–4.0)	1765	2122	934	2055	1830 (79.2)	1021 (–48.1)	1968 (234.1)

Foreign Trade	May 1994	Cumulative for Fiscal Year So Far: 1994-95	Cumulative for Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	5661	11898 (9.8)	10832 (41.4)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1805	3793 (9.7)	3459 (29.7)	22173 (20.4)	18421 (3.1)	17866 (–1.5)	18143 (9.1)
Imports: Rs crore	6037	12181 (12.2)	10852 (4.6)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)
US $ mn	1924	3883 (12.1)	3465 (–4.1)	23212 (6.8)	21726 (11.9)	19411 (–19.4)	24073 (13.2)
Non-POL US $ mn	-	-	-	17559 (14.6)	15319 (9.1)	14047 (–22.2)	18045 (3.1)
Balance of Trade: Rs crore	–376	–283	–21	–3259	–9572	–3809	–10640
US $ mn	–119	–90	–6	–1039	–3305	–1545	–5930

Foreign Exchange Reserves	Aug 5, 1994	Year, Ago	Mar 31, 1994	Variation Over: Month	Year	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Rs crore	55007	22396	47626	3354	32635	7381	2200	27430	5385	10223	–1383
US $ mn	17499	7139	15176	958	10373	2323	687	8724	731	3383	–1137

External Sector

Exchange Rate of Rupee	March 1994	March 1993	March TWER 1993	1992	1991	1990	1989	1988	1987	1986
36-Country TWER (1985=100) :										
Official Rates										
(Based on FEDAI Rates within brackets)										
Nominal	(45.00)	(44.94)	(44.94)	(43.87) 49.89	64.08	75.52	73 43	79.82	82.19	92.01
Real	(62.81)	(59.15)	(59.15)	(56.53) 64.24	74.69	78.70	77.52	84.56	84.73	92.13

	Aug 12, 1994	Month Ago	Year Ago	Mar 31, 1994	Mar 31, 1993	Monthly Average Rates March 1994	March 1993	Annual Average Rates 1993-94	1992-93	1991-92
Official/RBI Reference Rate/Rs per US $	31.37	31.37	31.37	31.37	31.23	31.37	31.37	31.36	25 97	24 47
Market/FEDAI Rate (Rs per US $)	31.37	31.37	31 37	31.37	31.22	31.37	31.53	31.43	—	—

Foreign Direct Investment	Foreign Collaboration Approvals 1994 (up to Mar)	1993	1992	1991	1990	Approvals Involving Foreign Investment 1994 (up to Mar)	1993	1992	1991	1990
Number	379	1476	1520	950	666	211	785	692	289	194

Amount	Amount of Foreign Investment Approved 1994 (up to Mar)	1993	1992	1991	1990	Actual Flow of FDI 1994 (up to Mar)	1993	1992	1991	1990
Rs Crore	1180	8860	3890	530	120	594	1786	675	351	—
US $ million	376	2852	1386	215	67	189	575	240	142	—

Foreign Aid (Rs Crore)	May 1994	May 1993	1994-95 (Budget)	1993-94	1992-93	1991-92	1990-91 (Actuals)	1989-90	1988-89	1987-88
Net Aid Receipts	-216	-78	4279	6175	6159	5319	5421	3181	2595	2460
Net Aid Inflows	-774	-620	118	2124	2188	1514	2717	1347	1101	1218

Tourism	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
Tourist Arrivals (000)	1871.0	1820.8	1781.9	1613.7	1765.0	1619.3	1513.5	1491.9
	(2.8)	(2.2)	(10.4)	(-8.6)	(9.0)	(7.0)	(1.4)	—
Foreign Exchange Earnings: (Rs crore)	4572	3989	3318	2444	2386	2054	1856	1607
	(14 6)	(20.2)	(35 8)	(2.4)	(16.2)	(10.7)	(15.5)	
(US $ million)	1457	1302	1356	1362	1433	1418	1431	1509
	(11 9)	(-4.0)	(-0.4)	(-5.0)	(1 1)	(-0.9)	(9 3)	

Bullion

Bullion Prices	Aug 12, 1994	Month Ago	Year Ago	March 1994	March 1993	March 1992	March 1991	March 1990	March 1989	March 1988
Bombay Gold (Rs/10gm)	4562	4578	4470	4611	4082	4443	3440	3140	3140	3140
London Gold ($/Oz)	378.25	383.50	370.45	387 35	330.34	344.64	363.39	393.66	390 27	443.49
Spread over London (Per Cent)	19.6	18.4	19 6	18.0	21.9	36.1	53.4	44.8	61.3	69.6
Bombay Silver (Rs/Kg)	6601	6689	6162	7159	5492	8050	6663	6464	6755	6136
New York Silver ($/Oz)	5.21	5.25	4 57	5.64	3.63	4.50	3 97	5.07	5.79	6.41
Spread over New York (Per Cent)	25.6	26.3	33.7	25.9	49 1	88.9	171.8	131.5	133.9	129.4

Estimated Imports (Official/ Clandestine; Tonnes)	1994 Q1	1993 Total	Q4	Q3	Q2	Q1	1992	1991	1990	1989	1988
Gold	60	238.0	79	56	38	65	260.0	150.0	170.0	172.5	135.0
Silver	—	3620.0	1097	842	875	806	1750.0	1360.0	1300.0	650.0	250.0

Industrial Production

Production of Synthetic Fibres	May 94	Variation Over Month	Year	Cumulative for Fiscal Year So Far 1994-95	1993-94	1993-94	1992-93	1991-92
Viscose Filament Yarn (tns)	4633	54 (1.2)	966 (26.3)	9212 (26 8)	7265	53009 (10.6)	47950 (-9.0)	52687 (3.4)
Viscose Tyre Yarn (tns)	800	-50 (-5.9)	-141 (-15.0)	1650 (-8.6)	1806	10215 (19.9)	8518 (-19.9)	10634 (3 1)
Polyester Staple Fibre (tns)	17803	2353 (15.2)	2542 (16.7)	33253 (22.6)	27132	200111 (23.7)	161823 (18.9)	136136 (1.4)
Nylon Filament Yarn (tns)	3569	82 (2.4)	606 (20.5)	7056 (21.1)	5826	38330 (17.3)	32690 (7.3)	30477 (664.2)
Acrylic Staple Fibre (tns)	6844	2073 (43.5)	2339 (51.9)	11615 (31.2)	8853	67464 (20.3)	56087 (20 6)	46505 (8.6)
Polyester Filament Yarn (tns)	23160	-1233 (-50.5)	-428 (-1.8)	47553 (3.7)	45867	288412 (17.2)	246285 (20 0)	205162 (10.8)
Nylon Tyre Yarn (tns)	3325	420 (14.5)	-270 (-7.5)	6230 (-14.3)	7271	41453 (-0 9)	41815 (11.2)	37617 (-12.6)
Caprolactum (tns)	798	-3801 (-82.6)	-3653 (-82.1)	5397 (-33.8)	8151	90652 (55.4)	58392 (26.9)	46000 (70.4)

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript 4 stands for April. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. (iii) — means not available/not relevant.

SHREE RAJASTHAN SYNTEX

Upgrading Technology

SHREE RAJASTHAN SYNTEX, which is engaged in the manufacture of polyester/viscose blended and acrylic yarn and polypropylene multi-filament yarn, improved its perfomance in 1992-93. The company saw a 35 per cent rise in net sales and a more than 100 per cent rise in operating profit during the year. A sharp rise in interest (up 177 per cent) and depreciation charges (up 178 per cent) however diluted somewhat the sharp rise in operating profit. With the company producing innovative varieties of high value dyed fancy yarns which were well received in the market, production of spun yarn improved from 4,611 mt to 4,965 mt while sale in volume terms was higher at 4,946 mt as against 4,485 mt sold last year. Sale realisation on the same also improved significantly from Rs 54.7 crore last year to Rs 68.8 crore. Following the successful implementation of its filament yarn project in September 1992 (without any cost overrun) the company produced 790 mt of polypropylene multi-filament yarn during the year. With the division's product being well received in the domestic as well in the international market the company has also commenced exports to the European and far eastern markets.

Encouraged by its performance the company is now adding another 7,200 spindles at its spun yarn division at Dungarpur, taking the total installed capacity to 32,400 spindles at an estimated cost of Rs 10 crore. A part of the project, which was being implemented with technical support from NEUMAG of Germany, was implemented in Septemeber 1993 and the balance was expected to be completed by the end of December 1993. With a view to keeping in line with the latest technology, the company has been regularly updating its machinery. It recently installed a modern autoconing machine, two for one twisters and electronic yarn cleaners. Further it is installing additional machines at its filament yarn division in order to enhance production by about 30 per cent.

For the year ended June 1994 the company has reported a significantly improved performance earning a net profit of Rs 7.4 crore (up 100 per cent) on a net sales of Rs 102.9 crore (up 50 per cent).

PIRAMAL SPINNING

Modernisation Programme

After earning a net profit of Rs 4.5 crore on a net sale of Rs 52.8 crore in 1990-91, Piramal Spinning and Weaving Mills (PSWM) has seen a continuous fall in its profitability over the last two years. Its net profit margin has deteriorated from 8.8 per cent in 1990-91 to 3.9 per cent in the following year. For the year ended March 1993 the company has actually suffered a net loss of Rs 5.4 crore on a net sale of Rs 63 crore. The high cotton prices prevailing coupled with the severe competition from independent process houses and composite mills affected the company's performance adversely. Sale fell from 279.5 lakh metres of cloth and 8.7 lakh kgs of yarn last year to 261.5 lakh metres and 7.2 lakh kgs, respectively.

The company's exports also fell drastically during the year from Rs 5.5 crore to a mere Rs 1.6 crore. With the company changing its product mix from the local market to exports and readymade garments, quality has become a major concern. With a view to improving its product quality the company is implementing a modernisation programme, the fifth phase of which is currently under progress with machinery worth Rs 3.3 crore having been purchased and orders for another Rs 2 crore being placed. To part finance the latest phase of the modernisation project the company entered the capital market with an issue of 8,62,650, 17 per cent secured partly convertible debentures (PCDs) of Rs 100 during the year. With the conversion of part 'A' of these debentures into equity shares of Rs 10 each at a premium of Rs 40 per share, the company's equity capital has risen to Rs 2.8 crore. With this, the company's debt-equity ratio, which had risen sharply with the issue of PCDs, has once again come down.

The energy conservation measures undertaken by the company include installation of power saving units for lighting, replacement of conventional electric chokes by electronic chokes (under progress) and replacement of conventional spindle oil lubricants by synthetic lubricants. The company was the recipient of the first prize in 1990-91 and the second prize in 1988-89 in the Composite Mills Category instituted by IBPL Urja Research Foundation.

Meanwhile the company has managed a turnaround in 1993-94. On a higher net sales of Rs 77.1 crore the company earned a net profit of Rs 3.7 crore giving an earning per share of Rs 13 on its low equity capital.

JYOTI

Demand Recession

A BIFR case until recently, Baroda-based Jyoti (JL), is a major manufacturer of a wide variety of electrical equipment and engineering products which include electric motors, heavy and low tension a[illegible]rs, pumps, switchgears and diesel generators. The company saw a 19 per cent rise in its operating profit on a 11 per cent rise in net sales during 1992-93. The demand recession in the capital goods industry due to the tight liquidity position of most of the electricity boards and central and state governments, who are the major customers of the company, forced it to settle its outstandings over longer periods. Further, customers who had earlier placed firm order with the company began requesting deferment of deliveries due to the liquidity crunch. The company claims that but for the non-availability of working capital from banks its performance would have been much better. Exports (including deemed exports) were higher by 15 per cent over the previous year.

During the year under review the company successfully tested a 6.6 kv phase segregated terminal box for a fault level of 500 mva at CPRI laboratory in Bangalore in addition to successfully testing an electronic governor. It now plans to take up production of the governors and this is expected to result in significant savings in foreign exchange.

The company's order book position stood at Rs 65.5 crore at the beginning of 1993-94 (including Rs 60.8 crore worth of orders booked during the year under review) which included major orders such as for 6.6 kv vcb panels valued at Rs 4.7 crore for the hot rolled coils project of Essar Gujarat at Hazira; 11 kv outdoor vacuum circuit-breakers valued at Rs 3 crore for various sub-stations of the Andhra State Electricity Board; 11 kv and 6.6 kv vacuum circuit-breaker panels valued at Rs 1.6 crore for the Gandhar Crude Oil Processing facility of ONGC; 120 kva and 150 kva arno converters valued at Rs 2.2 crore for the Chittaranjan Locomotive Works; pumping station contract valued at Rs 1 6 crore from BSES for its Dahanu thermal power station; and a pumping station contract valued at Rs 2.3 crore from the Municipal Corporation of New Delhi for their clear water pumping station at Nangloi.

For the year ended March the company earned a net profit of Rs 3.4 crore on net sale of Rs 72.1 crore.

PREMIER INDUSTRIES

Lower Profit

Incorporated in 1973, Premier Industries is engaged in the manufacture of solvent oils, oil cakes and oil sludge. Though the company's net sales in 1992-93 increased significantly by more than 70 per cent over that in 1991-92, profitability suffered with operating profit falling by 6.4 per cent and net profit falling by more than 50 per cent

The Week's Companies

(Rs lakh)

Financial Indicators	Shree Raj Syntex		Piramal Spg and Wvg		Jyoti		Premier Industries		Bhagyanagar Metals	
	June 1993	June 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992
Income/appropriations										
1 Net sales	6863	5082	6304	6167	6883	5997	6732	3883	5436	5432
2 Value of production	7440	5323	6048	6740	6866	6008	6798	4060	5129	5451
3 *Total income*	7486	5364	6092	6812	6893	6050	6905	4169	5221	5513
4 Raw materials/stores and spares consumed	4791	3688	3248	3750	3643	3285	3523	2646	3390	3884
5 Other manufacturing expenses	506	345	903	752	130	117	2790	998	914	458
6 Remuneration to employees	421	344	1442	1299	1435	1246	80	67	83	68
7 Other expenses	530	404	502	539	650	533	352	287	237	172
8 *Operating profit*	1238	583	-3	472	1035	869	160	171	597	931
9 Interest	524	189	429	321	569	526	107	76	145	158
10 *Gross profit*	713	391	-400	412	474	397	173	275	451	775
11 Depreciation	362	130	136	169	68	63	71	65	92	106
12 *Profit before tax*	351	261	-537	243	406	334	102	210	359	669
13 Tax provision	0	0	0	0	0	0	0	0	155	285
14 *Profit after tax*	351	261	-537	243	406	334	102	210	204	384
15 Dividends	116	64	0	38	0	0	0	55	35	29
16 Retained profit	235	197	-537	205	406	334	102	155	169	355
Liabilities/assets										
17 Paid-up capital	580	580	192	192	493	375	486	389	256	102
18 Reserves and surplus	1375	1133	358	917	1044	649	807	515	1298	1284
19 Long term loans	2101	732	2412	1862	3371	3476	857	887	472	628
20 Short term loans	1271	1863	219	366	866	687	391	456	578	711
21 Of which bank borrowings	1115	548	0	0	761	532	373	383	378	711
22 Gross fixed assets	4358	3675	4967	4399	2974	2932	1500	1415	1206	778
23 Accumulated depreciation	1188	826	2901	2461	899	832	369	293	495	404
24 Inventories	2034	1222	1325	1621	2179	2245	938	644	500	901
25 Total assets/liabilities	6443	5091	4368	4366	7350	6955	3724	3014	2985	3108
Miscellaneous items										
26 Excise duty	831	404	357	336	17	23	0	12	594	420
27 Gross value added	1666	914	1484	2294	2509	2243	447	558	686	1008
28 Total foreign exchange income	26	26	159	553	145	126	1991	1318	1	0
29 Total foreign exchange outgo	329	1157	21	11	250	134	8	6	1090	1859
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	106.5	99.8	144.3	141.3	93.6	86.2	180.8	128.8	182.1	174.8
31 Sales to total net assets (%)	128.8	118.0	198.2	184.8	119.2	115.6	264.9	172.8	[illegible]	199.3
32 Gross value added to gross fixed assets (%)	38.2	24.9	29.9	52.1	84.4	76.5	29.8	39.4	56.9	129.6
33 Return on investment (gross profit to total assets) (%)	11.1	7.7	-9.2	9.4	6.4	5.7	4.6	9.1	15.1	24.9
34 Gross profit to sales (gross margin) (%)	10.4	7.7	-6.3	6.7	6.9	6.6	2.6	7.1	8.3	14.3
35 Operating profit to sales (%)	18.0	11.5	-0.0	7.7	15.0	14.5	2.4	4.4	11.0	17.1
36 Profit before tax to sales (%)	5.1	5.1	-8.5	3.9	5.9	5.6	1.5	5.4	6.6	12.3
37 Tax provision to profit before tax (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.2	42.6
38 Profit after tax to net worth (return on equity) (%)	18.0	15.2	-97.6	21.9	26.4	32.6	7.9	23.2	13.1	27.7
39 Dividend (%)	20.0	18.0	0.0	20.0	0.0	0.0	0.0	15.0	25.0	40.0
40 Earning per share (Rs)	6.05	4.50	-27.97	12.66	8.24	8.91	2.10	5.40	7.97	37.65
41 Book value per share (Rs)	33.71	29.53	0.78	28.70	16.31	7.25	25.19	21.36	60.70	135.88
42 P/E ratio (based on latest and corresponding last year's price)	20.7	11.9	-2.9	2.8	5.5	6.0	6.7	4.3	47.1	1.9
43 Debt-equity ratio (adjusted for revaluation) (%)	107.5	42.7	16080.0	337.9	419.3	1277.9	70.0	106.7	30.4	45.3
44 Short term bank borrowings to inventories (%)	54.8	44.8	0.0	0.0	34.9	23.7	39.8	59.5	75.6	78.9
45 Sundry creditors to sundry debtors (%)	111.4	89.8	140.3	149.3	46.9	58.3	142.2	132.8	7.8	4.6
46 Total remuneration to employees to gross value added (%)	25.3	37.6	97.2	56.6	57.2	55.6	17.9	12.0	12.1	6.7
47 Total remuneration to employees to value of production (%)	5.7	6.5	23.8	19.3	20.9	20.7	1.2	1.7	1.6	1.2
48 Gross fixed assets formation (%)	18.6	—	—	—	2.1	0.1	6.0	—	55.0	—
49 Growth in inventories (%)	66.4	—	-18.3	96.7	-2.9	3.1	45.7	—	-44.5	—

over the same period. This was due to lower realisation on the company's products as also due to the sharp rise in manufacturing expenses.

With the successful implementation of its modernisation-cum-expansion project for edible oil, production at the solvent division during the year was higher at 4,876 mt of oil as against 3,549 mt produced last year. Production of deoiled cakes/powder and soap and oil sludge was also higher at 24,793 mt and 404 mt, respectively, as against 18,798 mt and 8 mt in the previous year. Sale was also higher in volume terms at 12,902 mt (3,549 mt) of solvent/refined oil, 36,955 mt (18,798 mt) of deoiled cakes/powder and 343 mt (56 mt) of soap and oil sludge. The dairy milk division, which markets its products under the brand names 'Manthan' and 'Dewa', produced 1,310 mt (1,226 mt) of skimmed milk powder, 1,121 mt (808 mt) of pure ghee in addition to producing 125 mt of skimmed milk powder on job work basis. Sale also improved in volume terms to 1,378 mt (1,226 mt) of skimmed milk powder and 1,096 mt (808 mt) of pure ghee. Despite higher production from these two divisions, the company's soya milk division could not undertake commercial production due to the absence of demand. The company's exports meanwhile improved by 51 per cent over the previous year to Rs 19.9 crore accounting for 29.6 per cent of net sales.

With the completion of modernisation of the refinery the company planned to manufacture various value added products. Further, with the commissioning of the lecithin plant, this was also expected to contribute to sales in 1993-94. With the market responding favourably to its latest introduction of pasteurised and toned milk, the company also started marketing its products (ghee and skimmed milk powder) in Rajasthan and Orissa. It plans to enter new market areas.

During 1992-93, in order to finance its lecithin plant as also to meet its working capital requirements, the company entered the capital market with a rights issue of 9,71,113 equity shares of Rs 10 each at a premium of Rs 20 per share. With this issue the company's paid-up capital has moved up from Rs 3.7 crore to Rs 4.9 crore.

Meanwhile, for the year ended March 1994, the company earned a net profit of Rs 1.1 crore on a net sale of Rs 70.1 crore.

BHAGYANAGAR METALS

Reduced Margins

The recessionary trends in the copper and electrical industry seems to have taken their toll of the performance of Bhagyanagar Metals. The company has three divisions, namely, a copper division and a super enamelled copper wire division (both in Hyderabad) and a PVC foam leather division, and it is now setting up a jelly filled telecommunication cables (JFTC) division. Though the company managed to improve its net sales, albeit marginally, its margins fell drastically during 1992-93. Severe competition affected the jointing kit division and turnover from the division was stagnant at Rs 19.4 crore. Production and sale of copper wire was also lower at 2,378 mt and 1,537 mt, respectively, as against 4,878 mt and 1,949 mt produced and sold last year. Production and sale of super enamelled copper (SEC) wire on the other hand improved significantly from 731 mt and 681 mt, respectively, to 1,235 mt and 1,102 mt. Further, from a contribution of around 25 per cent of net sales in 1991-92, turnover of SEC wires accounted for 40 per cent of sales in 1992-93. Meanwhile the company's imports, which accounted for 34 per cent of net sales, fell by 41.4 per cent during the year leading to lower foreign exchange outgo. This was made possible mainly by reduction in the share of imports in total raw material consumed from 73.5 per cent to 57 per cent.

The company has undertaken a project for JFTCs with an installed capacity of 6 lakh ckm at a total cost of Rs 26 crore. The project, which was in an advanced stage with civil works already completed and most of the items of plant and machinery under erection, was expected to commence production in the current calendar year. The project is actually a forward integration for the company with almost 60 per cent of raw material requirement available from group companies and its own units.

In line with its efforts to save energy, the company has improved insulation of its furnaces by replacing the old one with glass wool which is the latest in insulation technology. It has developed a new machine which can run up to three different sizes of wire in the same oven thus reducing the set-up and the changeover time. This has resulted in reduction in scrap leading to increased efficiency. The company has also developed and supplied a special grade of enamelled wire to ISRO which was used in INSAT 2B. It is now developing enamelled strips and fibre glass covered strips which will be used by the railways and for special purpose motors.

For the year ended March 1994, on an improved turnover of Rs 62.6 crore the company earned a net profit of Rs 2.2 crore.

National Population Policy

Progression towards a Fascist State

Arun Ghosh

The draft Population Policy deserves to be rejected because (i) it will result in unconscionable centralisation of authority, (ii) its proposals are heavily biased against women, and (iii) some of the procedures and means recommended are little short of fascistic

A HIGH-LEVEL group of experts (GOE hereafter), set up by the government of India in July 1993 to prepare a draft National Population Policy has submitted its report in May 1994. Like all government committee reports it has been quite hush-hush, its recommendations veiled in secrecy, and reportedly currently under the consideration of the union cabinet.

There are two frightening aspects of the report of the GOE: first, the members are men and women of impeccable credentials, and second, the final recommendations—apparently not even seen by some members (or inadvertently not properly read by some others)—are fascistic in approach. These are strong words but it is important to point out some of the clear directions of policy approach implicit in the recommendations of the GOE. If implemented, the new Population Policy of the central government would lead to enormous centralisation of political and economic authority; the policy recommended—despite many sweet invocations in favour of women—is anti-women in the extreme, and the powers recommended for the central authority (and the means of policy implementation recommended) are so obviously fascistic (and so reminiscent of the days of 1975 and 1976 and again, of 1981-82-83) that one begins to wonder whether the members of the GOE believe in Aldous Huxley's *Brave New World* as perhaps the manner in which to fashion societal development in the future.

Since the members of the GOE are all eminent personalities, no names should be taken but one cannot help taking the name of the chairman, a man of international eminence in the person of M S Swaminathan, and the name of one member, Devaki Jain who is supposed to have signed the report (since the letter of transmittal gives the names of all members, with the statement that "*We* (emphasis added) hope that the draft population policy statement will help to stimulate debate and discussions ...")—but who has, in a public statement issued in July, denounced the draft policy, adding that she could not attend the last two meetings and that "I am not a signatory to the final report of the group".

Two initial points should be made at this juncture. First, since Swaminathan's letter of transmittal expressly indicates the GOE's "hope that the draft population policy statement will help to stimulate debate and discussions ...", it is imperative that government *publish* the document and invite a public debate before the draft Population Policy is considered by the union cabinet. Undoubtedly, there are many useful recommendations in the report of the GOE. But, and this second point is important, one must as of today oppose the draft Population Policy strenuously for the reasons already indicated: the proposals, if implemented, would lead to unconscionable centralisation of authority; the proposals are heavily biased against women (despite many palliative gender conscious sentences), and some of the procedures and means recommended are nothing short of fascistic.

There can, therefore, be no compromise: the GOE report should be published and debated and thereafter hopefully consigned to the waste paper basket where it belongs. One could then pick up the (many) elements which are worthy of consideration which could then be debated, and possibly implemented.

Fascistic Measures

Let us discuss the three major implications of the draft Population Policy in reverse order. Why do I deem the recommendations of the GOE to be fascistic? Two specific recommendations of the GOE in Part B of the report dealing with implementation should be reproduced here—unfortunately necessarily out of context, but nevertheless, as indicative of the mental make up of the GOE.

> Battalions of the Indian army which are involved in helping to overcome environmental degradation in several parts of the country may be deployed wherever feasible to serve the cause of health and population stabilisation.

Well, well: the civil government has, of late, been increasingly dependent on the armed forces for action in areas where civil institutions should do the job, and regrettably, we have seen not only the civil administration but also—and increasingly—the civic authorities crumble. But the issue here is clear. Do we totally give up on the institutions of civil society or do we try to refashion them? This is a very broad area of discourse, and we may pick up the threads again, in the context of problem one, namely, the over centralisation implicit in the draft Population Policy. At this juncture it need only be briefly stated that the very thought of using the armed force, for purposes such as promoting a positive policy reveals an authoritarian mind set, not only that, the impact of the implementation of such a policy on the recipients of the 'message' is likely to be wholly counterproductive. Indeed, it is surprising that the members of the GOE have taken no lessons from the experience of developed countries, from the experience of Kerala within our own country in regard to the intimate causal relationship between the gross reproduction rate and factors such as infant mortality rate (IMR), pre natal maternity care, proper sanitation and maternity care, post natal maternity and infant care, health and nutrition of children et al. Similar trends are now beginning to appear in Tamil Nadu. In Punjab the increased income of the farm population has led to a dramatic reduction in the net reproduction rate in recent years and in none of the three states mentioned above have coercive measures been used. Indeed if the experience of past coercive measures is any guide, the effect of such measures is generally counterproductive.

The other quotation in this context is indicative of a viewpoint which is not objectionable *per se* but evidence of extreme naivete.

> Youth organisations like NCC, NSS, Scouts and Guides will be harnessed for activities related to population and social development.

The possible role of youth in *social development* is indisputable but the use of children—how else does one categorise Scouts and Girl Guides?—for propagating population control measures is at best ludicrous. Somehow each one of us when we are working on a narrow field of our specialisation seems to think that every possible means should be adopted to achieve the desired objective. We forget that the objective may be sound but the means recommended for its attainment may not even be appropriate. In fact the suggestion concerning the use of the NCC sounds like the use of para military forces for the

propagation of population control and reflects a somewhat unthinking mind-set. Anyhow, one would have expected the highly reputed members of the GOE to show greater concern as to the *means* of achieving population control. There is no dispute about the objective; there would be universal agreement thereon. Equally, because the issue is important, one would have expected greater introspection, greater use of past experience around the world, as to the means to be adopted for achieving the desired objective.

Anti-Woman Bias

How is the proposed new Population Policy anti-women? Again, in the context of the implementation of the proposed policy, it is stated that "today women bear the brunt of sterilisation operations"; but in the very next paragraph the GOE goes on to say "...there are now the newer hormonal methods which women can use for spacing". Further, "it has to be recognised that no medication... is completely free from side-effects"..."but India has an efficient scientific set-up for testing for safety, effectiveness, reliability, and acceptability of contraceptive methods..."

What are the facts? A large number of activist women's organisations are reported to have protested to the government against the introduction, in India, without adequate trial—and certainly without certification by the concerned authorities in India—of oral and injectable contraceptives (imported from the US) for women. One of them is Cyclofem; another is NET-EN; a third is Depo Provera. Cyclofem is a combined injection of estrogen and progestogen which will be introduced without trials in India.

Some of us are not medical experts, nor even scientists; but two points need to be made. First, despite all manner of platitudes like the burden of family planning being equally shared between men and women, *in practice* what is being put into place are hormonal injectables (and oral pills) for women. Secondly, injectables can be given to women without their knowledge and consent; and in a male-dominated society, with the armed forces, paramilitary forces and 'skinheads' (in the NCC/NSS) being drafted to mobilise support for limiting the size of family, and with increasing centralisation of authority, where is the guarantee that the country would not be a witness to large-scale application of injectable family limitation techniques on women without their knowledge and consent?

Indeed, there are certain aspects to this policy which have to be seen in the light of the steady reduction in government involvement in primary health care facilities and in the assiduous promotion of 'market driven' education and health services. Policy intent and action appear to be increasingly drifting apart, in every area of social and economic development.

Centralisation of Power

Let us get back to the very first of the objections raised earlier, namely, the over-centralisation of economic power that is envisaged in the report of the GOE. Indeed, the report does pay homilies to decentralisation; it goes on to claim that the proposed "Population Policy is structured on the basic premise: think, plan and act locally and support nationally". As part of the preamble, the report goes on to say, "the decline in the sex ratio (the ratio of females to males in the population) is a warning signal". The warning signal pertains to social attitudes, to innate prejudice against a female child, to the mind-set of the population. The concern of the GOE is well taken. The GOE has also stated that "population, poverty and environmental degradation have close linkages..." (though one could argue that more than the linkage between poverty and environmental degradation, one has to worry about the linkage between environmental pollution and untreated industrial effluents in a 'market driven' economy). Anyhow, what are the recommendations of the GOE? One needs to focus on the main thrust of the new policy which is briefly summed up below.

First, there is to be constituted a new Cabinet Committee on Population and Social Development with the prime minister as the chairperson. Fine, if that is the way to give increased attention to population control and social development. But there will now be constituted a new Population and Social Development Commission (PSDC) "with executive powers such as the Atomic Energy and Space Commissions". If accepted, we would, in one fell swoop as it were, impose

yet another layer on the existing layers-upon-layers of bureaucracy. The PSDC chairman would have the rank of a cabinet minister.

How will the PSPC operate? To begin with, it "will operate the Population and Social Development Fund". The Fund (PSDF) would, in turn, have the following sources of revenue: (a) GOI funds, including the amounts now spent on incentives, (b) bilateral donors, (c) foundations, multilateral donors and UN agencies including UNFPA, (d) corporate and co-operative sectors, and (e) voluntary contributions from both within and outside the country. The GOE report goes on to add: "state governments will make every effort to augment financial, technical and institutional resources", and finally, "suitable tax incentives will be provided for this purpose", the purpose being "voluntary contributions to the Fund".

We would come to the organisation and activities of the PSDC later; but one point is crystal clear. There will now be a mammoth new Centrally Sponsored Scheme—with bilateral and multilateral foreign aid—in the guise of a new Population Policy. And, when the centre provides "tax incentives... [for] voluntary contributions to the Fund", essentially, the centre is dipping into the kitty of statutory transfers of central tax collections (of both corporate and individual income-tax) to the states. It is easy for the centre to be generous on this score, for the centre keeps its tax collection cost; and some 85 per cent of the *net* tax revenue is to be shared with the state governments.

Lip-Service to Decentralisation

Add the burden imposed on the extremely meagre resources of the state governments in relation to the enormous development problems which, under the Constitution, are the responsibility of the state governments—the *additional* burden imposed on states to find the balancing funds to enable them to take advantage of funds to become available from the PSDF—and you have another clever ploy of increasing the clout and the might of the centre in regard to ordering the lives of the people of this country. Already, the volume of transfers from the centre to the states, under Centrally Sponsored Schemes, exceeds Rs 6,000 crore (for which the states need to make some matching contribution). Already, the financial resources of the state governments are strained to a point where essential services are badly neglected, by way of maintenance of roads, bridges, expenditure on education and health, provision of other infrastructure (like power, irrigation). We now have yet another programme—potentially, a mammoth one—wherein funding would depend on the states' contribution.

Let us face it: the talk of decentralisation is merely paying lip-service to the concept. it is not backed by any concrete, positive movement towards effective decentralisation. This becomes glaringly obvious when one goes into how the PSDC would function. In the first place, the PSDC is to be an *executive authority* (on the lines of the nuclear and space agencies). It is to have its own (large) corpus of funds. It would be responsible for not only formulation of policies but also of their implementation, monitoring and evaluation. One knows from experience that one who pays the piper calls the tune. The PSDC would be the focal point of receipt of all foreign funds—apart from substantial domestic resources—and a large part of the centralised funding would be at the expense of resources that would otherwise have accrued to state governments. Not only would the existing personnel of the Department of Family Welfare be transferred to the PSDC, but according to the GOE report, "additional staff, particularly specialist consultants, will be required by PSDC..." More frighteningly, the "PSDC will prepare a socio-demographic charter for the country as a whole..."

There are some very pious statements made by the GOE. One may cite only one instance, "state governments will make every effort to augment financial, technical and institutional resources". How this will be done is, of course, not the concern of the GOE.

Perhaps an important constitutional issue needs to be raised here. The PSDC would operate the PSDF. The 'Fund' would comprise not only some part of the present central budgetary allocations (in favour of the Department of Family Welfare), the underlying idea appears to be that the Fund would be the focal point of receipt of external assistance as well as internal donations. As such, the Fund would—so it appears—no longer be subject to parliamentary scrutiny. A large corpus of resources is to be placed hereafter at the disposal of the central government (or an agency thereof) without any direct accountability to parliament.

No one, I repeat no one, minimises the importance of limitation of population growth, of steps necessary for universal acceptance by all Indians of a small size of family (of two children as the norm, and of three children as the outside limit). Any number of studies pertaining to experience in different parts of the country have pointed out the close linkages between family incomes and the size of the family and between education, health, maternity and infant care on the one hand and the size of family on the other. A recent study conducted by the Centre for Research in Rural and Industrial Development (CRRID), Chandigarh, has made a sample survey of eight districts in Haryana, Himachal Pradesh and the UP and has concluded that the education of women, employment of women and empowerment of women is the greatest need today in bringing down the reproduction rate in the country. The CRRID study has numerous other findings, but these are generally in line with numerous other studies made by social science researchers in the past. And there is a plethora of such research studies, very few of which appear to inform the findings and recommendations of the GOE. This is not only surprising but also disconcerting. The Group of Experts are all eminent personages, all eminent in their own fields of specialisation, some of them specifically in regard to population studies. Is it possible that they were bulldozed into quickly signing a report they had not studied carefully? Anyone with some experience of the functioning of government committees knows that the draft report is prepared by the member-secretary and is generally overseen by the chairman, the other members playing, by and large, a passive role. One member of the GOE has already dissociated herself from the report in quite categorical terms. A number of women's organisations have reportedly represented against some of the findings and recommendations of the GOE to the chairman. This much is common knowledge.

But no one has so far pointed out that the draft Population Policy—as formulated by the GOE—is clearly and unmistakably an attempt to centralise more powers. Lip-service has been paid to the idea of decentralisation. There is talk of motivating the panchayats. But what can the panchayats—or any other local authority—do when there is to be a fearful concentration of both funds and of powers with the PSDC? The GOE report talks of a 'holistic' approach to the problem of population control. Such an approach should imply total devolution of authority and finances for local level development—of education, health, employment, incomes of all in general and of women in particular—not an 'unholy' concentration of power as envisaged today, with clear directions as to coercive measures that may get to be employed through the armed forces, the NCC, et al.

The country needs to *reject* such an approach, in the same unequivocal manner as it rejected the 'Emergency' in 1977.

Leastwise, the country should demand the publication of the GOE report so that it can be debated. Even at the cost of repetition it needs to be stated decisively that: (a) there is undoubted need for stemming the rate of growth of the population, (b) there are some obviously useful suggestions in the GOE report, and (c) overall, the recommendations of the GOE should be dissected carefully, in regard to the implications thereof, and rejected insofar as the proposed Population Policy is an undisguised attempt to centralise powers and authority, when the crying need of the country is greater devolution and decentralisation.

Forestry Debate and Draft Forest Act

Who Wins, Who Loses?

Ramachandra Guha

A careful reading of the government's draft new forest act, to replace the Indian Forest Act of 1927, shows that its real aims are (i) to restrict people's rights in reserved forests, which are owned and managed by the state; and (ii) to sharply limit the area or extent of village forests in which local communities could exercise more effective and independent control.

I

IN the global history of natural resource management, there are few institutions as significant as the Indian Forest Department. Set up in 1864, it now controls over one-fifth of the country's land area. Not only is the Forest Department India's biggest landlord, it has the power to affect the life of practically every citizen. In what is still a biomass-based economy, all segments of Indian society—peasants, tribals, pastoralists, slum-dwellers and industry—have a heavy dependence on the produce of the forests, as the source of fuel, fodder, construction timber, or raw material for processing.

And yet, in the century and a quarter of its existence, the Forest Department has been a most reviled arm of the Indian state. Through the colonial and post-colonial periods, popular opposition to the workings of the Forest Department has been both sustained and widespread. Simplifying brutally, one might say that underlying these varied protests have been two central ideas: that state control over woodland (as opposed to local community control) is illegitimate; and that the Forest Department's programmes of commercial timber harvesting have seriously undermined local subsistence economies.

Popular protest movements in defence of forest rights go right back to the inception of state forestry but curiously a public debate on the direction of forest policy is of quite recent provenance. A comparison might be made here with peasant struggles with respect to land rights and movements of industrial workers with respect to wages and work conditions. At least from the 1920s, the rights of cultivators and factory workers had figured high on the agenda of the national movement. Again, since independence, political parties of left and right have cultivated unions of workers and peasants, while a variety of new laws and policy initiatives have tried, admittedly with mixed success, to safeguard their rights.

By contrast, it is only from the early 70s that intellectuals and activists have picked up, in any serious fashion, the long-standing grievances of forest-dependent communities. However, in the last two decades the working of the Forest Department has come under close and critical scrutiny. It has been demonstrated that state policies have excluded the majority of the Indian population, namely, tribals and peasants, from its workings while favouring the interests of a select group of industrial and urban consumers. Nor are groups working with tribals and other forest-dependent communities the only critics of the Forest Department. Conservationists, for instance, have argued that commercial forestry has contributed significantly to the decimation of biological diversity and to an increase in soil erosion and floods. More recently, industrialists who have hitherto been the prime beneficiaries of forest policy have hit out at the department's selective phasing out of subsidies granted to them, urging that they continue to be given preferential treatment in the supply of forest produce. Faced with sharp criticisms from several quarters, senior forest officials insist that they are unjustly being made scapegoats, while the real causes of forest destruction—in their view, exploding human and cattle populations—escape identification.

In this ongoing debate on the direction of forest management, it is possible to identify four key actors. These might be characterised as *wildlife conservationists*, *timber harvesters* or industrialists, *rural social activists*, and *scientific foresters* respectively. These are indeed 'interest groups' in the strict sense of the term: that is, each has a specific claim on the resource under contention, and lobbies actively to defend or promote this interest. What is noteworthy is that in each case, the management proposals advocated by the group seek wider support from a sophisticated theory of resource use in which their own *specific* interests are presented as being congruent with the *general* interests of society as a whole.[1]

Wildlife conservationists are an interest group with an influence on state policy wholly out of proportion to their numbers. While their focus in practice has been on the preservation of unspoilt nature, defenders of the wilderness are prone to advance moral, scientific and philosophical arguments to advance their cause. Although their initial and possibly still dominant impulse is the aesthetic value of wilderness and wild species, conservationists have found strong support from recent biological debates. The theme of biological diversity as an essential component of a direct and indirect, known and yet to be discovered survival value for humanity as well as an emphasis upon the 'intrinsic' rights of non-human species has been prominent in recent debates on the preservation of wilderness areas. The quite specific interests of nature lovers in the preservation of wilderness are thus submerged in the philosophy of 'biocentricism', which calls for strong action by human beings on behalf of other species.

These philosophical claims notwithstanding, in India a select group of ex-hunters and naturalists has been in the forefront of wilderness conservation. Their concern has been overwhelmingly with the protection of endangered species of large mammals such as the tiger, rhinoceros, and elephant. Their influence is manifest in the massive network of parks and sanctuaries, many of which are oriented around the protection of a single species, such as the 18 parks under Project Tiger. Wildlife conservationists share, with senior bureaucrats in particular, a similar educational and cultural background, and this proximity has in no small way influenced the designation and management of wildland. But for all their talk of the rights of 'non-human nature', most conservationists have been deeply insensitive to the rights of villagers displaced by national parks or whose access to forest produce has been curtailed by their constitution.

The second important group in the Indian forestry debate consists of those who view the forest as a source of industrial raw material. In terms of their management preferences, *timber harvesters* are the polar opposite of wilderness purists. While the latter stand for a 'hands off' management style, which implies the minimum possible interference with nature and natural processes, industrial exploitation of the forest often leads to a substantial and even irreversible modification of the ecosystem.

The industrial view of nature is simply instrumental. For the timber harvester, the forest is but a source of raw material for his factory. But the pursuit of profit dictates a pragmatic and flexible attitude towards forest management. Thus in the past, industrialists had been content with letting the state manage forests, so long as they were assured abundant raw material at rock-bottom prices. But now, with increasing deforestation and the withdrawal of subsidies, paper, plywood and rayon factories have begun to intensively lobby for the release of degraded forest lands for their exclusive use, as 'captive plantations'. Notably, in response to the environmentalist challenge of the last two decades, some industrialists have been quick to develop their own general theory of resource use. In arguing that they must continue to have first claim to the produce of public lands, they invoke the equation in conventional development thinking of industrial growth with progress and prosperity. At the same time, timber harvesters claim that the allotment of land to them as captive plantations will significantly lessen the pressure on natural forests (whose destruction in the past, largely at their own hands, they had of course been quite indifferent to).

By *rural social activists* I mean those individuals and groups working with communities who have an acute dependence on the forests for their livelihood. In present-day India this would include communities of hunter-gatherers, swidden agriculturists, pastoralists, artisans, landless labourers and small and medium farmers. A large proportion of the rural population lives close to a biological subsistence margin, and access to fuel, fodder, small timber and non-wood forest produce is critical to their survival and subsistence. Moreover, most Indian villages have stayed on one site for centuries, and the collective consciousness of their inhabitants stretches far back into the past; state usurpation of the forest is from this perspective a comparatively recent phenomenon, and thus resolutely opposed by tribals and peasants who continue to cling tenaciously to traditional conceptions of ownership and use.

These deeprooted animosities are invoked by rural social activists in their polemic against state forest management. Some among them call for a radical reorientation of forest policy, so that it would more directly serve the interests of subsistence peasants, tribals, nomads, and artisans. Others go further in asking for a total state withdrawal from forest areas; these can then revert to the control of village communities, which they believe have the wherewithal to manage these areas sustainably and without friction. These recommendations draw support from a powerful philosophy of agrarian localism, namely, Gandhism. Where Gandhi, the 'Father of the Nation', always gave primacy to rural interests and needs, the policies of independent India are indicted (for the most part, rightly) for being heavily biased in favour of the urban-industrial sector.

We come finally to the group in actual territorial control of forests and wilderness areas. The brief of the Forest Department might be defined as the adjudication, in an ostensibly scientific and objective manner, of the competing claims of the three interest groups dealt with above. Historically (that is, in the late 19th century, when their profession emerged), *scientific foresters* saw themselves as heralding the transition from *laissez faire* to state-directed capitalism, in which they were, along with other professional groups, the leading edge of economic development. Conservation has been for them the 'Gospel of Efficiency', with scientific expertise and state control its prerequisites. These ideological claims notwithstanding, foresters have often tended to act in a narrow self-interest; holding on hard to control over forest land and the discretionary power that goes with it. It must also be said that, whether at their own initiative or at the behest of their political masters, in practice the Indian Forest Department has consistently put industrial exploitation ahead of both ecological integrity and the rights of local communities.

In this manner, through the skilful submergence of specific interests in a general theory of the human (and natural) good, these competing groups have tried to legitimise their claims on forests and forest produce. The territorial aspirations of foresters are accompanied by claims to monopoly over scientific expertise; the aesthetic longings of nature lovers are legitimised by talk of biological diversity and the ethical responsibility of humans towards other species; the profit motive of capital masquerades as a philosophy of progress and development; and the requirements of tribal and peasant communities are cloaked by an ideology that, in a manner of speaking, opposes country to city and Bharat to India.

Finally, let us note the varying positions on state control over forests and wildland. Two groups are unambiguous in supporting state control, even if they insist that the state enforce only their definitions of forest use. Thus wilderness conservationists see a powerful, interventionist state apparatus as indispensable both in designating wilderness areas and in subsequently keeping out intruders, while for scientific foresters total state control would allow them to plan rationally at a nation-wide level, without having to take account of the views on the subject of the 'non-expert' citizenry. Rural social activists, for their part, are by and large opposed to strict state control, arguing for a greater role to be given to community ownership and management of forests. As for timber harvesters, they are characteristically opportunistic on the question of forest ownership; calling when it suits them for the privatisation of forest land, and when it does not, for the provision of subsidised raw material from state-managed forests.

These four contending groups apart, a fifth category of resource users has also exercised a major influence on the direction of Indian forestry. This consists of the urban upper and middle classes, who constitute a substantial and growing market for a variety of forest produce. Unlike the other actors in the forestry debate, urban consumers, while numbering in the tens of millions, are a somewhat disaggregated group, without a co-ordinated perspective on forest policy. Nonetheless, their demands for plywood, quality furniture and processed non-wood forest produce have powerfully stimulated processes of forest destruction. Ironically, this upper class also comprises the constituency from which wilderness conservationists spring, and to which their arguments are largely addressed. Where the consumption patterns of the urban elite contribute on the one hand to forest destruction, their aesthetic and recreational preferences, on the other hand, help determine the priorities of national park management. Squeezed between these twin processes of destruction and conservation are the vast bulk of the rural population, who have little stake either in commercial forestry or in wilderness areas as they are presently managed.

II

The evolution of state forest policy and its changing orientation over time can best be understood in terms of the competing claims, and relative influence, of the four interest groups identified above. From 1864 to 1972, forest management strategies were markedly biased in favour of commercial and industrial exploitation, with little attention paid to sustainability or to social justice. However, in the last two decades, as the forestry debate has intensified, no clear thrust has emerged, with the state responding selectively to the claims of different interest groups.

The Wildlife Protection Act of 1972, amended and made more stringent in 1991, and the creation of a vast network of strictly protected parks and sanctuaries are initiatives that respond most directly to the arguments of the wildlife conservationists. Likewise, the liberalisation of wood imports, the continuance of industrial exploitation in state forests despite the evidence of the deforestation it has caused, and more recent moves towards the creation of captive

plantations, might all be viewed as evidence of the continuing influence of private industry. As for rural social activists, despite representing a much larger constituency than both conservationists and timber harvesters, they have had, in the past, minimal influence on the direction of forest management. Their call for a decentralised, and democratic, system of forest management has by and large gone unheeded, with one recent and potentially radical exception. This is the programme of 'joint forest management' or JFM. In West Bengal, where it was initiated, JFM has proved to be a dynamic and successful programme, with state and villagers co-operating in protecting and renewing degraded forests over several districts of the state. Thousands of Village Forest Protection Committees have been constituted, which then manage forests in collaboration with the Forest Department.

Picking up on the success of the experiment in West Bengal, the Ministry of Environment and Forests in New Delhi wrote in June 1990 to the Forest Secretaries of all States and Union Territories, asking them to actively involve village communities and voluntary associations in the regeneration of degraded forest lands. Following this circular, ministry officials prevailed upon 15 state governments to pass orders allowing for the involvement of villagers in the management of degraded forests controlled by the Forest Department. However, progress on JFM outside West Bengal has thus far been slow. For one thing, there has been resistance from the bureaucracy; for another, insufficient attention has been paid to the need to refine the concept to allow for regional variations in economy and political culture. However, the government orders are in themselves a valuable step forward. They constitute an official acknowledgement that a prime reason behind the reckless denudation of government forests in the past was the failure of the Forest Department to work in co-operation with village communities rather than in opposition to them. In theory, and potentially in practice, JFM thus runs counter to the centralising and exclusionary thrust that has otherwise characterised state intervention in forest areas.[2]

Through all this, of course, the fourth group in the forestry debate, the Forest Department itself, has retained most of its powers. The Forest Conservation Act of 1980 (amended in 1988), which makes it much more difficult to convert forest land to non-forest uses without the clearance of the central government, has consolidated its territorial control, as has the Wildlife Protection Act. In West Bengal, the political context might have made forest officials (with the bureaucracy in general) more responsive to pressures from below, but elsewhere in India, state Forest Departments have continued to be indifferent or hostile to the rights of tribals and peasants. Although a few Divisional Forest Officers have responded sympathetically to the programme, there is little question that the Department as a whole has resisted the spread of JFM to other parts of the country (the government orders referred to above, it might be noted, were passed at the urging of energetic IAS officers in the Environment Ministry).

With the forestry debate in a fluid and somewhat unresolved state, the Ministry of Environment and Forests has now drafted a comprehensive new forest act, to replace the existing Indian Forest Act of 1927. This draft, if passed into law, will have profound implications for the direction of forest management in general, and for the rights of forest-dependent communities in particular.

In his comments on the draft act (*EPW*, July 23), Sharad Kulkarni seems to have missed the main import and consequences of the proposed legislation. His 'assessment' of the draft is, if not a 'misassessment', most certainly a mistaken assessment. One reason for this is that Kulkarni's article takes no account of the sociological context, provided by the competing claims and pressures of the four interest groups I have identified as the crucial players in the forestry debate. Another reason is that, taken in by some of the draft's highsounding phrases, he has completely ignored the two central, and dangerous, ideas which underpin the proposed legislation: first, that forest management should in future be guided by the concept of 'carrying capacity', and second, that the centralisation and consolidation of state power is the way to protect and revive India's dwindling forests.

The assessment of the act that follows seeks to redress those omissions. However, my aim is not primarily to correct Kulkarni, but rather to locate and interpret the draft act in the context in which it makes most sense: namely, the claims of our four interest groups. Which of these groups seek to benefit from the bill, and which will be most vulnerable to its provisions?

The Act recently drafted by the Ministry of Environment and Forests is to be called 'The Conservation of Forests and Natural Ecosystems Act'. As the very title indicates, there is to be a strong, perhaps even dominant, emphasis on conservation and environmental protection. The detailed provisions of the act also make it clear that its intention is to create or maintain reserved forests under strict state control, for preserving the ecological balance. Thus in comparison with the past, there is a relative de-emphasis on industrial wood production from forest areas. 'Sound ecological management' is here held to be the main objective of forest policy, rather than the 'sustained-yield forestry' which was the guiding principle previously. ('Sustained-yield' was but a euphemism for industrial exploitation, which was in practice environmentally destructive and quite unsustainable in the long run.) Again, Section 40.A1 of this draft provides that state governments have to get the permission of the central government before entering into any agreement for supplying raw materials to industry.

This ecological emphasis also lies behind the checks on further encroachment or diversion of forest land. Sections 5 and 34 prohibit the state governments from granting *pattas* or occupancy rights to those who are unauthorised encroachers on reserved or protected forests, without the permission of the centre. Likewise, the central government can give directions to any state government (*cf* Sections 3(2) and 27A) to constitute reserved forests in a specific area and ensure that these instructions are carried out.

This ecological focus is a distinctive feature of the proposed act. However, it is combined with a more traditional emphasis on state control over forest areas. We have here a very state-oriented piece of legislation which *seeks to considerably slow down, and perhaps even reverse, the trend of greater popular participation in forest management*. The explanatory notes say that the new Act's "ultimate objective is either to constitute reserved forests or village forests", in the process gradually doing away with the intermediate category of protected forests. However, a careful reading of the Act shows that its real aims are: (i) to restrict people's rights in reserved forests, which are owned and managed by the state; (ii) to sharply limit the area or extent of village forests in which local communities could exercise more effective and independent control.

Let us take these two aspects in turn. Sections 1.12 and 13(d) state that the exercise of rights in reserved forests, such as the collection of fuel, fodder, etc, can be continued "subject to the carrying capacity of the land in question and prevention of its overuse". And if the land is considered "already degraded", the Forest Settlement Officer can immediately stop the exercise of rights until he is satisfied that the land has been "restored to its potential productive capacity". Again, Section 22A provides that all rights can be commuted, i e, extinguished with a one-time payment, if the government considers this to be necessary for the prevention of "degradation of the said reserved forest". Likewise, Section 76A reserves to the central government the right to make any rules for "rationalising rights, privileges and concessions in respect of forest produce from reserved and protected forests". 'Rationalising' is, of course, only a euphemism for 'extinguishing'.

Now 'carrying capacity' is a concept very difficult to define or implement. The act

itself does not attempt a definition or explanation, perhaps for the reason that no definition is possible. For the notion of carrying capacity depends on so many interrelated factors, such as soil type, climate, patterns of use, past history of forest, etc, that a precise estimation is virtually impossible. However, under this Act a forest officer can arbitrarily decide that the 'carrying capacity' of a particular patch of forest will not permit the exercise of traditional rights, and thus stop access to the area in question. In this manner, a spurious concept such as 'carrying capacity' will be used to deny the legitimate and long-exercised rights of the people.

One aim of the act, then, is to closely monitor, regulate and limit people's rights in reserved forests. Simultaneously the legislation will, in effect, sharply limit the area of village forest in which peasant or tribal communities can exercise real powers of management and use. Page 4 of the explanatory notes to the Act claims that it has "considerably" expanded the chapter on village forests (that is, in comparison with the existing Act) so as to give village-level institutions the powers to "protect or manage forests and to appropriate the forest produce therefrom". This, it says, is in conformity with the emphasis in the National Forest Policy of 1988 on "people's participation in afforestation and protection".

In his *EPW* article referred to above, Sharad Kulkarni is completely taken in by this claim. He says that while "village forests were given little importance in the Act of 1927", the present draft has several provisions relating to their management, thereby underlining their importance. He also believes that as "the government of India is encouraging the practice of joint forest management", it is "therefore, natural that these ideas should find place in the proposed Act". Here he appears not to have read the fine print closely enough, or understood its implications. For in point of fact, in the one respect that matters—*access to land*—the 1927 Act better allowed for the constitution of village forests. Moreover, far from giving expression to the government's support for joint forest management, this act will in practice sharply limit the spread of JFM in all parts of India.

Let me explain. While it is true that the rights and responsibilities of communities that manage village forests have been more carefully spelt out, in actual fact the proposed Act will ensure that *only very limited areas will be available for possible constitution as village forests*. Most crucially, the Act states that village forests cannot be constituted from reserved forests—these can only be carved out of the class of 'protected forests', which all over India are in much poorer condition. This is a truly retrograde step, for in most states the greater proportion of forest land has already been constituted as reserved forests. For India as a whole, reserved forests are almost twice as large in extent as protected forests (at 41.5 million hectares as against 23.3 million hectares), while in several states the relative figures are much more skewed. Thus in Andhra Pradesh the area of reserved forests is roughly four times as much as the area covered by protected forests, in Gujarat thirteen times as much, in Karnataka more than seven times as much, and in Uttar Pradesh a staggering thirty-four times as much.[3] Meanwhile, there is considerable variation within each state, so that there are quite a few districts where virtually all forest land is under reserved forests.

In many parts of the country, therefore, there is little area outside reserved forests, either as protected forests or other common land, that shall be available for the formation of village forests. Moreover, this land will be of infinitely poorer quality. In other words, the Forest Department *has kept the most and best land for themselves, limited people's access to this land, and then allowed them to have very little, already degraded land elsewhere*.

By prohibiting the constitution of village forests from reserved forest land, this new legislation overturns a provision in the existing Indian Forest Act of 1927, wherein village forests can in theory be constituted from reserved forests. That provision has been very rarely exercised in practice, but the fact that it exists shows that at least in this respect, the colonial forest law was actually more sympathetic to people's participation and people's rights than the act now proposed by our independent, 'democratic and socialist' government.

I believe this to be the most dangerous feature of the draft legislation. It must be opposed at all costs, with this provision replaced by one that allows, even facilitates, the conversion of reserved forests to village forests. (A model worthy of emulation here is the Nepal Forest Act of 1993, section 25 of which states boldly that "The District Forest Officer may hand over *any part of a national forest* to a users' group in the form of a community forest".) For if the present provision forbidding the conversion of reserved forests to village forests is retained, it will deliver a body blow to programmes of Joint Forest Management or JFM. In the sal forests of West Bengal where JFM has been most successful, the land allotted for JFM has mainly been ex-zamindari forests that were since converted to protected forests. However, there are many areas, both in and outside West Bengal, where JFM can only spread and succeed if reserved forests are allotted for the constitution and functioning of Village Forest Protection Committees.

This undemocratic aspect of the proposed legislation is further heightened by the provisions that facilitate the conversion of village forests to government-owned forest while totally disallowing the reverse. Thus Section 34(j) allows the state government to take over village forests, while Section 35 provides for the state's acquisition of sacred groves even if these have been protected by villagers for generations. These provisions are in conformity with the general thrust towards centralisation, the consolidation of the powers of government at the expense of the ordinary citizen, that is such a conspicuous feature of this act.

This bias towards centralisation and state monopoly is manifest in other ways. For instance, the state can, if it so chooses, exercise a monopoly on any kind of forest produce, on its trade, transit, sale, etc, "whether such forest produce is grown or found on land owned by the state government or on private land" (Section 40A). Again, individuals cannot open or operate saw mills, but the state government, if it so wishes, can (Secton 40D). In general, the state has reserved to itself all arbitrary and residual powers. Thus forest officers have the powers to arrest without warrant merely on "reasonable suspicion" that someone is committing or might commit a forest offence (Section 64).

With respect to the domain of agro-forestry, too, the act facilitates unnecessary and irksome interference by the state. Here again, there is a wide gap between what the legislation professes and what it enables in practice. It claims it wants to facilitate tree farming, but at the same time it places numerous hurdles in the path of farmers who might actually want to plant trees on their own land. Thus every tree-grower has to be registered with the Forest Department, who must be informed when trees planted and nurtured by the farmers are to be felled or sold. Moreover, the state can specify the spacement of trees planted on farm land. As none of these restrictions operate in the case of other cash crops (such as cotton or sugarcane) they will be a great deterrent to farmers who might otherwise plant trees on their land.

One additional flaw in the proposed legislation is that it discriminates or makes no allowance whatsoever for certain groups or communities which have a critical dependence on forest land or forest produce. For instance, Section 13(3) states that anyone claiming rights in reserved forests must be from a village or town which has a "contiguous boundary with such forest". This discriminates against nomadic pastoralists who may have been grazing their flock, on a seasonal basis, for centuries in the designated forest but whose 'permanent' home is elsewhere. Nor have any provisions been made for the supply of raw material to artisan families who work with wood, bamboo or forest grass.

The act also intends to "regulate, phase out or extinguish" the practice of shifting cultivation on which some tribal groups depend upon for their livelihood.

Legal experts will have to carefully go over many other provisions of the act, for instance those dealing with the powers of forest officials and checks on their abuse, and the various punitive sanctions the act provides for. Here I have highlighted only those features of the draft legislation that have a more general bearing on forest management. To sum up, the proposed act is strongly oriented towards environmental protection and towards enhancing the already great powers of the state machinery. However, it remains quite insensitive to the historic rights of the millions of forest dwellers who have themselves been the victims of flawed and biased forest policies in the past. Indeed, in some respects the present draft uses 'environmental protection' as a cover, or excuse, to further deny the rights of local communities.

is to be planted with fuel and fodder species (though how this will be monitored we are not told).

Thus even as the proposed Forest Act will radically limit the progress of community forestry or JFM, parallel moves are afoot to give forest land on a platter to industry. The biases of the Act in favour of wildlife conservationists and scientific foresters have already been commented upon; and the creation of captive plantations will satisfy timber harvesters. The conclusion is therefore inescapable that recent state initiatives in the forestry sector wish to continue a century-old process of discriminating against the rural and especially tribal poor. It is not difficult to anticipate the consequences, namely, escalating conflict between forest communities and the state.

Those conflicts might yet be alleviated if the present act was redrafted and reworked to allow more for a more participatory system of forest management, in which environmental protection was made harmonious with the claims of social justice. 'Ecology and the People', 'Ecology with the People', should replace the present focus of 'Ecology *versus* the People'. That a healthy forest cover can be brought about only through a close co-operation between the state and village communities was well realised by one of our early nationalist organisatons, the Poona Sarvajanik Sabha. Contesting the colonial forest act of 1878 for its excessive reliance on state control, the Sabha pointed out that the maintenance of forest cover could more easily be brought about by

> taking the Indian villagers into confidence of the Indian government. If the villagers be rewarded and commended for conserving their patches of forest lands, or for making plantations on the same, instead of ejecting them from the forest lands which they possess, or in which they are interested, emulation might be evoked between different villages. Thus more effective conservation and development of forests in India might be secured, and when the villagers have their own patches of forests to attend to government forests might not be molested. Thus the interests of the villagers as well as the government can be secured without causing any unnecessary irritation in the minds of the masses of the Indian population.[5]

More than a century on, these sentiments remain strikingly relevant. For we are yet in search of a truly democratic system of forest management, one founded not on mutual antagonism but on a genuine partnership between state and citizen.

Notes

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1 The identification of these four interest groups, and the presentation of their key ideas, draws upon more than a decade of study and interaction. It is not easy to identify printed sources that authoritatively summarise and present the views of each of these groups. However, for the perspective of the rural social activists, see the essays in Walter Fernandes and Sharad Kulkarni, eds, *Towards a New Forest Policy* (New Delhi: Indian Social Institute, 1983); Peoples Union for Democratic Rights, *Undeclared Civil War: A Critique of the Forest Policy* (New Delhi: PUDR, 1982); and Anil Agarwal and Sunita Narain, *Towards Green Villages* (New Delhi: Centre for Science and Environment, 1989). The other interest groups have not generated a comparable amount of literature, preferring to put forward their case by intensively lobbying the government. However, the Forest Department point of view might be found in J B Lal, *India's Forests. Myth and Reality* (Dehradun: Natraj Publishers, 1989); the industry's viewpoint in Murad Ali Baig, 'India's Forests', pp 15-28 in *Some Aspects of Forestry in India* (Bombay: Centre for Monitoring the Indian Economy, 1982), while the ideology of the wildlife conservationist has been summarised and critiqued in my essay, 'Radical American Environmentalism and Wilderness Preservation: A Third World Critique', *Environmental Ethics*, Spring 1989. Finally, a historical overview of forest policy, legislation and conflict in India is provided in Madhav Gadgil and Ramachandra Guha, *This Fissured Land: An Ecological History of India* (New Delhi: Oxford University Press, 1992), Chapters V to VIII.

2 On JFM, see K C Malhotra and Mark Poffenberger, editors, *Forest Regeneration through Community Protection: the West Bengal Experience* (Calcuta: West Bengal Forest Department, 1989); K C Malhotra, Dehal Deb, M Dutta, T S Vasulu, G Yadav, and M Adhikari, *Role of Non Timber Forest Produce in Village Economy. A Household Survey in Kumbui Range, Midnapore District, West Bengal* (Calcuta: Institute for Biosocial Research and Development, 1991); Society for Promotion of Wastelands Development, *Joint Forest Management Update, 1993* (New Delhi: SPWD, 1993); Madhu Sarin, *From Conflict to Collaboration: Local Institutions in Joint Forest Management* (Working Paper No 14; New Delhi: National Support Group for Joint Forest Management, 1993).

3 A detailed statewise breakdown is provided in Table 1.7 of *The State of Forest Report 1991* (Dehradun: Forest Survey of India, 1991).

4 See the news reports in *The Telegraph*, July 24, 1994, *The Hindu*, July 29, 1994, and *Indian Express*, June 25 and July 29 1994.

5 Memorial from the Poona Sarvajanik Sabha and the inhabitants of the city and camp of Poona, dated March 3, 1878, in A Proceedings Nos 43-142, March 1878, Legislative Department Records, National Archives of India.

Profitable and Socially Responsible Banking

N P Kurup

In its post-scam concern for control and supervision of treasury operations of banks, the Reserve Bank has lost the developmental perspective of nationalised banking.

THE current monetary situation is characterised by excess liquidity and a declining trend in the market rates of interest including for long-term investments. Reports about the rates being offered by banks indicate that the floor rates fixed by RBI have become redundant. Yet, it is also true that the revival of industrial activity is hampered by the high cost and also non-availability of bank credit except for the big top class borrowers who have access to alternative sources of funds and therefore are not in need of bank credit. In this scenario, it also appears that the full beneficial impact of the good monsoon will not be realised for want of bank credit to farmers. This situation calls for urgent corrective action, which is necessary even for the success of the market-oriented reform process.

The annual growth rates of deposits and advances according to population of centres as worked out from RBI's *Quarterly Handout of Banking Statistics* show some interesting features. The metropolitan centres, largely dominated by big business customers, experienced drastic deceleration in deposit growth, from 20.7 per cent in 1992-93 to 14 per cent in 1993-94 despite the excess liquidity with them. These centres also witnessed very drastic deceleration in credit growth, from 22 per cent to 8.8 per cent during the same period. It appears that because of the high rate of interest on short-term funds and also some uncertainty about the availability of resources in the future, companies kept their surplus funds as deposits with banks during 1992-93. But as interest rates on short-term deposits, including CDs, declined substantially, in the context of some assurance of continued availability of funds at lower rates than bank borrowings, the companies used their surplus funds for repaying their borrowings from banks. This seems to explain the unusual phenomenon of high deposit and credit growth in 1992-93 being followed by low deposit growth and still lower credit growth in 1993-94. In brief, the liquidity with the borrowers during 1992-93 was shifted to banks in 1993-94 which had a significant impact on bringing down money market rates.

The other three population groups show a different picture. All the three population groups, individually and collectively, experienced accelerated deposit growth in 1993-94 collectively from 15.3 per cent to 17.6 per cent. But credit growth decelerated, particularly in rural and semi-urban areas. A disaggregated analysis of the data according to regions show that in rural and semi-urban areas, unlike in urban and metro areas, the deceleration was experienced by all the six regions without exception. A further disaggregated analysis (state by population) shows that the deceleration in growth rate was lower in Kerala and Punjab which had traditionally very high repayments (recovery) and lower overdues. This clearly shows that though the recent deceleration in credit growth is frequently referred to as post-scam phenomenon, implying that it is a fall-out of the scam, actually the deceleration in credit growth in rural and semi-rural areas and to some extent in other areas, is a consequence of the implementation of the banking sector reforms, particularly with regard to income recognition, asset classification and provisioning norms.

The reforms are necessary. They were overdue. But in implementing them, the Reserve Bank has shown a lack of perspective about the structure and functions of banks and also the immediate impact of the measures on sectors which came to depend on bank credit after nationalisation. In RBI's implementation of the reforms, there has been a pattern: three steps forward and one step backward. It jumps into the arena with the shield and sword to march forward with the reforms at the fastest pace but soon slows down in response to appeals by bank chairmen whose vision is limited to the next profit and loss statement and not the least to the impact of the measures on the economic base of their operations. Notwithstanding the availability of plenty of raw data and an army of people, the research support gathered for the reform process appears to be marginal. Anyhow, in its post-scam concern for control and supervision of treasury operations of banks, RBI has lost the developmental perspective of nationalised banking. Achieving the goals of priority sector lending and such other developmental functions are left to the discretion of individual banks. The head offices of banks, on their part, have left it to the discretion of branch managers who are made personally responsible for ensuring that no new non-performing advances develop in the branch. In the present situation, the branch manager has to be the sole entrepreneur taking the risk of loan default whereas the corporate office appropriates the substantial tax rebate on rural lending and also the 50 per cent weightage for priority sector guaranteed advances for calculating capital adequacy. All these have created a crisis in management within individual banks also.

This situation is sure to widen the regional disparities in development. For two reasons there will be a much larger flow of credit to areas with high repayment experience. Firstly, the bank managers will not have much inhibition in lending in these areas where wilful defaulters will be much less. Even wilful defaulters are likely to voluntarily repay loans as the post-GATT scenario offers excellent opportunities to earn more profit from export-oriented agricultural production as brought out by Gulati and Sharma (*EPW*, July 16). In these areas a large number of new units in non-farming activities are also likely to come up providing forward and backward linkages to agricultural activities. In areas with poor repayment experience, farm credit extension will be nil or marginal with no impact on the generation of non-farm activities. Therefore, if bank credit is to be extended in these areas, concerted action has to be taken to ensure that credit is productive and the loan will be repaid. The borrowers may require larger credit than under the earlier norms which frequently resulted in underfinancing and failure of the activity. In these areas, rural branches may require larger and better staff support for proper supervision of credit utilisation and guidance to farmers. Similarly realising the sea-change in the environment in which the branch manager has to exercise his loan sanction powers, state functionaries have to educate borrowers about their moral responsibility for productive utilisation of credit and repaying the loan. In an earlier study made by this writer it was found that recovery with the help of state recovery acts is much better in states with higher voluntary repayment than in states with low voluntary repayment, even though the latter group had a higher proportion of wilful defaulters. For re-establishing the ethics of repayment, some sort of group guarantee may also be adopted in suitable areas. In brief, we have to develop banking entrepreneurship at the grass roots level. To facilitate this, among other things, the various incentives given to banks such as tax rebate based on outstanding rural advances, 50 per cent weightage for guaranteed advances for working out capital adequacy, etc, have to be converted into meaningful support to discretionary decision-making by branch managers. In providing the developmental perspective of profitable and socially responsible banking, the role of planning and research divisions in banks is crucial.

To conclude with a question: given the above-mentioned incentives to rural branches, what should be the level of minimum profitability for rural branches to conform to the spirit of profitable and socially responsible banking?

TV and Violence

Bharat Dogra

Society should intervene with tougher laws to monitor and control the use and portrayal of violence on television, which many psychologists believe is influencing the behaviour of child-viewers.

A GROUP of 25 prominent British child psychologists led by Elisabeth Newson have recently concluded that there is a definite link between violence portrayed in video films and TV and aggression among youngsters. Their report regrets that psychologists have so far underestimated the degree of brutalities and sustained sadism that film-makers were capable of inventing and willing to portray, let alone the special effects technologies which would support such images. The psychologists have recommended that society must intervene with tougher laws since parents may be unwilling or unable to stop this trend.

According to a widely quoted study by S Centerwell of the University of Washington, the introduction of television into the US and Canada led to the doubling of the homicides rate in the 1960s and 1970s, which has been maintained in the 1980s and 1990s. Several factors are no doubt responsible for violence but nevertheless, Centerwell says, "The epidemiologic evidence indicates that if, hypothetically, television technology had never been developed there would today be fewer homicides each year in the United States, 70,000 fewer rapes and 7,00,000 fewer injurious assaults."

Perhaps the most dangerous aspect of TV for small children (below five years specially) is that many times they fail to distinguish between fact and fantasy. So they sometimes try to imitate the imaginary heroes in ways which can seriously hurt them or even kill them. Many such pathetic accidental suicides have been reported from time to time. From Malaysia there were reports (following TV screening of Superman films) of children trying to fly like Superman, 'taking off' from big heights and dying. Four children died and 12 were injured in a spate of such incidents. Such a death has also been reported in India due to the efforts to imitate a comic hero Dhruv. Four Chinese children died after consuming poison. This happened after they had seen a TV programme on hell.

In the US two cartoon characters who have caused a lot of problems in recent years are Beavis and Butt-head. Among their various heroics is a tendency to set fire to anything they can find. Trying to imitate them a five-year old boy in Dayton, Ohio, ignited his bed clothes with a cigarette lighter. The boy's two-year old younger sister died in this fire. Among other things, Beavis and Butt-head are known to "mistreat animals, scream and lust at girl, tell dirty jokes, sniff glue and revel in maximum havoc", as an article in *The Times* said. In another revolting incident in another Ohio town, a fire was started by three young girls who were apparently inspired by watching the TV characters setting fire to each others' hair by igniting the spray from an aerosol bottle. Local fire protection officials said the children admitted they saw the fire act on TV and felt they could repeat it for fun.

Such terrible acts of setting other children on fire, hanging, eating poison and jumping from roofs have a common element—the inability to differentiate between fact and fantasy. This tendency can be reduced if parents (or other elders) sit with children when they are watching TV, share their emotions and give explanations to what they cannot comprehend. (Of course the best way is to entirely avoid the exposure to such risky programmes.)

A different risk arises when grown-up children or youth draw 'inspiration' from detailed violence and crime they see on TV and try to commit similar acts in real life. Violence and crime are frequently shown in cinema and TV programmes in attractive settings and even if this is not the case, certain minds inclined towards violence and crime may nevertheless find the details of crime and violence shown in them to be quite interesting.

In a recent case in Calcutta four youths got together to commit a triple murder. This murder was inspired at least partly by a recently screened current affairs TV programme in which a peculiar murder had been reported in detail. This appears to have attracted the youths. Another aspect of media influence was that a painting of 'thundercat' was discovered from the belongings of one of the murderers. This, as the youth explained himself, was the symbol of a horror show that had been telecast recently. A 12-year old boy tried to recreate the hanging scene in *The Good, the Bad and the Ugly*. He was found unconscious hanging from a wooden beam. A teenager in Delhi who recently forged his own kidnapping was inspired by a Hindi film *Khiladi*. According to newspaper reports, two boys inspired by a Hindi film *Divyashakti* kidnapped a girl, disrobed her and drew various dirty pictures of her body. This happened in the small town of Amravati.

The film *Bonnie and Clyde* led to a series of crimes clearly based on the romanticised acts shown in the film. In San Diego a high school student chopped up his own parents and sister after watching a lurid TV fictionalisation of an old axe-murder case. In the most shocking crime of recent times two 11-year old boys in Britain killed a two-year old baby. They used most violent methods which need not be detailed here. Justice Morland who heard the case said "I suspect that exposure to violent video films may in part be an explanation. When a French youth tried to imitate the hero of an American serial by manufacturing a bomb using easily available ingredients, he died in an explosion. His mother has accused the particular TV channel of encouraging the murder.

Damage of this kind (close linkage because TV/cinema and acts of crime) can be reduced to some extent if care is taken not to show such acts in detail and/or in an attractive setting. In the case of TV details of crime are even more harmful as such programmes can be recorded for repeated viewing, and if video films are available then even this is not necessary. Some time back the national network in India telecast a detective serial Vyomkesh Bakshi which appeared to specialise in showing in detail how items of everyday use can be converted into deadly homicide weapons. This programme was seen week after week by millions. In such cases, if detectives chasing murderers are to be shown on TV, it would be much better to focus on 'who was the murderer', instead of focusing on the details of how the act was committed.

Although abnormal acts (of crime being directly inspired by a TV programme or film) get more attention, the problem that exists on a much wider scale is of course that of the increase in aggressive behaviour in everyday life as a result of media-related influence. It has been argued that hyperactivity and aggressiveness of several children can be attributed to "the release of energy that was stored when they were in a passive state before the TV". But more specifically we should also blame the high violence content of several programmes. It has been estimated that an American child has seen 33,000 murders and 2,00,000 acts of violence by the time s/he is 16 years old. Apart from increasing aggressiveness in the short term, such long-time exposure also leads to a desensitisation towards violence so that violence becomes more easily acceptable in the society.

Any discussion of violence on TV cannot be complete without referring to the impact of the WWF (World Wrestling Federation) fights which are shown regularly on TV to millions of children. These programmes involve a lot of cruelties and perversions but are getting increasingly popular among children. Video films, magazines and posters based on them are also doing brisk business. Special tours of these wrestlers are being sponsored by companies selling cigarettes, ice-cream, etc. Many parents have expressed concern about the World Wrestling Federation fights being shown on TV recently. In these fights the viewers are encouraged to derive sadistic pleasures from strangely dressed persons inflicting torture on each other amidst shouts of 'crush them' 'kill them'. Several parents have complained of aggressive behaviour on the part of their children after watching this programme and one mother lamented that her son had repeatedly attacked his younger sister.

Keeping in view the accumulating evidence of the disturbing impact of TV violence, specially among children and teenagers, it is important to take strong steps to curb the violence content of TV programmes. Parents should also discuss this harmful impact with children to convince them of the need to avoid such programmes. Similarly discussions in school can also be very helpful.

People's Initiative to Solve Water Crisis in Saurashtra

Sanjay Sangvai

This summer people of Saurashtra have launched a movement to evolve and implement a sustainable solution to the perennial water problem in the region.

SINCE the summer of 1994, a new wave has been engulfing the villages in Saurashtra as the people themselves have deviced a sustainable solution on the perennial water problem of their area They have abandoned despondency and have kept away the self-serving politicians and there is no rhetoric and double talk Throughout the months of May June and July there were seminars, meetings and discussions of the villagers on evolving a sustainable solution and how to implement it—the techniques of well-recharging Well recharging has been taken up as a campaign on a war footing by the farmers, their co operative societies and the organisations like Saurashtra Lok Manch Swadhyaya Parivar, Patel Khedut Samaj, Swaminarayan and Pushtimargi religious sects the local Lions and Rotary Clubs and other charitable trusts

Much has been said about the chronic water problem of Saurashtra and the politicians in Gujarat have depicted the entire problem as unsolvable except albeit through the controversial Narmada Project In fact, it has been now proved beyond doubt that the Narmada Project (Sardar Sarovar Project—SSP) will not solve the water crisis of the drought prone areas like Kutch, Saurashtra and north Gujarat Those in power in Gujarat too inadvertently admit this when they defend the project for the prosperity through sugar industry and the industrial development that is expected of the SSP' The local political leaders of these areas too recognise this reality, and privately insist on the decentralised and small-scale water conservation programmes As Jaynarayan Vyas, an MLA from Mehsana in north Gujarat puts it, even if the Narmada Project is realised it will not solve the problem of the drought in north Gujarat If only 1 per cent of the total expenditure on the SSP is spent on the watershed development in a decentralised way in this area, the entire problem will be solved for ever in a fraction of the time that it would take to construct the gigantic SSP, he insisted in Gujarat assembly in 1993

Politicians of all hues have kept the people of the drought-prone areas in the dark about the real problem and the long-term solution Politicians have been making frequent announcements about novel schemes every six months—viz, the pipeline scheme to lift water from Mahi, Narmada, etc, the bridge-cum-pipeline scheme over Gulf of Khambat, the scheme of drinking water in "all villages in drought-prone areas within two years"—and the usual rhetoric about Narmada dream Empty rhetoric and demagogy hold sway instead of scientific understanding

To overcome the problem, the new campaign has concentrated on well recharging According to Harish Jadvani, and Shyamjibhai Antala of Saurashtra Lok Manch (Saurashtra People's Forum), there are over 7,00,000 wells in Saurashtra and almost every village has its own pond ('gam talawadi') Out of these even if 1 00 000 wells are recharged it would solve the water problem of Saurashtra permanently

Empty Assurances

Antala, one of the foremost pioneers of the Jal Sanchay Abhiyan (Water Conservation Campaign) forcefully and rationally put forth the case for the massive campaign for well-recharging in Saurashtra villages In one of his articles in Gujarati daily *Loksatta Jansatta* (July 11) he points out that the people of Saurashtra and Kutch are busy solving their water problem on their own without waiting for any sort of help from the government He laments that there has been no comprehensive and in-depth study regarding the water resources of Gujarat after the study by R G Nambiar in 1975 If there is no planning for the balanced use of the resources and its blend with the demand, then the ground water in the state may be used up by 2000 AD This was the warning given in the report of 1975 In 1989, the Legislative Committee on Public Enterprise had suggested the necessity of well-recharging, but no attention has been paid to these suggestions Further, according to Shyamjibhai Antala, the then chief minister of Gujarat Chimanbhai Patel had announced a Rs 100 crore scheme to solve the water problem of Saurashtra and directed the officials to use the amount before March 1994 But, what happened to this scheme, no one knows A year before, another scheme had been announced to take piped water to the villages of Saurashtra at the cost of Rs 400 crore And more Rs 1,800 crore were earmarked for planning of providing the drinking water through pipeline to every village in Kutch and Saurashtra Recently, the chief minister Chhabil Das Mehta has announced a Rs 1,000 crore for a 10-year plan for providing water for irrigation in Saurashtra, at a Congress meeting in Jamjodhpur In 1986 drought, a master plan for providing water for Gariadhar tehsil in Bhavnagar district costing Rs 23 crore was prepared This remains on paper and today Gariadhar is in the grip of drought

As per the article, out of Rs 11,500 crore of the Eighth Five Year Plan of the state, only Rs 232 crore are earmarked for the irrigation sector Previous experiences too were not encouraging The salt water ingress in the coastal area of the region has been one of the serious problems rendering thousands of hectares of cultivable land useless and making for deterioration of the quality of the ground water In 1978, Rs 1,305 crore were earmarked for preventing sea ingress However, only Rs 62 crore could be spent on this scheme during last 15 years In 1991 92 Rs 10 crore and in 1992-93 Rs 5 crore were allotted for this purpose Other irrigation projects in Saurashtra too had the same experience At present 94 schemes big and small, are on-going in Saurashtra costing around Rs 500 crore However for these 94 irrigation projects, in 1992-93 the state government had allotted Rs 30 crore only Though Antala and others in the Jal Sanchay Campaign do not feel free to probe the reason it is obvious that about two thirds total irrigation budget of the Eighth Plan of the state is spent on only one project, Sardar Sarovar, starving the other schemes and projects in other parts of the state Antala asks that 'The state government could not allocate even Rs 40 crore for the irrigation and salinity ingress prevention in the year 1992 93 What is the meaning of declaring the plans of Rs 100 crore, Rs 1,000 crore or Rs 2,200 crore?

People have now taken the initiative in solving their problems on their own without waiting for help or direction from the government People had resolved to store maximum rain-water, harvesting it and recharging the ground-water, wells, tanks through these water harvesting methods The people are convinced that if they do not act in the direction of rain water harvesting and recharging their ground water resources, the ground-water reservoir of Saurashtra will be exhausted before long Jalsanchay Abhiyan and Saurashtra Lok Manch have been mobilising the people for recharging their wells in the farms Campaigners feel confident that this would solve the problem permanently

Campaigners have made calculations based on data and experience The total area of Saurashtra and Kutch is 2 crore 71 lakh acres Even if we take for granted that average rainfall is 21 inches, it amounts to total precipitation of 4 crore 74 lakh and 25,000 acre feet As these comprise undulating and

rocky terrains, it is assumed that 85 per cent of the rainfall flows to the sea. Only 15 per cent rainfall can be harvested and out of that 5 per cent can be used for recharging the ground water. That comes to around 23 lakh 71,000 acre feet, which can be recharged and may increase the ground water level. Against this, the total requirement of irrigation, domestic and drinking water of 1.25 crore people in Saurashtra-Kutch comes to around 26 lakh acre feet (16.65 lakh acre feet for irrigation purposes and 9.34 lakh acre feet for drinking and domestic purposes). Antala points out that every year two lakh 26,000 acre feet more ground water is extracted than the yearly recharging during the rains. This has resulted in sea-water ingress rendering 25 lakh acres of cultivable land and over 40,000 wells. In Saurashtra alone there are over 7,00,000 wells, which can be recharged at negligible cost. According to the estimate of Haribhai Jadvani, the cost of recharging the well (that is, digging 10 feet by 12 feet trenches around the wells) is around Rs 100 to Rs 150. Tanks, wells, small borewells are the means through which the ground water recharging takes place. Recharging maximum rain-water would result in increasing the water table within five to seven years. According to the rough calculations, every well has the capacity to store 80,000-90,000 gallons of water. Every year, says Antala, 150-200 billion gallons of rain-water would be recharged due to the campaign of well-recharging. And thus, within five-seven years the ground water level in Saurashtra could be restored to normal.

During the monsoon of 1994, 2,25,000 to 2,50,000 farmers had undertaken well-recharging in their own farms. Hundreds of village tanks have been repaired, rejuvenated with the community labour and hundreds of small check dams have been constructed on rivulets, streams in the villages. Government agencies too had undertaken many works. All this will lead, hope the workers of Jal Sanchay Abhiyan, to the solution of the chronic water problem of the area, which seems more to be man-made, due to the kind of farming practices, environmental degradation and overwithdrawal of ground water along with negligence of decentralised, village level initiatives.

The monsoon of 1994 has more than fulfilled the hopes of Saurashtra. Till July 25, there were three spells of heavy rainfall, filling up all the water reservoirs, marooning the low-lying areas and contributing massively to the ground water recharge. Fortunately, this year there is something in this land to hold the torrential rains and store it for the future generations. What petty politicians and bureaucrats could not see and do, the people themselves are doing. Both the objective and the means of the unique campaign are exemplary and need to be replicated.

New World Order and West's War on Population

Amrit Wilson

What years of 'family planning' have shown is that people are unwilling to accept these policies till they themselves have control over their lives. When this happens—when they are sure of survival and are in a position to plan their future—they begin to think of planning their families as well. This, of course, is not the perspective of the west's 'war on population'.

IT is now 'commonsense' that the 'poorer' countries of the world are overpopulated, and 'poor because they are over populated'. To that extent the population control lobby's work of more than 30 years has been successful. But a closer look at the rationale behind the population policies expressed in secret documents now declassified or in the less publicised statements of the US establishment shows that they have little to do with helping these countries. They are committed to maintaining and securing the economic and political dominance of the advanced capitalist countries.

In the 90s particularly there has been a flood of rhetoric on the subject. At the International Conference on the Environment at Rio western governments claimed that the earth is being irrevocably damaged by overpopulation in the 'third world' and the answer is stringent population control. But their arguments were demolished even by the normally aquiescent voices from 'third world' governments who pointed out that the real reason for environmental damage was over-consumption, waste and industrial pollution caused by the advanced capitalist countries.

Now western governments and UN agencies are proclaiming that population growth must be controlled in the interests of development and for the sake of women's rights. This is the theme of the International Conference on Population and Development organised by the International Planned Parenthood Federation (IPPF) and the United Nations Fund for Population Activities (UNFPA) to be held at Cairo in September 1994. Meanwhile at an alternative conference also at Cairo women's organisations from round the world and NGOs will be protesting about these planned and already existing population policies. Also at Cairo, at a public hearing on the Crimes against Women, witnesses will testify from their own experience of the untold suffering to women in third world countries in the name of family planning. They will speak out about the way inadequately tested injectable and implantable contraceptives being 'trialled' on women with the permission of the WHO; about the forced sterilisations which in many countries are the order of the day because third world governments have to meet targets (translated into numbers of women to be sterilised) set by the World Bank or aid agencies; about the way 'targets' actually encourage the killing of girl babies; and about oppressive governments which are conducting slow genocide of certain ethnic groups using the methods validated by population policies.

One of the questions raised by the alternative conference and the public hearing will inevitably be the question of choice: i.e, whether in this situation women are being given any genuine right to choose.

The Background

To understand current population policies, it is worth looking briefly at their history. The notion which permeates population control ideology—that poor powerless people and black people are eating up the world's resources and therefore have no right to breed—goes back to Malthus and the Eugenicists. However as national and international policy, population control only got going in the cold war era. With western capital heavily dependent on the now nominally independent countries of Asia, Africa and Latin America for both markets and cheap labour, 'population' became a subject of paranoia. It was thought that high population growth in the 'third world' would increase the chances of revolution which would draw these countries out of the US orbit. Population therefore had to be studied and methods to control it developed and implemented. In 1962, USAID began assembling information on population growth, in 1969 the US government set up the United Nations Fund for Population Activities (UNFPA) and the World Health Organisation established a Special Fund for Research Development and Research Training in Human Reproduction (HRP). Money spent was regarded as very much worth it because, as Johnson put it, "less than $ 5 invested in population control is worth $ 100 invested in economic growth."

The 70s saw the growth of anti-imperialist movements from Vietnam on and, at the same time, the beginning of the current crisis of capitalism. The US government began to see the people of the third world as a direct threat whose demands for subsistence might destabilise the capitalist system. For strategic reasons certain countries were selected for the implementation of population policies—Kenya and Puerto Rico for example because of their location in areas where the cold war rivalries were particularly focused; and India because of its internal politics (these were the years of the naxalite uprising) and its cordial relationship with the Soviet Union.

Population and Western Dominance

In July 1969 president Nixon had proposed that Congress establish a 'Commission on Population Growth and the American Future' and at the same time the secretaries of state, treasury, the AID administrator, and the directors of the USIS and Peace Corp had been asked to "enlist the active support of all US representatives abroad to encourage and assist developing nations to recognise and take action to protect against hazards of unchecked population growth". In 1974 he directed the National Security Council Under Secretaries Committee to examine how world population was likely to affect US security interests over the next 25 years. The document—the National Security Study Memorandum 200—was prepared during the Ford administration by the departments of state, defence and agriculture and by the CIA it was adopted as official National Security policy in late 1975. Now declassified, it is a frank declaration of the US's major concerns: firstly, the radicalisation of the 'developing world' to a point where "younger people—who are more prevalent in high-fertility populations—can more readily be persuaded to attack such targets as multinational corporations"; secondly, that certain third world countries, e.g. Bangladesh "whose position on international issues will be likely to become radicalised...as its problems grow...inevitably in opposition to US interests", might then "advocate a better distribution of the world's wealth", thirdly, that "in the absence of slow or zero population growth, concessions to foreign companies are likely to be expropriated of subject to arbitrary intervention. Whether through government action, labour conflicts, sabotage, civil disturbance, the smooth flow of needed materials will be jeopardised".

To prevent all this, measures are suggested which over the years became thoroughly integrated into US foreign policy, for example, that development assistance is, "integrated" into population planning and health into family planning. This integrated health and family planning would "help the US contend with the ideological charge that it is more interested in curbing numbers of LDC (less developed country) people than it is in their future and well-being". The use of food assistance as leverage is also recommended but "it is important in style as well as substance to avoid the appearan of coercion". (In fact food aid was used to

enforce sterilisation policies particularly during the floods in Bangladesh in the 70s.)

Women's Rights and Sustainable Development

If the basis of population control policy was being laid way back in the 70s, there were also the first signs of a sudden concern for 'women's rights' to contraception. Feminism had placed women's rights on the agenda and this was a cynical attempt to use it against women. And on a practical level women would have to be targeted anyway because attempts to impose population control by performing vasectomies on men had failed miserably (in one major experiment in India, it had contributed to the fall of Indira Gandhi's government). There were in addition other advantages in targeting women, firstly, that violence against women had reached such proportions in most 'third world' countries that this new assault on women's bodies would be seen as 'acceptable' by the governments in these countries; and secondly it would ensure that progressive organisations, the left in general and in fact most men would simply ignore these developments as mere 'women's issues'—nothing to do with them. In other words, sexism would provide the smokescreen behind which these major strategies of imperialism were put in place.

The concept of 'sustainable development' was also being worked out at the same time. Now fully accepted by international agencies, 'sustainable development' sounds on the face of it extremely reasonable, as Nafis Sadik, the executive director of the UNFPA puts it, it is a "sustainable balance between population, natural resources, consumption and production...both developing and industrial countries have complementary responsibilites". However, she says, "This is not time or reason for ideological debates". Why not? Is it because such debates might lead to inconvenient questions such as 'sustainable by whom?' and why 'sustainable' rather than 'self-sustaining'? Underlying the concept of sustainable development are the assumptions that the status quo will be maintained in 'third world' countries; that agricultural countries will never become industrial countries serving their people; that cash crop economies will remain as they are, their people will remain dependent on food and aid and loans from outside; that the advanced capitalist countries will continue their exploitation of the so-called 'Less Developed Countries'.

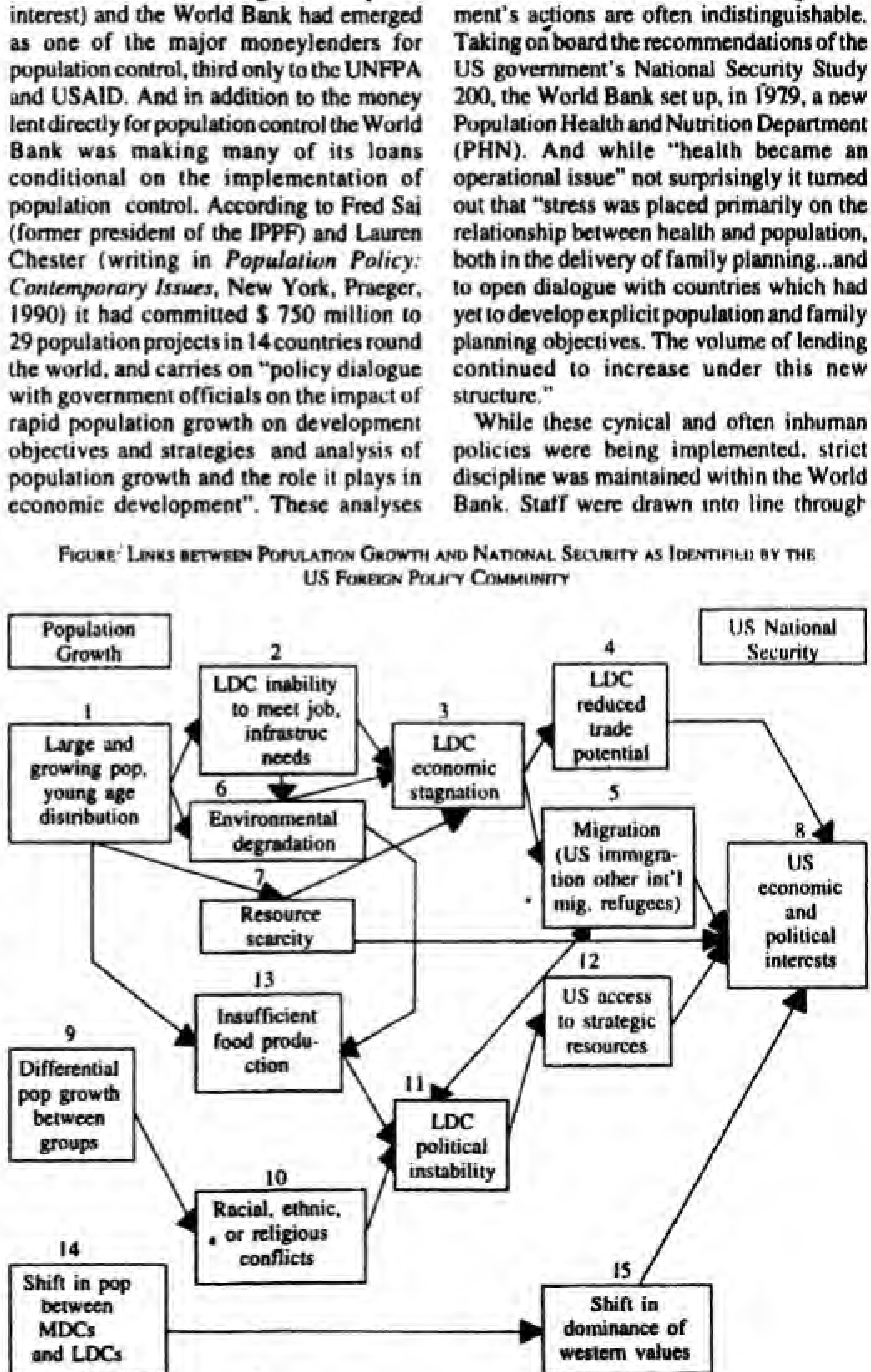
Embarrassingly enough for the population control establishment, even while these concepts were being consolidated, research by the US scientists was showing that there was very little correlation between population growth and per capita income and the relationship between population growth and economic development was complex. For example, Julian Simon's work in 1973 showed that moderate population growth is a stimulus to economic development, rapid population only a mild deterrent and zero population growth and population decline are strong deterrents.

By the 80s the US government had set aside almost $ 3 billion specifically for population control activities. At the same time USAID was supporting population activities in 95 countries, including 45 sub-Saharan countries (now targeted as of special interest) and the World Bank had emerged as one of the major moneylenders for population control, third only to the UNFPA and USAID. And in addition to the money lent directly for population control the World Bank was making many of its loans conditional on the implementation of population control. According to Fred Sai (former president of the IPPF) and Lauren Chester (writing in *Population Policy: Contemporary Issues*, New York, Praeger, 1990) it had committed $ 750 million to 29 population projects in 14 countries round the world, and carries on "policy dialogue with government officials on the impact of rapid population growth on development objectives and strategies and analysis of population growth and the role it plays in economic development". These analyses then provide an "avenue for influencing government population policy". The Bank's population activities include research "to improve the understanding of the links between development and population growth, and collaboration and co-operation in international efforts to stimulate concern for...population issues, and to encourage consensus on policy issues."

In fact the World Bank and the US government's actions are often indistinguishable. Taking on board the recommendations of the US government's National Security Study 200, the World Bank set up, in 1979, a new Population Health and Nutrition Department (PHN). And while "health became an operational issue" not surprisingly it turned out that "stress was placed primarily on the relationship between health and population, both in the delivery of family planning...and to open dialogue with countries which had yet to develop explicit population and family planning objectives. The volume of lending continued to increase under this new structure."

While these cynical and often inhuman policies were being implemented, strict discipline was maintained within the World Bank. Staff were drawn into line through

Figure: Links between Population Growth and National Security as Identified by the US Foreign Policy Community



Notes: MDCs: More Developed Countries; LDCs: Less Developed Countries

Source: From 'Population Issues of Concern to the Foreign Policy Community' by A de Sherbinin, Pew Foundation, October 1993.

seminars which emphasised "the far-reaching implications of rapid population growth for general economic development and individual sectors" and here too consensus was achieved.

The World Bank's influence on population policy in Indonesia receives special praise from Sai and Chester. What is not mentioned by them is Indonesia's repressive and violent population control programme which includes the use of untested injectable and implantable contraceptives and sterilisation in a genocidal attack on the East Timorese people. "The Bank's sector work", write Sai and Chester, "supported the government's innovative ideas for a population programme and in part formed a basis for the programme. [It also] helped the government implement its ideas."

As for Africa the Bank has increased attention to population issues in sub-Saharan Africa despite its extremely low population. For example, countries such as Botswana have a population density of only 2.23 people per sq km compared to 230 per sq km in the UK or 320 in Belgium. Africa's underdevelopment is at least partly due to the loss of population in the slave trade of the 17th, 18th and 19th centuries from which the continent never recovered. However it is not underpopulation but the 'high growth rate' (which could in fact have stimulated the economy) which is worrying the World Bank. It has been busy in Africa, setting up projects (a large proportion of the total PHN sector reports are on Africa) and apparently most crucial of all influencing leaders. In Senegal "The Bank's sector work... probably influenced to some degree both government officials (including the president) and regional Bank staff on the importance of population. The population sector work prompted Bank regional staff to talk about population with high-level officials when discussing terms for a structural adjustment loan (SAL). As a result, preparation of a Population Policy Statement and Action Plan became an agreed condition of the release of the third tranche of the SAL...this Population Policy Statement has been drafted by the Bank and will eventually be discussed at a national workshop. It will then go to the president and council of ministers for approval... It will be translated into a priority investment programme. Here...explicit targets will be identified.

New World Order and Implementation of Population Policies

In this new phase of capitalist development, the role of the state has altered to the extent that emphasis is now placed not on its function as a nation state but on its activities as a facilitator of global capital. Since now MNCs can choose suitable sites of investment and then move on as they wish to regions of cheaper and/or more suitable labour, laxer labour laws and more tax concessions, what is required is not the classical pattern of labour mobility but a new one of capital mobility and labour immobility.

Maintaining such an environment requires coercion and repression and this is now the role of the 'third world state'. In the creation of an ideally docile and immobile pool of labour such measures as national security laws and anti-trade union laws are essential but they are being used in conjunction with the slightly longer-term policy of population control. And just as the state is in charge of the implementation of Structural Adjustment Policies dictated by the World Bank, the IMF and the WTO, it also provides the infrastructure for the implementation of population policies and targets set by the international population control agencies—the UNFPA, IPPF and others. (Currently in India the draft stage of new population policy has even recommended the use of the army and para-military forces for 'population stabilisation'.) The responsibility for the research and development of contraceptives is also that of an international body—the Population Council which while closely linked to multinational drug companies has a board of directors including US state department officials, World Bank officials, ex-US army officials.

However there is no need to speculate about the role of population control in providing the needs of global capital. It has been discussed widely by key actors in the field and their opinions have been collated and analysed and published in 'population issues of concern to the Foreign Policy Community October 1993—a literature search and bibliography prepared by the Population Reference Bureau for the Pew Charitable Trust's Global Stewardship Initiative' by Alex de Sherbinin. The "US Foreign Policy Community" (defined by de Sherbinin as comprising those working directly on the design and implementation of foreign policy and those advising/observing the process—including the state department, AID, US Department of Defence, the US National Security Council, the CIA and think-tanks such as the Centre of Strategic and International Studies) are quite open and down to earth about the role of population control. De Sherbinin sums up the main issues in the accompanying diagram. He shows how control of 'third world' populations interlocks with and provides the long-term regulator for very many of the recent economic and political initiatives in Europe and the US, all of which aim at a situation where labour is immobile, they also foresee some of the developments which are to be part of the New World Order. For example, Box 2 'LDC inability to meet job, infrastructure needs' foresees the effects of massive retrenchment and cuts in welfare services which are a part of structural adjustment; Box 5 'migration, US immigration and other international migrants and refugees' takes account of the unemployment which is being expected in the G-7 countries and the creation of barriers around trade blocks like Fortress Europe which would require if necessary the sending back of refugees to torture and death in their countries of origin, in total contravention of all International Regulations on Human Rights; Box 13 'insufficient food production' implies the food scarcity in countries particularly of Asia and Africa because of cash crop production on the one hand and the effects of the 'free market' and GATT on the other; Box 10 'racial and ethnic or religious conflicts' suggests the fear of civil wars thanks to the proliferation of US manufactured arms and arms from the old Soviet Union, and also suggests that there will be intervention and sometimes genocidal policies in the interests of 'maintaining a balance' (Rwanda's problems for example are already being linked with population pressure); Box 1 confirms the Memorandum 200 policy of targeting of countries with young populations as in Bangladesh and in the countries of sub-Saharan Africa—countries essentially where life expectancy is low and disasters frequent. In addition to the diagram, Sherbinin expands on specific issues among them US access to strategic resources. In this context "African nations produce between 90 and 100 per cent of four minerals vital to US industry: platinum, manganese, chromium, and cobalt" and as Sherbinin points out secretary of defence Richard Cheney reported to the president and Congress in 1993: "Failure by the western nations to promote stability in Africa could result in disruption in the production and distribution of strategically important resources and could reduce access to facilities important to regional contingencies". No wonder then that Africa, particularly sub-Saharan Africa, has been targeted for population control.

How Targets Are Implemented

On a more practical level how do 'third world' states set about implementing the population policies forced on them? In India the state agreed, in 1983, to a target of a net reproductive rate of 1 by the year 2001. NRR of 1 means that each woman at the end of her lifetime would be replaced by just one daughter. In a country where there is enormous pressure to produce a son and where there are already a large number of girl babies killed, this amounts to encouraging female infanticide. However this was no deterrent, the problem was simply that the target was not practicable. The time span was increased by another 10-15 years to 2011-16. But even this according to a recent study (undertaken jointly by the Gujarat Institute of Development Research and the

Population Council) is an unrealistic aim and can only be achieved "under regimes of very high mortality...as happened in the Indian subcontinent during 1911-21" when there was an influenza epidemic which killed a large proportion of the population. As the study points out, Gujarat's infant mortality rate is 67 per 1,000 live births compared to seven which is the average for the UK. But obviously this figure is too low for the NRR to be achieved! All this makes it abundantly clear that what population control is about is not a better life for people in India but simply less people in India so that the west faces no hindrance in keeping control of the world's resources.

How has the Indian government managed to meet these targets in the short term? Targets are translated to numbers for each state and district. After this it is a story of coercion and corruption.

For example, a recent expose of the situation in Puranpur, UP, in India showed that when central and state governments are unable to meet impossibly high targets, the district administration sets targets for non-health departments—school teachers, officials of co-operative societies, forest officers and so on. In December 1993, 80 per cent of these employees had their salaries stopped for non-achievement of targets. In 1994 they kidnapped large numbers of women from neighbouring Nepal, forced them on to buses and then drove them to dingy warehouses to be forcibly sterilised. In this situation (which is not unique to India) can anyone believe that what these women are getting what the population control lobby calls the 'human right to contraception'?

There is no doubt that women desperately need control over their own fertility. They need contraception which they can choose and most crucially contraception which they themselves can control. But national population policies concerned with meeting targets not only do not meet this need, they take control out of the hands of women. If previously in their struggle for control of their fertility they had to take on the sexism and brutality of individual men within or outside the family and often feudal oppression from the family itself now they are also up against the forces of advanced capitalism which want to control and limit their fertility in an effort to continue their exploitation.

In this context, it is striking that the contraceptives used in family planning programmes are almost invariably controlled (inserted and removed) only by medical or para-medical intervention. This means that women who are injected or implanted no longer have control over their own fertility.

Long-Acting Contraceptives

Among the contraceptives widely used in population control is the injectable Depo-Provera. A public inquiry conducted on this drug in the US in 1984 held that data on its carcinogenic potential was insufficient to prove its safety. It is now to be manufactured in India in a collaboration between Max Pharma India and UpJohn USA.

The most widely used of the implants is Norplant. This is being trialled (or tested) in third world countries with the permission of the WHO. It consists of five capsules which are implanted in the upper arm and contain a steroid called levonorgestrel. Apart from possible side effects of hormonal disturbances, absorption of levonorgestrel by infants through mothers milk, circulatory and heart problems, there are established risks of ectopic pregnancies (which can be fatal) for women who have been on Norplant. Norplant therefore requires careful follow-up services. It lasts for five years and requires minor surgery to remove.

Also making its way on to family planning programmes round the 'third world' is an anti-pregnancy vaccine developed and tested under the management of the WHO which acts through the immune system. The first experiments on already sterilised women resulted in 25 per cent of cases in a collapse of the immune system.

If follow-up services have been recognised as essential for all these contraceptives, what infrastructure is available for follow-up? In India where health services are stronger than in many other 'third world' countries, 300 women selected for the pilot study on the implantable contraceptive Norplant are now untraceable. This is alarming but not really surprising since India has one Primary Health Centre for 30,000 people and one sub-centre for 5,000 (and these sub-centres may well have neither medicine nor any sort of auxiliary nurse or midwife).

Resistance

Third world women have organised widely against population control, the alternative hearings and testimonies at Cairo are only one example of the activities of a growing movement.

In addition, of course, there is opposition to contraception itself from Muslim and Catholic organisations, to counter this the population control lobby is producing material claiming that population control is not only not un-Islamic but explicitly sanctioned by it. (For example, the Indonesian authorities have produced a booklet on the topic and UNFPA have produced *Family Planning: The Legacy of Islam*, Routledge.)

However what the years of 'Family Planning' have shown is that people, in cities or villages in 'third world' countries in general, are unwilling to accept these policies till they themselves have control of their lives. When this happens—when they are sure of survival and are in a position to plan their future—they begin to think of planning their families as well. They cannot do this till infant mortality falls, till diseases are overcome and till they achieve a minimum quality of life. World Bank policy-makers are well aware of this, they acknowledge that they are 'encountering resistance' to sterilisation and have suggested a shift to injectable and implantable long acting contraception despite the dangers of these methods—in other words it is to be a shift from coercion to deception since in most cases the women do not know what injections they are being given or what the implants are doing to their bodies. These programmes far from giving the right to choose breach the most basic requirement for choice—that women and not governments or foreign agencies or even doctors must have control over their bodies.

But choice is not what population control is about. In the words of de Sherbinin: "The US national security agenda has broadened considerably since the collapse of communism in the Soviet Union and the East Bloc...In the post-cold war era foreign policy is much more complex, encompassing such diverse issues as international migration, economic development, environmental degradation, and religious fundamental... global developments now suggest the need for a broadening definition of national security to include resource, environmental and demographic issues...the average American's interest in maintaining high standards of living has been a potential motivator for US population policy from its earliest formation and it is likely that this will continue for the foreseeable future."

Keynes's Indian Connection

Arun Banerji

Keynes and India: A Study in Economics and Biography by Anand Chandavarkar; Macmillan, London; pp xiii + 209, price not mentioned.

ANAND CHANDAVARKAR has made a refreshing and valuable addition to the rich, though not large, treasure of writings on the history of economic thought. For India, we have, of course, B N Ganguli's *Indian Economic Thought: Nineteenth Century Perspectives* and Bhabatosh Datta's *Indian Economic Thought: Twentieth Century Perspectives*, which Malcolm Adiseshia called a "monumental work". But Chandavarkar studies an almost neglected aspect of the work of the greatest economist of this century, analysing the interaction of Indian experience on Keynes's thought and work, and of Keynes on Indian economic thought and policy. It is a pioneering study, reflecting his wide and catholic reading, which has enriched his admirable style—an accomplishment that is acquiring a scarcity value with the writings of most economists.

In his Prologue, Chandavarkar raises two interesting questions—first, the virtual absence of any reference to "the crucial formative role of the Indian Connection in Keynes's life and work and its contribution to the development of his economic ideas and its manifestations in his psyche and career" in the three full-length biographies of Keynes and the prolific symposia published on virtually every aspect of Keynes. Chandavarkar extends the Indian connection over almost four decades—from Keynes joining the India Office to his role *vis-a-vis* India at Bretton Woods and Savannah, including his role in the Indian currency discussions of 1913, 1919 and 1926, and contacts with other Indian problems and with Indian students at Cambridge. To the west, it may be no more than his first book, *Indian Currency and Finance* (*ICF* below; all page references to this are to the Royal Economic Society edition, 1971).

The second, and to me the more important, question he raises is: what triggered Keynes's interest in India, despite the absence of any family tradition of service or other links with India? He seems to find an answer in what Sayers wrote in 1972: "the problems of the British Government of India stood as a great challenge, luring many of the intelligent men of the age into its service, out of all proportion to its economic importance". This is true, even more so for the generations before Keynes. One does not even have to think before such names as Charles Trevelyan, William Mansfield, David Barbour, John and Richard Strachey and Sir Edward Law come to mind, and bankers like Brunyate and Lindsay. But of academics, even of a much lower order of brilliance than Maynard Keynes, one seeks in vain. The longer I have poured over *ICF* the more baffled I have felt in answering Chandavarkar's "basic question". I shall return to it below.

Chandavarkar's slim 196-page book (excluding bibliography and index) has 10 chapters; these seem to fall into three broad divisions—(a) service with India Office, writing *ICF*, membership of the Royal Commission on Indian Finance and Currency, 1913, and evidence before the Babington Smith Committee, 1919, and the Royal Commission on Indian Currency and Finance, 1925 (chapters 1-4); (b) his memorandum submitted to the 1913 Commission on proposals for a State Bank in India (chapter 5); and (c) Bretton Woods and Savannah, which Keynes's *Collected Works*, Vol XXIII subtitle as 'Shaping the Post-War World', relation with Indian students at Cambridge, and his attitude to a few specific issues (chapters 6-10). Right at the beginning of his work, Chandavarkar stresses the need for reassessment and periodic reappraisals of persons of Keynes's protean intelligence and achievements. We are indeed grateful for the many shafts of light he has thrown on little known facts, and for the nostalgia he must have evoked in those who had seen his subject in real life. This was perhaps not the occasion for Chandavarkar to attempt an objective and critical appreciation of Keynes's work on India. I do hope he will return to that, eminently qualified as he is for it. May I suggest to him a re-study of Keynes's ideas on the State Bank in relation to both what India in the 1920s and 1930s needed, and what in fact it got in 1934, and their implications for the succeeding decades? Some criticisms by Chandavarkar there certainly are in the work—like Keynes never sponsoring any Indian for the Apostles, Cambridge University's elite society dating back to 1820, and his advocacy of free trade for India based on a wholly static concept of the comparative cost advantage of India in agriculture which led him to oppose India's industrialisation. In chapter 7, Chandavarkar returns to this, and clearly states as 'Keynes's failing' "the excessive concentration on monetary problems amounting to a virtual exclusion of basic non-monetary issues. Thus, Keynes was sceptical of India's industrialisation" (p 135). In the penultimate chapter, he also speaks of Keynes's "staid view of British rule in India". Assessments of these types may contain the clue as to why Keynes was not a development economist, not that he has not more than made up for it by his *Tract, Treatise, General Theory* and the revolutionary ideas on the Fund and the World Bank. It is perhaps these latter that Hirschman had in mind when he wrote *Development Economics in 1981* from which Chandavarkar quotes on page 146. Of the three broad divisions into which I have placed the successive chapters of Chandavarkar's book, in this review I intend to write largely about the first. But before I come to that, I must state that the quality of paper used by Macmillan for the copy in my hands, presumably an Indian edition, is such that one can barely scribble legible pencil jottings on the margin!

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Chandavarkar tells us that Keynes was in the India Office for less than two years, from October 1906 to July 1908 ('1909' in the first line on p 25 seems a printing error), 'Apprenticeship to Greatness', in his words. There he handled various matters pertaining to the military department, trade in jute, the search for a Director of Statistics, etc, but it is known that he never had anything to do with Indian Currency or the Finance Department (Chandavarkar, p 58). Keynes's letter of resignation to Sir Thomas Holderness (of June 5, 1908) had carefully stressed "please do not think that I have disliked my work in the Revenue Department or have been discontented" (p 20). So I wonder how Austin Robinson wrote in 1947 regarding Keynes's short period at the India Office thus: "He had formed an abiding interest in the problems of Indian currency and finance" (p 21). Considering Keynes's meteoric rise in Whitehall in the next few years, Harrod's remarks are perceptive—"His brief spell at the India Office. had made his abilities known to the officials of the Office. That knowledge was a necessary link in the chain of events which brought Keynes into prominence in public affairs early in life" (p 21).

Chandavarkar has noticed some interesting features of Keynes's life at the India Office. While in the Revenue, Statistics and Commerce Department, he was able to do extensive reading, "everything comes to me to read, and I read it", he wrote to Lytton Strachey. He also wrote drafts of memoranda

on a variety of subjects: "the proposed grant of a monopoly of bonded warehouses in Cyprus; the prevention of smuggling of liquor from Portuguese India into British India; and the imposition of a low fixed licence fee to combat illicit distillation of country liquor in the Punjab" (p 13). All these minutes are notable, Chandavarkar adds, for their shrewd eye for detail and a rare feel for the subtle interplay of economic and social factors. Keynes also made his voice heard in the matter of looking for a Director of Statistics "by the appointment of a real trained statistician". But soon he grew "thoroughly sick of this place" and wanted to resign, a decision which became effective in July 1908, and signalled his return to Cambridge.

Keynes's departure from the India Office seems to have strengthened and enlarged his involvement with Indian affairs, with writings and lectures on both monetary and non-monetary themes. Former colleagues at the India Office were especially supportive of his work, through discussions and correspondence. The most notable among these was Sir Lionel Abrahams (Financial Secretary, and later Under-Secretary of State for India), aptly described "as the moulder and manipulator of India's involved but efficient financial system" and Keynes's "mentor". Among the important papers Keynes wrote at this time was the one published in *The Economic Journal* 1909, in which prices figure prominently. Strangely, prices do not appear in his first book, *ICF*.

Keynes was also involved in a controversy with one Beaumont and another anonymous writer in the columns of *The Economist* in 1909 on 'British Investments in India'. His estimate is one of the more reliable ones even today. He developed an interesting argument by calling to his aid Council bill sales by the Secretary of State, but this did not carry the argument far enough. I cannot lay my hands on the journal, but have a feeling that since during 1903-07, sales of Council bills greatly exceeded the government's budget estimates, this may possibly have a role in reconciling the positions taken by Keynes and Beaumont.

The more important paper was the one on Indian currency to the meeting of the Royal Economic Society on May 9, 1911. According to Chandavarkar, this was later developed into his *ICF* (p 60). Abrahams made a copy of Keynes's draft for the use of the India Office, and even for the government of India which later printed it in Simla for internal use (and answering the increasingly vocal critics)! How important it is to have a Cambridge man upholding the handiwork of the India Office which had been facing strident criticism for the gold exchange standard it had created for India? And India Office knew more critics were going to raise their voices, including even the till-then loyal 'Anglo-Indian' press in India. The youthful Keynes wrote of the gold exchange standard being "much more civilised" than a gold currency, and the presence of precious metals among circulating media as being not only "wasteful", but "uncivilised" too. It was not long before Keynes "rose to the defence of Abraham's system", and wrote to *The Times* (October 26 and November 14, 1912) (Chandavarkar, p 64, and *Collected Works*, pp 88-94).

In May 1913, the world saw Keynes's first book, *Indian Currency and Finance*. It had a surprisingly cryptic 10-line Preface, and no acknowledgements at all, presumably as he had just then been "offered a seat on the Royal Commission (1913) on Indian Finance and Currency". To acknowledge the enormous debt to the India Office at that moment would be totally out of the question. By that time, of course, the exchange standard had already been cobbled together by India Office into a finished product, including even a surprising U-turn by the government— early in 1913, Sir Guy Fleetwood Wilson announced in the Governor-General's Legislative Council the decision to mint a special Indian gold coin—though not the sovereign. Keynes noted this (*ICF*, p 48), but chose not to probe into the motivation of the India Office to take this decision. Only a year earlier Sir Guy had marshalled an invincible array of arguments for not doing this! However, Keynes presented a commendably competent exposition of the complex system of the Indian version of the gold exchange standard. For him, writing this book involved taking apart the pieces of the jig-saw puzzle, and then systematically putting them together so that the reader could grasp the interconnections without too much confusion. This was no mean achievement. It did have some criticisms too, which the Royal Commission accepted. At various places the need for a State Bank is mentioned, but not fully developed. The ideas must have been already in his mind, as his Memorandum to the Royal Commission is dated '6th October, 1913'.

We see from a letter dated April 21, 1913 from Austen Chamberlain, chairman of the Royal Commission set up only four days earlier, to Keynes, from which Chandavarkar quotes an extract, that the Secretary of State, Lord Crewe, had seen the proof sheets of *ICF*, and that "the character of the work and its subject were a qualification" for him to propose Keynes's name to the King to be a member of the Commission. Crewe would have certainly observed the tone and temper of Keynes's writings on Indian currency for over two years, and been briefed on these matters by Abrahams. The paper of 1911 could not have gone to Simla without the approval of the Secretary of State. As Abrahams, an official, could not be on the Commission, Crewe was certain that Keynes would prove redoubtable to critics, both academic, if any, and men of the world, of the edifice the India Office had raised over a whole decade-and-a-half.

One of the first reviews of *ICF* appeared in *The Economic Journal*, December 1913, by none other than H S Foxwell (pp 561-72). Keynes was already editor of the journal. Despite some critical remarks, Foxwell bestows considerable praise on the author. What especially struck me is Foxwell's very perceptive remark: "The timing of its appearance may have been determined by the very energetic but ill-considered attack on the Indian monetary administration last autumn, but *the phrasing of some passages rather suggests that they were originally written as a memorandum or report for official use*" (p 561). The world had to wait for almost 60 years till the Royal Economic Society published Vol XV of the *Collected Works of Keynes* to know at least something more on how the book came to be written.

Chandavarkar must be commended for the succinct yet mature account of Keynes's role in the Royal Commission, especially of Keynes's very intelligent suggestion on the fiduciary portion of Indian paper currency (pp 70-71), and how the Commission accepted some of his other suggestions. He has stated that Keynes was truly the moving spirit of the Commission. Although one of 10 commissioners, he asked about one-sixth of all the questions put to the witnesses. The editors of Keynes's *Collected Works*, Vol XV, have wisely quoted extensively from evidence taken by Keynes of four witnesses. I shall not lengthen this review further by referring to other parts of Chandavarkar's interesting book. He has brought out very ably Keynes's interest in some specific Indian economic issues of the 1930s, and his association with the views and problems of the Indian delegation to Bretton Woods. Of chapter 7, I have already touched on an important matter the author has brought to light, viz, Keynes's attitude to India's industrialisation. The chapter 'Keynes—The Guru' would no doubt evoke nostalgia among some. The record of I G Patel's personal impressions of Keynes at a meeting to discuss the Anglo-American loan is certainly of great interest.

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I stated above that, like Chandavarkar, I too am seeking the origin of Keynes's interest in India—in my case, more particularly, why and how he wrote his *ICF*. A brief discussion of three specific matters from this book will, I hope, point to the reader where my bafflement lies, and if it is legitimate. These three matters are: the government's attempt to introduce sovereigns into active circulation in 1900;

the account of the exchange crisis of 1907-08; and Keynes's perception of the implications of the large accumulation of treasury balances in the busy season when taxes are flowing in fastest, and the release of the accumulating currency in India through the sale of council bills.

ICF gives a bland account of the attempt to introduce sovereigns into circulation in accordance to the recommendations of the Fowler Committee, 1898 on page 52. Early in 1900, the government began to pay out gold to the public at the Currency Offices in Calcutta, Madras and Bombay—by giving instructions "to tender gold to all presenters of notes, but to give rupees if they were preferred". Authorisation was also issued to send sovereigns to the larger district treasuries, and post offices in presidency towns began to give gold in payment of money orders, and the presidency banks were requested to issue sovereigns in making payments on government account. By March 1901, £ 6.75 mn of sovereigns had been put into the hands of the public. But, and this is important for Keynes, "of this amount part was exported, not far short of half was returned to government, and it was supposed that the greater part of the remainder went into the hands of the bullion dealers" (Keynes's source is the *Report of the Comptroller of Paper Currency.*) With this experience, "further attempts to force gold into circulation were, therefore, abandoned". The failure of this attempt was important for the India Office, so that it could be harped upon, and the Chamberlain Commission could say, unabashedly, that the people of India "neither desire nor need" any considerable amount of gold for circulation as currency.

To correctly apprehend this incident, two material facts are needed: these Keynes does not supply. During the decade ended 1892-93, the coinage of rupees averaged Rs 8.24 crore a year. This dwindled to Rs 3.2 crore in the following years till 1899-1900, due to the closure of the mints in 1893, producing a currency famine, of course one of the reasons for the rise of the exchange to 16d in 1898. More importantly, I wish to draw attention to the state of India in the late 1890s, for which I can do no better than quote Sir Verney Lovett (*Cambridge History of India*, Vol VI, 1932, pp 306-07)—a grave failure of the rains in 1896-97, affecting a population of 62 millions, 34 millions in "tracts severely distressed". This calamity led to the appointment of a Famine Commission. Before their recommendations could be considered, "India was visited by a drought *the greatest in extent and intensity which she had experienced for 200 years*... The loss in crops alone amounted to £ 50 mn in British India and £ 30 million in the Indian states". Curzon, then Viceroy, placed the agricultural production in 1899-1900 at least one-quarter, if not one-third, below the average. Water supplies shrank considerably; an enormous fodder famine produced an unprecedented devastation of all kinds of cattle. Then came cholera, dysentery and fever, upon an already exhausted and enfeebled population. These calamities aggravated the man-made shortage of rupees; the cultivators affected by them could not even earn a few rupees by the sale of their produce. Their cattle had perished by the hundreds of thousands. Usury and exploitation were rampant of which the government was fully informed. It was a cruel joke to offer gold sovereigns to a population reeling under the twin calamities of man and nature. Before this, Marie Antoinette's reported advice to those who did not have bread pales into insignificance.

The account of the Indian exchange crisis of 1907-08 (*ICF* pp 96-98) seems to raise a similar question. Of the 'crisis' and 'storm' which the Secretary of State had to confront in late 1907, we are only told: "it had become plain that the Indian harvest would be a bad one, and the financial crisis in the United States was fast developing"; and on November 7, the Bank of England raised its rate to 7 per cent, for the first time since 1873. These are all the reader is told; how exactly they affected the Secretary of State, especially the US crisis, is left to the reader to guess. Some facts about the sale of Council bills are given. Very meagre sale in early November was followed by none for several weeks, with "no further steps for the support of exchange", which Keynes ascribes to the situation being *"perplexing and unprecedented*", and that "it was some weeks before his [Secretary of State's] advisers found their bearings". The authorities *"nerved themselves" at the end of December* to take such "drastic steps" as may be needed to maintain the gold value of the rupee. Again there were unexplained delays and indecision.

A probe into this period at the London end reveals that it was the Bank of England which weathered the 'storm' even from the spring of 1906. It originated in speculation in New York, involving many American banks, and money had been raised in London for lending to speculators across the Atlantic, leading to a crash in American rail stocks in London. The crisis of October 1907 has been called the "worst between 1890 and 1914" (Sayers), involving heavy loss of gold by the Bank of England, and repercussions in Europe and Canada in late 1907. The Bank made serious expensive bids for gold in the market, and got it from France and a number of other countries to restore its holdings. The situation returned to normal in early 1908. All this time, October 1906 to July 1908, Keynes was in the India Office.

What strikes me in this episode is the uncanny synchronisation of the phases of inactivity and loss of nerve of the India Office advisers and the gestures of 'drastic' steps to maintain the gold value of the rupee with the stages through which the Bank of England and the British monetary system then travelled during this "worst crisis" (cf. Sayers, *The Bank of England, 1891-1944*). Keynes could not, of course, dream of pointing to this if my presumption that that is where the crisis lay is correct. London could not risk the faintest admission that the Secretary of State's inaction, lasting for months, in this first crisis of the newly set up gold exchange standard of India, arose from the Bank of England then wrestling to protect its own gold reserve. That would be the proverbial last nail on the coffin of the Secretary of State's emphatic and persistent espousal of the benefits to India in keeping her costly reserves in England where they would be available at the first sight of any adverse trends in India's external account, even if the reserves were not in liquid gold. I am offering a hypothesis to account for the inaction of the Secretary of State, the costs of which to India remain yet to be gauged, and will be happy if scholars respond to this, to throw light on an as yet important but dark episode of our financial history.

The third issue relates to Keynes's perception of the "difficulty and inconvenience" arising from tax payments withdrawing large funds from the market into the Indian Treasury almost just when the money market needs them. The ill-effects of this, he stated, "are to a certain extent counteracted by a transference of these funds to London and a release of the accumulated currency in India through the sale of Council bills" (p 40). For almost half-a-century, the India Office propagated this thesis. And the Indian public meekly swallowed this stubborn refusal of the authorities to recognise that this release of the proceeds of taxation to buy sterling for the home charges was *not* a remedy for the stringency and accompanying deflationary pressure on the economy. Those proceeds should have been released by regular government spending in India on goods and services, investments, and transfer payments, which would complement the earlier stream of withdrawals from incomes through taxes. In the absence of home charges and of substantial private remittances, the favourable trade balance of India, if any, would be reflected in foreign investments by India, or repayment of earlier foreign loans, or the import of bullion, and over a period, relatively more imports as the import of bullion tended to discourage some exports and encourage some imports. But those on the right side of the Imperial divide always turned a blind eye to this.

Chandavarkar tells us that 'drain' did not excite Keynes, whose interest was always

"in specific policy issues rather than in grand themes like metropolitan exploitation of the colonies" (p 39). (See p 135 for a rather disparaging remark of Keynes on this matter.) But in regard to the Council bills, for his lectures at Cambridge and London on the Indian monetary system, was Keynes not aware of Goschen's unequivocal assertion in his report to the House of Commons in 1876 that these bills affected India's ability to import silver, or of the series of articles on silver and the home charges that Bagehot wrote at that time (reprint published by H S King, London, 1877)? Bagehot had no hesitation in calling these charges "tribute", for "such economically it is". Among the effects of imposing a tribute on the industry of a dependent country, Bagehot gave the first place to driving away all cosmopolitan capital which can carry on business elsewhere. And, as a rule, the effect of the tribute will be to lower prices. Given the usual assumptions of classical economics, the employment effect had to wait for recognition till Keynes's *General Theory*, though some empirical studies of the early 1900s were pointing to it. Marshall too had referred to them in memoranda and oral evidences submitted to various enquiry bodies during the 1880s and the 1890s. Speaking before the Gold and Silver Commission, he stated categorically that "I consider that this [Council bills representing payments fixed in gold] is a disturbing element in the trade of India". In the controversy with Ohlin on reparations (*Economic Journal*, 1929) Keynes refused to perceive the shifts of purchasing power associated with international transfers. That the *process* of effecting these large transfers (laying aside for analysis their specific content) relentlessly over decades generated massive secular deflation and arrested growth was never recognised.

I shall close now, and go back to Chandavarkar's 'basic question', 'what triggered Keynes's interest in India?' which I have echoed. I am groping, without as yet a convincing answer to the question: *Why did Keynes write Indian Currency and Finance when he did, and for which he needed, so it seems to me but I may be mistaken, to rein in his objectivity*, and his grasp of, and sense of fairness to, history so eminently manifested in the *Treatise*?

Understanding Caste

Sukumari Bhattacharji

The Interpretation of Caste by Declan Quigley; Clarendon Press, Oxford, 1993; pp viii+184, Rs 250 (special India price).

THE book discusses the various interpretations of caste offered by scholars over the years but its primary concern is with the views of Dumont and Hocart, and some of their supporters, as well as the relation of caste to power. The author discusses the idealist interpretation of caste as a cultural construct, also the materialist interpretation of caste which he finds a rationalisation of more basic inequalities. He criticises both, pointing out their inadequacies and oversimplifications.

Caste, in the Indian context, covers both the four Varnas mentioned in the Vedas and, carried on still further in time, into jatis. Today the varnas have receded into history and only the jatis are relevant. The author probes the basis of the jatis and discusses in this context the views of Dumont and Hocart, et al. Although Dumont visualises a holistic society based on a purity-impurity hierarchy this view is shown to have serious limitations. The author quotes Raheja: "hierarchy is not stressed at all. What is stressed is the institutional and conceptual centrality of, the dominant caste, not the hierarchical superiority of the Brahman" (p 71). But since not all brahmans are priests nor all priests are brahmans this theory of hierarchy is not tenable. "Brahmans are fragmented into innumerable different castes which endlessly contest each others' status to the extent that some deny the Brahmanhood of others" (p 85). There are regional differences in the social position of the different castes. "...the aristocratic Rajputs might appear to be asserting the inferiority of most Brahmans"; this is Parry's view expressed in *Caste and Kingship in Kangra, 1979* (pp 105-06). Similarly some scholars' characterisation of the kshatriyas as warriors is fallacious; not all kshatriyas were warriors, many of them were nobles or 'rajanyas' who did not fight but constituted the nobility in the royal court.

What started as the varna division soon grew into caste or jati which latter resulted from (i) profession, (ii) inter-marriage, (iii) intermixture with invading people who were later assimilated into the body politic. What was obfuscated in many discussions was the relationship of these castes—which multiplied in arithmetical progression through permutation and combination—with the economic and political background. A very interesting instance is cited on p 18 "... caste organisation literally evaporates when one reaches a certain altitude in the Himalayas. The reason is not to do with altitude *per se* of course (but because) ...caste organisation depends on an agricultural surplus".

One cardinal issue which the author discusses throughout the book is the relationship of caste with power. The primary and earliest need, relevance and application of power arose from social chaos. Even the Mahabharata story of Prithu Vainya tells us that the first king was entrusted by the priests with the creation of order from the social chaos that prevailed. In other words he was empowered to discharge a specific function. And even the Mahabharata says that the first royal task he performed was setting the boundaries of caste. "Caste is a means of creating order through their (i e, kingship and kinship) combination where the alternative would be no order at all" (p 141). And "caste depends on the relative failure of kinship in shaping social institutions" (p 145). The king's task was to preserve a status quo in society, according to the order which had come about through the interaction of social, economic and political pressures, at least for a limited period before further permutation and combinations take place. In India, as in several other smaller countries the problem gained in dimension because here "the Sanskritic tradition has never been unified by any text or person" (p 166).

Caste, then, is integrally related to power and the author has shown how it is economic and political authority which empowered the king through the instrumentality of the priest. Power moved, changed hands, and changed its contours with the social exigencies. The brahman caste was not at the apex of the caste hierarchy, as political power rested with the king one of whose major obligations was to preserve the boundaries intact, to adjudicate when a new problem arose from the advent of invaders with no recognisable caste marks, to assimilate them within the existing paradigm, and to arbitrate when through change of profession or changed kinship relation a caste stood to lose its previous identity. The priests assisted the kings in these tasks, and power veered from royalty to ecclesia until a balance was struck.

The book is short (pp 169) but it excellently argues its position through refutation of some views and endorsing others after critically weighing their validity. Its strength lies in showing caste as historically transcending kinship, and as the first step in the division of labour. Also by connecting it with its economic and political roots. With diagrams, it illustrates many of its discussions and strengthens them. It is a real contribution towards understanding the problems of caste in India.

Economic Reform: India and Elsewhere

Lance Taylor

If South Korea shows that the state can effectively intervene in the economy, the examples of Chile, Argentina, Mexico and Turkey suggest that an attempt by the authorities not to intervene and turn all decision-making over to the market can backfire for a variety of reasons not just confined to the sphere of economics.

What will happen in India of course remains to be seen. But in the absence of good monsoons for the next two or three years, sustained export growth over the same period and an investment recovery led by the state, the chances of success of the current reform attempt cannot be rated very high.

'MARKET friendly' economic reforms are being implanted all over the developing world. In India and elsewhere, economic liberalism (in the 19th century Manchester and 20th century European sense of the word) is the doctrine of the day. Indeed, liberal policy packages were imposed 'elsewhere' some years before they arrived in India, which means that morals can be drawn from other countries' experiences about prospects for the reform programme here. With due reservations about the complexities of the Indian scene, I would like to point to a few such lessons in this presentation.

By way of background, it makes sense to begin by looking at the intellectual origins of the 'Washington consensus' reforms which the Bretton Woods institutions (the World Bank and the International Monetary Fund) and their allies recommend here and elsewhere.[1] The consensus reflects thinking common in the industrialised economies for the last few decades, brought on by stagnant real incomes and worsening distributions since about 1970. Over the same time span, social cohesion has declined, and no successors to national projects such as building up welfare states after World War II have emerged.

In the United Kingdom and United States, classical liberalism was soon proposed as a solution for the prevailing political and economic malaise (without strongly favourable results to date, but that is another story). The doctrine found articulate spokespersons such as Margaret Thatcher and Ronald Reagan, and their message reverberated worldwide. Its transmission has been abetted by 'globalisation' of industrial and finance capital (especially the latter), the collapse of the socialist (or, better, pseudo-socialist) alternative mode of economic organisation, and the deep reverence for market systems that characterises most of the economics profession.

For developing economies, Washington consensus policy packages all around the world take on similar characteristics, whether they are applied in Mexico, Zimbabwe, the countries of the former Soviet Union, or India.[2] They try to assure economic 'reform' with pay-offs in the form of faster output growth and rising real incomes by first 'stabilising' the macro-economic system and then 'adjusting' the market so that it can perform more efficiently.

The stabilisation exercise is based on policy tools that have been wielded consistently by the International Monetary Fund for the last 40 years.[1] They include:

—fiscal and monetary austerity aimed at restricting aggregate demand, e g, tax increases, cuts in public spending for both current purposes and capital formation, high interest rates, and credit restraints (especially for the public sector);

—devaluation (or weakening) of the local currency by increases in the rupee/dollar exchange rate, aimed at stimulating exports and restricting imports;

—other relative price shifts, such as changes in the agricultural terms of trade and reductions in the real wage; and

—income redistributions (typically unequalising, or regressive) in support of all of the above.

As we will see in discussing country experiences later, the main impact of these policies is to generate an output recession. The resulting production downturn will almost certainly improve the external trade account and devaluation may even lure in capital inflows (as appears to have been the case in India in the early 1990s). The IMF's chief target has always been to rectify an 'unsustainable' external balance, and its policy package usually hits that mark. Whether it reduces inflation (sometimes) or leads to renewed, equitable economic growth (rarely) are altogether different questions.

In the Washington consensus's division of labour, economic adjustment is mostly managed by the World Bank. The institution was taken over by liberals early in the 1980s; since then its main policy thrust has been to improve the allocative efficiency of the price system, in the sense that all 'wedges' between prices for similar commodities in different markets should be removed. For example, producer output subsidies and consumer purchase subsidies for food should be eliminated; furthermore, domestic food prices should be driven toward border prices (import or export dollar prices times the exchange rate). More generally, internal relative prices of traded goods should be the same as world relative prices. Labour market 'distortions' such as minimum wages should be removed, and rates of return (corrected for risk) of holdings in all financial markets should be equalised.

The Bank's belief, supported by innumerable exercises in neoclassical economics, is that creating allocative efficiency will lead to greater productive efficiency as well. The unregulated invisible hand will make the economy utilise its resources optimally, and on average everybody will be as well off as they can be. Note in passing the ahistorical nature of this assertion. It boils down to a theorem of Newtonian physics reinterpreted to describe how economic 'agents' allegedly behave (with optimality proofs provided, on the whole, by the second-rate applied mathematicians who have dominated neoclassical economic theorising for the past few decades). In no sense does the Bank extract its ideas from observed economic experience. As will be seen, its predictions about the efficiency improvements that liberal policies are supposed to assure are often wildly inaccurate.

In detail, adjustment packages typically include the following policy moves:

—liberalisation of foreign trade, beginning with replacement of import quotas by tariffs, and subsequent reduction of the tariffs and export subsidies;

—simultaneously or a bit later, liberalisation of the external capital account to facilitate cross-border financial flows;

—deregulation of the home financial market, aimed at equalising asset rates of return, as discussed above;

—deregulation of labour markets and decontrol of business decision-making;

—tax reduction and rationalisation; and

—privatisation, which is based on the idea that privately owned enterprises are intrinsically more efficient than firms owned by the state. In practice, selling off state-owned firms often amounts to a fiscal stopgap to close budget deficits opened by rapid tax reductions.

To inquire about the effects of these policies, one can ask two sorts of questions:

Have 'successful' developing economies relied on a liberal economic policy mix?

Where the Washington blend has been applied, has it generated economic 'success'? Why or why not?

We can sketch answers to the latter questions by reviewing experiences in places where the Fund and Bank have had a major say in economic policy formation. Because they help shed light on the Indian scene, we restrict our observations to a few semi-industrialised country case histories: Chile, Argentina, Mexico, and Turkey.[4]

Chile is usually considered the number one success case for liberalism, on the basis of its rapid, export-led growth since the mid-1980s. However, it is worth noting that the country went through a very long transition toward the free market under a very tough military government—General Pinochet took office in 1973. Despite their use of the best IMF medicines, he and his economic team did not succeed in stabilising inflation and curtailing output losses until exports took off. In other words, stabilisation did not come before adjustment (and in fact depended on the latter), contrary to the usual Washington chronology.

Looking backward, many Chileans now say that their current rapid growth justifies the dozen years they spent in the politico-economic desert. But had they been able to look forward in 1973 with foreknowledge of the difficulties that reform would create, it is not so clear that they would have chosen to take the free market path. Even after several years of robust output expansion, real income levels for most households are not far above their levels of 1970, as an initially unequal income distribution has become strikingly worse.

Moreover, Chile's path was not fully guided by the free market. The public sector invested heavily in copper mining (the once dominant, and still important export sector). For decades prior to their growth spurts, it intervened to support the new export industries, via cheap credits for planting and public investment in forestry and paper projects, technical support for new varieties, quality control, etc, in fruits, and enforced mergers and corporate restructuring in fisheries. The new Chilean way is certainly via capitalism, but it combines strong elements of public and private sector partnership veiled by free market rhetoric.

The same sort of rhetoric also dominates on the other side of the Andes mountains, in Argentina which has been growing rapidly since 1991. Inflation there was slowed dramatically by a non-IMF package combining austerity with frozen money wages and exchange rate (the peso was pegged one-to-one with the dollar in a new Constitution), and a good deal of government arm-twisting applied to enterprises to keep their mark-ups down. Luckily for its designers, this package was imposed just when interest rates were cut sharply in the US, leading to substantial repatriation of capital flight after the Argentine bourgeoisie had spent a decade building up nest eggs abroad. Since it owed most of the foreign debt built up in the 1970s, the government's budget benefited greatly from reduced interest obligations. By cutting interest rates, American Central Bank Governor Greenspan was far more useful to Argentina than Treasury Secretary Brady with his debt rescheduling schemes.

Growth in Argentina has been consumption-led. Repatriated resources have been invested in financial markets at home, which have generated substantial capital gains in peso terms as foreign exchange continues to flow in. This new wealth has mostly been directed toward higher household purchases, with a big import content financed by the continuing capital inflow. Levels of new physical capital formation remain low. If capacity limits do not begin to bind, the model can continue to work so long as Argentina maintains inflows of external finance. However, that may prove difficult as a degree of residual inflation increasingly strengthens the real value of the peso, thus facilitating still higher imports. In the absence of currency devaluation (precluded by the Constitution), there is an ever-increasing risk of renewed capital flight. Maybe an export miracle or a burst of external generosity will keep the balance of payments under control, but I would not bet heavily on that outcome over the next couple of years.

Mexico resembles Argentina, except that the economy is stagnant, after intensive Bretton Woods treatment since the debt crisis of 1982. Financial speculation is flourishing but income distribution has become substantially more unequal. For the past few years, Mexico has had a trade deficit on the order of 5 per cent of GDP (financed by renewed capital inflows, as in the rest of Latin America), which it has used to support *negative* output growth. In the 1970s, similar trade deficits were associated with output growth rates of 6 per cent or more.

The root cause of this problem is a private investment collapse, in part because Mexican authorities have had to maintain high real interest rates to keep money flowing in from Wall Street. Moreover, public investment which historically stimulated or 'crowded in' private capital formation has been reined in according to the Washington view. National saving has gone down as well, even more than in Argentina where at least the consumption boom has supported local economic activity.

Supposedly the enactment of the North American Free Trade Agreement (or NAFTA) in late 1993 would kick off a Mexican investment boom, but that has not happened so far. Instead, the threat that massive maize imports under NAFTA would wipe out the livelihood of small farmers making up 5-10 per cent of the population was one of many factors contributing to the revolt in the largely tribal (in Indian usage) state of Chiapas. The uncertainty provoked by Chiapas and the assassination of the official party's presidential candidate will hold down private capital formation for a long time to come.

Closer to the subcontinent geographically (and not so far distant in terms of social structure), Turkey was once considered an orthodox miracle. Its exports shot up in the early 1980s after a fairly standard stabilisation supported by ample capital inflows responding to geopolitical factors. The new economic team cut real wages, peasants' incomes via adverse shifts in the terms of trade, and government spending. The country had built up an industrial base over decades of inward-looking policies, and with depressed internal markets these producers started to look abroad. By happenstance, demand boomed in the region thanks to the 1979 oil shock and then the Iran-Iraq war. Aided by currency depreciation and ample subsidies (up to one-third of the value of foreign sales), exports and output grew rapidly through the mid-1980s.

For several reasons, the miracle unravelled soon thereafter. In an allegedly liberalised economic environment, the provision of state support to enterprises was taken out of the hands of a relatively fair bureaucracy and relocated in the prime minister's office. Pay-offs and 'rents' (the returns garnered from an assured market position, for example, the possession of an import quota) were passed out politically, angering elements of the entrepreneurial class left out of the largesse. More ominously, workers and peasants reacted against their income losses, and forced massive wage increases and pro-agriculture shifts in the terms of trade in the late 1980s. The distributional framework for the miracle collapsed, and by 1994 the economy was in the midst of a "lively, entertaining financial crisis" in the words of my Turkish colleague, Korkut Boratav of the University of Ankara.

The bottom line of these vignettes is that when orthodox packages succeed (as to date in Chile), they do so thanks to contingent events and a substantial dose of non-orthodoxy. By creating distributional conflicts (at least latently and sometimes actively) and financial speculation as opposed to real investment, they run a strong risk of falling apart, in both the economic and political spheres. High interest rates to lure in foreign capital and a strong exchange rate to facilitate a trade deficit to accommodate the capital inflows make the prospects for investment-led growth that much worse.

Morals from these observations can easily be drawn for India, but before doing that it makes sense to address our first question above—have successful developing economies adopted the Washington model? In one important case—that of South Korea—the answer is clearly 'No'.[5]

The leitmotif of state intervention in South Korea has been the creation of an "independent economy... with sufficient technological capability to permit a reasonable living standard without a chronic balance of payments deficit". To arrive at their goals, Korean planners consistently co-ordinated macroeconomic and industrial policies, usually

giving the latter precedence. Instead of aggregate demand management, keeping up investment was the order of the day. Korea's emphasis on building up production capacity was accompanied by prudent fiscal policy, numerous measures aimed at holding down consumption, and ample credit creation targeted toward production sectors deemed 'priority' at any time.

The main features of Korean industrial strategy remained stable over the years. First, a theme continually developed in official documents was that "the market mechanism cannot be entirely trusted to increase competitive advantage by industries", so that branches likely to enjoy high productivity growth and/or income-elastic demand were to be promoted as "promising strategic industries". They were given custom-designed financial, technical, and administrative support. Picking winners turned out to be an operational concept in an economy like South Korea's (and, earlier, Japan's) which was not operating on world technological frontiers.

Corrective feedback to the selection process was provided by ongoing, broad reporting of activities of 'priority' firms to the government. The economic bureaucracy thus had access to detailed business information, which proved essential for effective industrial policy. 'Creative destruction' of obsolescent firms was assured by the government's use of its acquired knowledge to weed out inefficient production operations in successive waves of rationalisations, mergers and liquidations. Individual conglomerate firms (the famous chaebols) were clearly subject to discipline, even though as a group they had privileged access to state resources. Noise and static in dealings between the state and producers were reduced by the fact that apex organisations were engaged on both sides of the dialogue.

Second, in line with this strategy, intense effort was devoted to acquiring technology (a huge public investment in education was economically mobilised exactly in this fashion). For this reason, direct foreign investment was strictly regulated while foreign technologies were banned in sectors in which domestic counterparts were available. Firms were encouraged to practise reverse engineering, along with licensing and purchase of technologies not available at home—all under bureaucratic guidance.

Third, there was a consistent emphasis on attaining economies of scale. This goal was reflected in many mergers of small firms initiated or subsidised by the government, e g, in the chemical, automobile, fertiliser, and other sectors. There was an ongoing campaign to restrict entry and control capacity expansion in various sectors to curtail 'excessive competition' in the form of big swings in investment and price wars in industries with decreasing costs.

Fourth, within the generally expansionary macro-economic environment, credit allocation was aggressively practised. The banking system was nationalised early on, giving the state effective control over all important financial flows (aided by tight foreign exchange restrictions). 'Policy loans' with subsidised interest rates and/or priority rationing accounted for over half of bank credits in the 1960s and 1970s.

These features of Korean industrial planning suggest several conclusions relevant to economies such as India's. One is that there can be a bargaining solution among peak organisations to restrain rent-seeking, with rapid output growth and the state's power to punish recalcitrants in the background. Rents were certainly created for the chaebols by their privileged position, yet they became production powerhouses and not leeches thriving on public largesse. Moreover, they were effectively guided by the bureaucracy, since channels were created for it to get access to business information.

The economic bureaucracy itself was an essential Korean player. It was 'embedded' in the society in the sense that it could act autonomously for the public good as it saw fit, without completely being taken over by patronage and rent-seeking. From a rent-seekers' heaven prior to the Korean war, conditions were created for an effective bureaucracy to emerge.

The dialogue among the bureaucracy and the chaebol permitted Korea (along with other countries in east and south-east Asia, using similar institutions) to practise economic planning effectively in a capitalist environment. Short-term allocative efficiency ('getting prices right' along Washington lines) was often sacrificed to long-term productive efficiency or rapid productivity growth. Conscious rent creation on the part of the state was the key to constant industrial upgrading and realisation of economies of scale. In the long run, huge steel mills and shipyards made sense.

Finally, the institutional basis for the South Korean miracle was invented over a relatively short time. Chaebols, trading companies, the planning bureaucracy, and the macro-economic policy mix all emerged in the early 1960s in a creative burst. Obviously, such institutions cannot be transferred without modification to other national contexts, but partial functional equivalents may well prove relevant in India and elsewhere.

To summarise, if South Korea shows that the state *can* effectively intervene in the economy, the examples discussed earlier suggest that an attempt by the authorities *not* to intervene and turn all decision-making over to the market can backfire for a variety of reasons not just confined to the sphere of economics. The political coalition which backed reform in Chile, Argentina, Mexico, and Turkey was made up of the Bretton Woods institutions and other foreign actors, industrialists in a position to gain from liberalisation and an export push (by no means comprising the total of national firms), financial speculators, households in the top 10-20 per cent of the income distribution who could afford an ample array of new consumer goods in a liberalised trade regime, and a local economic technocracy which put the new policy packages in place.

The losers included people in the bottom 80 per cent of the distribution, some important industrialists, and old political elites. When reforms failed to take hold, the outcomes included novel forms of corruption practised by the beneficiaries of liberalisation, financial speculation, stagnant private capital accumulation (not stimulated by public investment which had been cut back), accelerating inflation pushed by distributional conflicts, lagging output, high interest rates, and an overvalued exchange rate. All these are familiar problems which market friendliness was supposed to overcome. When they did rear their heads, the reform coalition ran the risk of falling apart—it has done so already in Turkey, and Mexico and Argentina do not seem far behind.

What will happen in India of course remains to be seen. But in the absence of good monsoons for the next two or three years, sustained export growth over the same period, and an investment recovery which will probably have to be led by the state, I would not bet the family farm on the success of the current reform attempt. The appearance of exchange appreciation, distributional tensions, or a speed-up in inflation (already near the local political flashpoint) would make prospects considerably worse. On the other hand, a push toward sensible public investment policy and directed intervention as in East Asia would make a wager on an Indian growth miracle a much more appealing choice.

Notes

[Lecture delivered at the India International Centre, New Delhi, April 20, 1994 I am grateful to the United States Educational Foundation in India for making my visit possible]

1 The 'Washington consensus' label is due to John Williamson of the Institute for International Economics, a liberal Washington think tank.

2 Documentation has been built up over the years by several sources, including the World Institute for Development Economics Research (WIDER) in Helsinki. WIDER-based research underlies three monographs in which I had a hand: *Varieties of Stabilisation Experience* (Oxford University Press, 1988), an edited volume called *The Rocky Road to Reform* (MIT Press, 1993), and *The Market Meets Its Match* (Harvard University Press, 1994), co-authored by Alice Amsden, Jacek Kochanowicz and me.

3 For details, see the country studies summarised in *Varieties of Stabilisation Experience*.

4 More detail is available in *The Rocky Road to Reform* and more recent country papers prepared for WIDER.

5 Good descriptions of Korea's economic strategy are given by Alice Amsden, *Asia's Next Giant* (Oxford University Press, 1989) and Ha-Joon Chang, 'The Political Economy of Industrial Policy in Korea' (*Cambridge Journal of Economics*, 1993, pp 131-57) The quotations in the text come from these authors.

I cordially welcome you all to the 55th Annual General Meeting of the Company.

CONSOLIDATING THE PAST, BUILDING A BETTER FUTURE

The year 1993-94 was a year of high growth for your Company. Gross Turnover registered a new high of Rs. 509.82 Crore, an increase of 80% over previous year. Gross profit before interest and depreciation at Rs. 83.32 crore was 89% higher and Profit after tax more than doubled to Rs. 32.72 crore. The Earning Per Share increased to Rs. 10.14 on the substantially enhanced capital (average) as against Rs. 5.60 per share in the previous year. The Directors have recommended a Dividend of 30% on the increased equity capital.

Improved performance in all the divisions of the Company was achieved inspite of competitive market conditions and rising costs. This was possible due to the thrust on higher capacity utilisation, betterment of productivity factors, cost reduction measures, quality upgradation and focus on niche markets.

The source of our Company's strength has been the courage to take bold decisions with a future focussed vision and the will to succeed. Our strategy for leadership is to increase capacities, strengthen financial resources, lay emphasis on research and development, maintain highest standards of quality, and nurture human resources.

Keeping this in view, **an investment of Rs. 2000 Crore has been planned, of which Rs. 1000 Crore will fructify in the current year itself.** This will result in significant enhancement of our Paper and Cement capacities and consolidation of the Polyester Fibres and Magnetic Tape businesses.

I shall now dwell on the significance of two major changes in your Company.

Orissa Synthetics Ltd. (OSL)—co-promoted by us—was merged with the Company. This merger is a 'merger of strength', as this addition has already resulted in higher sales and profits, besides enhancement of asset-base and net worth of the Company. This will add a new dimension in our journey towards accelerated growth. Your Company is now well diversified being engaged in the manufacture of Paper, Cement, Polyester Fibre & Yarn, all core sector industries, and Magnetic Tape — an industry of the future. All of these are high growth industries.

Statement of Shri Hari Shankar Singhania, Chairman & Managing Director, at the 55th Annual General Meeting held on Saturday, the 6th August 1994

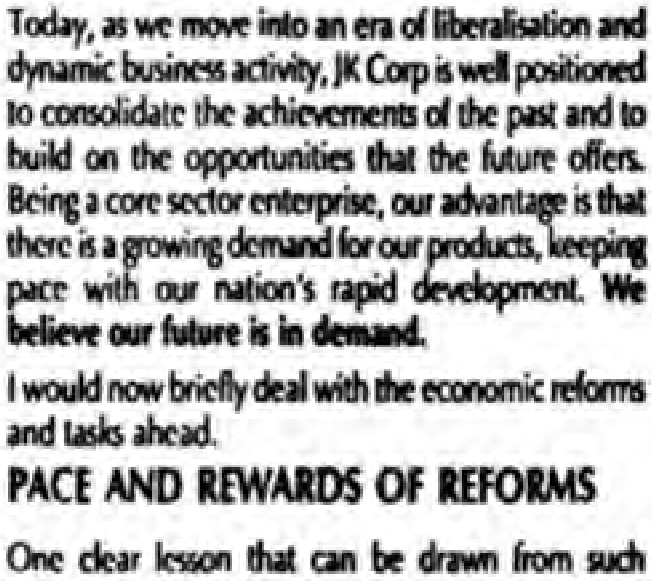
In order to appropriately reflect the Company's growing corporate size and its multi-dimensional business activities, the name of your Company has been changed to "JK Corp Limited" from Straw Products Ltd.

Today, as we move into an era of liberalisation and dynamic business activity, JK Corp is well positioned to consolidate the achievements of the past and to build on the opportunities that the future offers. Being a core sector enterprise, our advantage is that there is a growing demand for our products, keeping pace with our nation's rapid development. **We believe our future is in demand.**

I would now briefly deal with the economic reforms and tasks ahead.

PACE AND REWARDS OF REFORMS

One clear lesson that can be drawn from such economic reforms that have been launched is that there is a close connection between their pace and rewards. Where the reforms have been far-reaching, such as de-licensing of industries, a liberal attitude towards foreign investment and a realistic re-alignment of the external value of the Rupee, the overall results have been good. They are reflected in the performance of companies, in the flow of foreign



capital and improvement in exports. On the other hand, where the changes effected have been tardy, as in the case of restructuring Financial Institutions or downward adjustment of interest rates, or opening up of power, telecommunications and such crucial sectors, the effects have been marginal, if at all. And, in the areas where the reforms have not been meaningfully effective — running of public enterprises and maintenance of infrastructure, they constitute serious drag. A country's success or failure lies in the adequacy and quality of its infrastructure.

TASKS BEFORE GOVERNMENT & PRIVATE ENTERPRISE

Even in the most free of market economies, the macro-economic policies of Government influence the flexibility of product, labour and financial markets. In our own economy, the role of Government is both critical and crucial. High structural budgetary deficits and hikes in administrative prices pre-empt savings, increase prices and adversely affect business confidence. The tasks before our Government are many :

- to create and maintain a stable macro-economic environment with a consistent budgetary/monetary mix conducive to price stability and low short and long-term interest rates.
- to eliminate/curtail regulatory barriers that stand in the way of restructuring of enterprises.
- to help Indian private enterprise attain world class and compete in global markets.

Private enterprise in India also have to undertake many tasks. First and foremost every business entity must be more than ready to adjust itself to the new era which is already here. Over-worked though the term globalisation may already seem to some, it is becoming an increasingly accurate reflection of what is happening to business the world over. It means not only the deepening of integration between national economies but also the spread of that process over ever larger parts of the world. The global village and global market place are a reality. No country and no business enterprise can be sheltered from the winds of change.

I would now like to review the various businesses of the Company.

PAPER

JK Paper Mills

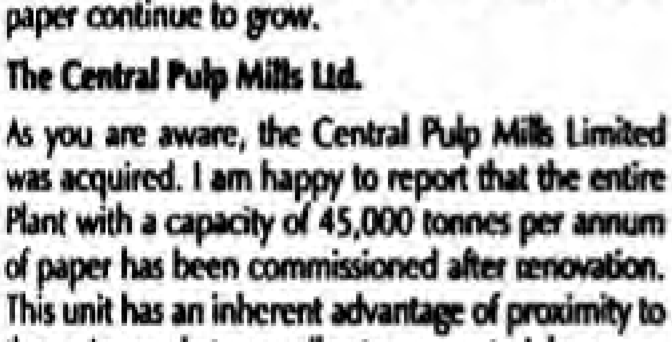
The Paper Mills had yet another year of over 100% capacity utilisation. Thrust on product-mix optimisation through value addition and quality upgradation ensured the creation and sustenance of niche markets. The new Speciality Paper Machine which is scheduled to be commissioned shortly, will increase the capacity to 75,500 tonnes per year. With the commissioning of Chlorine Dioxide bleaching by the end of the year, further improvement in product quality will be achieved. New investment programme is on hand for increasing Paper capacity to 1,15,000 tonnes per year along with Pulp Mill expansion and augmentation of captive power.

A NEW IDENTITY, FOCUSSED VISION

JK Paper Mills is now well entrenched as a leading manufacturer of high quality papers. This is evidenced by your Company being the largest manufacturer of Copier Paper in the country and having significant market shares of watermarked Bonds, Air Mail, Surface Sized Maplitho and the Enamel Board. During the year, new grades of paper were introduced including "JK Laser", for the first time in the country. Exports of select grades of paper continue to grow.

The Central Pulp Mills Ltd.

As you are aware, the Central Pulp Mills Limited was acquired. I am happy to report that the entire Plant with a capacity of 45,000 tonnes per annum of paper has been commissioned after renovation. This unit has an inherent advantage of proximity to the major markets as well as to raw material sources. **This acquisition would bring the overall capacity of the two units to 1,60,000 tonnes per annum which represents more than two and a half times increase in our existing capacity.**



Industrial Plantations

While the long term growth prospects for the Paper Industry are good, the Industry has to gear itself to meet the demand by adequate planning of capacity. One of the major difficulties encountered in this is the absence of a progressive government policy for industrial plantations of renewabel pulp wood. It is imperative that urgent steps are taken to ensure that adequate raw material for the Paper Industry is available through such plantations. Imports of pulp and waste paper to supplement raw material needs cannot be a permanent and long term solution as they are a drain on the country's foreign exchange resources.

CEMENT

Lakshmi Cement

Lakshmi Cement achieved a higher production of 5.57 lac MT of Cement during the year. Cement demand in the country, though higher than the previous year, grew at a slower pace than earlier years. Generally, cement prices remained depressed. The Industry is hopeful of a much improved situation in the coming year as construction activities gather momentum.

Inspite of cost increases, margins at Lakshmi Cement have improved over the previous year due to higher productivity, better efficiencies and cost reduction. In recognition of its excellent quality conforming to International Standards, it has been awarded ISO 9002 quality certification. Lakshmi Cement also bagged the shield for the best overall performance in the region.

The Company's Cement capacity is being increased from 6 lac tonnes to 15 lac tonnes per annum at the existing location. Erection of the plant is in full swing and the project is expected to be completed by the end of the year. The Project is being partly financed under a World Bank Line of Credit. It is proposed to raise the capacity further to 20 lac tonnes per annum.

J.K. Udaipur Udyog Limited (JKUUL)

You are aware that JKUUL was promoted by your Company for acquisition of Udaipur Cement Works from Bajaj Hindusthan Ltd. as a going concern. The acquisition was completed on 1st December 1993. I am happy to report that within a short span, production has doubled and power and fuel economies achieved. The installed capacity of the unit is slated to go upto a level of 10 lac tonnes per annum. To meet the cost of technology upgradation and capacity expansion this company proposes to make a capital issue shortly.

The combined capacity of the two units would thus go up to 30 lac tonnes per annum — a five fold increase.

POLYESTER FIBRES

Orissa Synthetics

The year 1993-94 witnessed a significant increas in off-take of polyester fibre and yarns. Th performance of Orissa Synthetics was distinctly bette than the industry average and it achieved 100% rated capacity.

On the export front, the division was awarded th Top Exporter's Award for the year 1992 in succession I am happy to report that Orissa Synthetics is th first unit in the entire Polyester Industry to hav received ISO 9002 Certification for its entire rang of products. Polyester has emerged as a high-growt Industry for the next decade. Our capacity is bein increased from 21,000 tonnes to 30,000 tonnes pe annum during the current year.

MAGNETIC TAPE

JK Magnetics has carved for itself a place among th largest integrated manufacturers of internationa quality tapes in the country. Quality acceptance b recording companies affiliated to international label and the recent encouraging beginnings on Export are indices of the unit's progress. Production ha increased three-fold in the last four years and nov the Company has a market share of 26% in audi pan cakes.

ACKNOWLEDGEMENTS

Before I conclude, I would like to express m sincere appreciation of the contribution of th employees at all levels in the continuing growth o the Company. I would also like to acknowledg continued co-operation and support given to th Company by the Financial Institutions, Banks Government authorities, shareholders, distributors dealers and last but not the least, the customers.

Thank you.

This does not purport to be a report of the proceeding of the Annual General Meeting.

JK CORP LIMITED

(Formerly STRAW PRODUCTS LIMITED)

Our future is in demand

LAKSHMI CEMENT

Orissa Synthetics

JK MAGNETICS

Mass Conversions to Hinduism among Indian Muslims

Yoginder Sikand
Manjari Katju

In cases of mass conversion of Muslims to Hinduism, the central thrust has been on their de-Islamisation rather than on their accepting the Hindu religion. The Muslim castes which have been particularly vulnerable to Hindu missionary efforts have been those which are only nominally Muslim and retain many Hindu customs and beliefs. Most of the mass conversions have occurred among Muslim Rajput groups. The Hindu missionaries, too, have shown an inordinate interest in converting the socially dominant and powerful Muslim Rajputs and not the 'lower' Muslim castes who form the majority of the Indian Muslim population. Finally, the mass conversions have mostly occurred in the backward regions of northern India where feudalism is still largely intact and where brahminism has not been challenged by assertive 'lower' castes.

THE origin of the term 'Hindu' can be traced to the ancient Persians who employed to refer to the inhabitants of India who were unified not by belief in any single set of religious doctrines but by membership in hierarchically arranged 'jatis' (castes) which collectively formed what was known as the 'varna vyavastha' (caste system). What today goes under the name of the 'sanatan dharma' (Hinduism) refers essentially to the duties and rights of individuals as members of castes into which they are born, the dharma of each caste being different. Hence, caste, and not any common set of religious beliefs and customs, forms the bedrock of the Hindu religion and social order.

Unlike, for instance, Islam and Christianity, Hinduism lacks any creed which non-Hindus are required to accept in order to enter the Hindu fold. Theoretically, since birth in a particular Hindu caste alone qualifies one to be considered a Hindu, non-Hindus cannot convert to the sanatana dharma. However, the spread of Hinduism from the Hindu heartland of 'aryavarta' (the Gangetic belt of north India), not only to the rest of the subcontinent but even to far-off Indo-China, Malaysia and Indonesia in ancient times suggests that in actual practise it has been possible for non-Hindu groups to be Hinduised. This Hinduisation process is, in fact, still under way among many aboriginal and other non-Hindu groups in India who are outside the pale of the caste system.

Hinduisation Process

Till recently, the process of Hinduisation proceeded in a completely unorganised fashion. Typically, itinerant brahmin priests would venture off into non-Hindu domains and establish mutually supportive relationships with the ruling chieftains of those areas. The priests would confer upon them the exalted status of kshatriya (warrior caste) and, in turn, the chieftains would recognise the brahmins as their spiritual preceptors and would grant them extensive landholdings as well as other forms of state patronage. Gradually, the brahminical values, customs and beliefs would then filter down from the chieftains to their subjects leading to their eventual Hinduisation and their absorption into the caste system, mainly as sudras (untouchables and menial castes).

Today, however, this unorganised Hinduisation process is being supplemented with planned and organised missionary efforts of such groups as the Arya Samaj, the Vishwa Hindu Parishad (VHP), the Rashtriya Swayamsevak Sangh (RSS), the Ramakrishna Mission, etc. These outfits do not restrict themselves merely to the propagation of religious tenets, but also run a network of schools, dispensaries and community-service centres for many of the non-Hindu groups among whom they are proselytising.

Traditionally, Hinduisation of non-Hindu groups occurred in a very gradual fashion over a long period of time, sometimes extending over several generations. This was because it was essentially an extended process of cultural transformation. In this sense, therefore, it would not be entirely proper to speak of 'conversion' to Hinduism since non-Hindus admitted into the Hindu caste system were not required to accept any particular set of beliefs and customs as a precondition. What Hinduisation did entail was the acceptance of certain brahminical notions, such as the Karma theory, belief in the supremacy of the brahmin caste and observance of the rules of caste purity and pollution. Non-Hindus gained entry into the Hindu fold through this acculturation process which occurred alongside their accommodation within the caste system.

Unlike, for example, in Islam, where non-Muslim individuals and groups become Muslims immediately upon their recitation of the Islamic creed, in Hinduism, which lacks a set of fundamental tenets binding upon all its followers, entry of non-Hindus cannot be instantaneous. Hence, 'conversion' to Hinduism occurred as the result of a long process involving not the acceptance of any particular religious doctrine but, rather, the imbibing of brahminical cultural norms legitimising the caste system. This went along with the discarding of customs incompatible with these cultural norms.

This gradual process of Hinduisation through cultural change is, however, today being added to by Hindu missionary groups which conduct 'shuddhi karan' ('purification rituals' or conversion ceremonies) of non-Hindus, who become Hindus immediately upon the completion of the initiation rites.[1]

In India the closest ties that an individual has are with members of his or her own caste or jati. The jati is an endogamous, commensual unit affording security as well as an identity to its members. Membership of a jati is restricted only to those who are born into it. It is difficult, if not impossible, for a Hindu to exist in isolation from his or her own particular jati. Hence conversions in India to or from Hinduism (or any other religion for that matter) generally take the form of mass conversions. Entire jatis convert together instead of isolated individuals changing their religious allegiances. Today, however, the Arya Samaj, a neo-Hindu outfit, arranges for both individual as well as mass conversions. Non-Hindus getting married to Hindus now can, and, indeed, often do, convert to Hinduism through the Arya Samaj. This is a very recent development, which the 'sanatani' (orthodox) Hindus frown upon since the Hindu scriptures explicitly proscribe inter-caste and inter-religious marriages.

The vast majority of India's over 120 million Muslims are descendants of low-caste Hindus who converted to Islam to escape from the oppression of the higher

castes and in search of equality and dignity. Rarely did individuals convert by themselves, for that would have meant completely cutting off their ties with their castes. Hence, entire caste groups embraced Islam together and then adopted a new, Islamised or Arabic caste appellation for themselves. For instance, the tantis (weavers) of Bihar began to call themselves ansaris after becoming Muslims. In Punjab, the musallis bhangis (sweepers) adopted the more respectable title of Musallis. In all these cases, the endogamous caste unit which was in existence prior to conversion, remained intact even after that. This is how Muslim society in India has come to be characterised by a multiplicity of endogamous caste groups. As shall be discussed later on, it is the existence of castes among the Indian Muslims that allows for the process of Hinduisation to operate among them.

Hinduisation of Indian Muslims

Conversions of Hindu castes to Islam for social emancipation from the shackles of the caste system proceeded steadily so long as the Muslims were politically dominant in India. Thereafter, with the establishment of British rule, this process slackened considerably. In the early years of the present century the British rulers began instituting political reforms granting Indians a certain measure of self-government. These new opportunities, such as limited voting rights and representation on local body councils, were apportioned among the various religious communities of the country in accordance with their respective numerical proportions. The Hindu 'upper' caste elite, forming not more than 6 per cent of the then Indian population, represented a numerically relatively small, yet enormously powerful, minority. In order to corner the benefits of the British-instituted reforms, this minority group felt it imperative to enhance the Hindu numerical strength. The only way it could do so was by incorporating into the Hindu fold the untouchables, the aboriginals and other non-Hindu groups. The conversion of these non-Hindus, therefore, clearly represented a political strategy to employ the power of an artificially constructed "Hindu majority community" to bolster the fortunes of the 'upper' caste Hindu minority.

As one perceptive scholar observes,

> There is hardly any region in the subcontinent in which 'Hindus', as they defined themselves before Gandhi attempted to co-opt or incorporate all Untouchables communities into the 'Hindu', fold, represented a cohesive or clearly identifiable 'majority' community... The conjuring up of this concept can be seen as nothing more than another attempt by one elite minority or coalitions of elite minorities to dominate all others.[2]

Hence, the organised efforts by 'upper' caste Hindus to proselytise among the untouchables (who, being outcastes, were considered to be outside Hindu caste society) and among Muslims and Christians cannot be seen in isolation from the wider political context since political considerations played a very crucial role in the entire enterprise.[3] This continues to be the case to this very day.

Orthodox, or sanatani, Hindus held that it was not possible for non-Hindus, whom they considered 'impure' ('ashuddh') to become Hindus. It was the Arya Samaj, a revivalist neo-Hindu outfit set up in 1875 by a Gujarati brahmin, Dayananda Saraswati, which broke from orthodoxy in this regard. It allowed for non-Hindus to convert to the Arya Samaj sect through a ritual known as the shuddhi karan ('purification') ceremony.[4]

'Shuddhi' ('purity') is said to be an ancient and central concept in Hinduism. It refers to a state of ritual 'purity' needed for the performance of one's dharma, the central component of which is observing the duties assigned by the brahminical scriptures to one's caste. Since dharma has both ritual as well as social dimensions, shuddhi refers to the state of 'purity' required for the performance of both religious rites and social intercourse.

Shuddhi may be lost by 'pollution', which may occur through a death or birth in one's household or by the touch of 'polluted' materials or 'impure' people. Shuddhi Karan refers to the rite through which this 'pollution' is considered to be removed and ritual 'purity' restored, thus enabling one to regain one's caste status.[5] As an orthodox brahmin 'pundit' opines:

> The abandonment of prohibited food, separation of contact with low persons, and living in one's situation according to *Varnasrama dharma* (caste-system) is called *Suddhi*.[6]

The shuddhi karan rite seems to have been formulated in the 19th century only, though efforts were made to bestow upon it an ancient history.[7] It first made its appearance in the context of 'upper' caste Hindus who lost their caste for having crossed the seas. The ban on travelling abroad had been imposed by Hindu scriptures for fear of 'upper' caste being unable to observe the rules of the maintenance of caste 'purity' in foreign lands. With the establishment of British rule in India many 'high' caste Hindus went to England for higher education. For this, they were excommunicated from their castes but now could seek re-admission after undergoing a 'purification' ceremony. It was this newly-invented ritual that later came to be used to convert untouchables and other non-Hindu groups to Hinduism.

Prior to the mass conversions of certain Muslim groups by the Arya Samaj, there had been isolated instances of individual Muslims undergoing the Arya shuddhi karan ceremony. Most of these early Muslim conversions to Hinduism were, however, cases of Hindu converts to Islam reconverting back to Hinduism.[8] The first instance of the conversion of a born Muslim to the Arya Samaj was reported in 1877 when Dayananda Saraswati performed the shuddhi of a Muslim of Dehra Dun, giving him the Hindu name of 'alakhdhari'.[9]

The mass conversions of Muslims to Hinduism assumed significant proportions only in the 1920s, in the backdrop of concerted efforts by the Muslim and Hindu elites to inflate their numbers so as to enhance their political bargaining power. The Arya Samaj was particularly successful among Muslim groups which were only partially Islamised and had still retained many of their old Hindu customs and beliefs. Thus, for instance, the sheikhs of Larkana (Sind), a low half Muslim-half Hindu caste, were converted by the Sukkur unit of the Arya Samaj as early as in 1905. Similar was the case with the subrai labanas of Ludhiana (Punjab) and the maiwaris of Ajmer (Rajputana), who, like the Larkana sheikhs, followed a curious mixture of Hindu and Islamic practices.[10]

It is interesting to note that these group conversions to Hinduism organised by the Arya Samaj entailed essentially the giving up of a certain Islamic customs such as the burial of the dead, 'nikah', the visiting of 'dargahs' and circumcision, rather than the imparting of Hindu religious knowledge to the new converts.[11] This was possibly because the shuddhi movement was motivated far less by the desire to promote spirituality and moral and religious values than by strong anti-Muslim passion.

Conversion of Malkanas and Jats

The Arya Samaj claimed to be opposed to the caste system based on birth. However, it is interesting to note, that in the case of the mass conversions of entire Muslims groups to Hinduism a crucial component of the Arya Samaj missionary strategy was first to construct an artificial history of these groups as being the descendants of 'upper' caste Hindu kshatriya warriors who were forcibly converted to Islam. It then sought to win them over by instilling in them a false pride in this constructed caste identity, promising them the restoration of their 'upper' caste privileges if they were to de-Islamise themselves. All Muslims, including those of 'upper' caste Hindu descent, were treated by orthodox Hindus as 'unclean' and 'impure' ('achchut' or 'ashuddh') and hence, for Muslim castes of imputed kshatriya descent, conversion to Hinduism seemed to offer a means to regain many of their caste privileges which they had lost on becoming Muslims. Appealing to the caste sentiments of Muslim groups, therefore, played a crucial role in the Arya Samaj's missionary successes. Indeed, this remains the basic missionary strategy of Hindu missionaries even today. For instance, the present head of the Vishwa Hindu Parishad, asserts:

The Muslims and Christians of this country were made to forget their Hindu identity, yet their lesser identity is still meticulously preserved securely. Till this day they can recall from which particular caste they were converted and in most cases they continue to maintain their caste identity. This identity alone will, in the future, become the means for them to recognise their Hindu identity, as a result of which the large numbers of those who have been cut off from Hinduism will come back into its fold.[13]

The appealing to caste sentiments formed, as in all other similar cases, the basis of the most controversial of the Arya Samaj's mass conversions—the shuddhi of the Muslim malkana rajputs of the western districts of the United Provinces in the 1920s.

The term 'malkana' is not a clan name, but is a title derived from the word 'milkiyat' or ownership of land. The malkanas are said to have been nominally converted to Islam under the Afghan rulers from whom they received extensive land grants in the Jamuna tract in the neighbourhood of Agra, Mathura and Delhi. They claimed to be the descendants of the Jadun rajputs, though some of them are also said to have possessed Agarwal bania and tarkar brahmin ancestry.[13] The malkanas followed both Hindu and Muslim customs, because of which they were also known as adhbariya ("half Hindu-half Muslim"). Yet in the censuses they tended to return themselves as Muslims.[14] Their population in the 1920s was said to number several hundred thousands.[15]

Efforts to convert the malkanas to Hinduism began in the first decade of the present century when shuddhi sabhas were set up at various places in the United Provinces by Pandit Bhoj Dutt Sharma of the Arya Samaj. In 1907 the Hindu rajputs of the Agra division flocked to these *sabhas* in an attempt to convert the Muslim rajputs so as to thereby enhance the numerical strength of the rajput community.[16] By 1910, the Rajput Sabha, which was, along with the Arya Samaj, actively engaged in the shuddhi movement, claimed to have converted 1,052 rajput Muslims to Hinduism.[17]

It was, however, only in the 1920s that the dramatic mass conversions of malkanas began. The first of these conversion ceremonies took place at Raibana, near Agra. Within the first few months of 1992, over 5,000 malkanas were said to have been Hinduised and the figure rose to over 30,000 by the end of the year.[18] This drive continued till 1927 or so, by which time it js reported that about 1,63,000 malkanas had entered the Hindu fold.[19]

In the conversion of the malkanas, the Arya Samaj was actively assisted by the Kshatriya Upkarini Mahasabha (Rajput Welfare Society). On August 30, 1992, the Mahasabha at its meeting at Kashi under the presidentship of Raja Sir Rampal Singh, decided "to take back Hindu rajputs who at one time or another had turned Muslims".[20] The Mahasabha sought to win over the Muslim rajputs by repeatedly playing up the issue of their upper caste kshatriya ancestry. That the Arya Samaj had to seek the active co-operation of the Mahasabha suggests that despite its professed disavowal of the caste system, the Aryas did not hesitate in making as their central missionary strategy the evoking of caste sentiments.

In the conversion of the malkanas the primary aim of the Arya Samaj seems to have been their de-Islamisation so as to decrease Muslim numbers. It is also evident that the Arya Samaj was not particularly concerned about instructing the new converts in the principles of the Arya faith. Instead, the malkanas seem to have been rehabilitated, at least partially, as Hindu kshatriyas. As Chinmayananda Sanyasi, an active Arya missionary, admitted,

> The malkanas do not become Arya on shuddhi but go to their community (Rajput) which is mainly sanatanist (orthodox).[21]

That the Hindu rajputs' active role in converting the malkana rajputs was spurred more by an interest in increasing their numbers rather than by a genuine sense of brotherhood is evident from the fact that even today the Hindu rajputs refuse to inter-marry with the malkanas.

The jats are a peasant community inhabiting north-western India, including parts of present-day Pakistan. The jats of western Punjab are, by and large, Muslims, those of central Punjab being Sikhs and those of the eastern districts mostly Hindus. However, in the Haryana region of the then province of Punjab, particularly in the Rohtak division, there lived a significant number of neo-Muslim jat cultivators known as the Mula jats. This community soon became the focus of the Arya Samaj's missionary efforts.[22]

By 1921, Rohtak had emerged as a major centre of the Arya Samaj movement. Nearly 90 per cent of the registered Aryas of this region were drawn from among the Hindu jats. Chhotu Ram, the leading jat politician, who had a strong base among the jat peasantry of Rohtak, was a staunch Arya Samaji and was the main force behind the shuddhi of the mula jats. At his instance, resolutions were passed by various Hindu jat panchayats of the Rohtak division calling for the conversion of Muslim jats. On November 12, 1925, a resolution to the same effect was passed by a massive gathering of Hindu jats at the pilgrimage town of Pushkar near Ajmer, which was presided over by Maharaja Bijendra Singh, the jat ruler of the Bharatpur state. By 1927, under Chhotu's influence, even the jat mahasabha, the leading jat organisation, had become actively involved in the shuddhi movement. In the same year, a committee presided over by Choudhry Ghasi Ram, a member of the Punjab Council, was set up to promote the conversion of the mula jats. Chhotu Ram was appointed as its joint-secretary.

Chhotu promised the mula jats that they would be fully accepted by the Hindu jats if they were to renounce Islam. A resolution was passed during the course of a meeting held at Rohtak on April 8, 1923, in which it was declared that,

> *Shuddh-Shuddha* ('purified') Jats will be fully integrated into the Jat Community. No Jat is to discriminate against *shuddh-shuddha* Jats in any matter of eating, socialising or marriage alliances.[23]

Despite Chhotu Ram's efforts to integrate the Hinduised mula jats into the broader jat community, the Hindu jats seemed unwilling to accept them.[24] The shuddhi of the mula jats, therefore, proved a failure and many of them were reconverted back to Islam through the efforts of the Isha'at-e-Quran and the Tabligh-ul-Islam, Muslim organisations set up in 1923 with the aim of rescuing Muslim jats, gujjars and rajputs who had been converted to Hinduism by the Arya Samaj.[25]

As with the conversion of the malkanas, the shuddhi movement among the mula jats, in which the politician Chhotu Ram played the key role, was undertaken more for political gain than out of any genuine spiritual commitment. Chhotu's personal interest in ensuring the success of the movement lay in his concern for increasing his own jat political support-base. As his biographer observes:

> It needs to be emphasised that Chhotu Ram was not interested in the shuddhi movement, as some other Arya Samajists were, in claiming back some Hindus of lower caste who had embraced Christianity or Islam in the Haryana region. He only worried lest the numbers of Hindu jats got dwindled by their conversion. Pointing to the dwindling number of Hindu jats in the population of Punjab, Chhotu Ram advocated wide-scale shuddhi of the mula jats (Muslim jats) as one of the ways in which it could be over come... In fact, the failure and success of the entire shuddhi movement was measured by the Chhotu Ram in relation to the addition it was likely to make to the total number of Hindu jats. The numerical strength of any "community" was necessary in the Punjab of Chhotu Ram's days as that alone gave the 'Community' a leverage to make claims to the government for allocation of jobs, rewards, patronage, etc. *Chhotu Ram's interest in and advocacy of shuddhi in relation to jats alone substantiates the theory that he was acting not for the sake of 'Hinduism' but 'jatism' to maintain the numerical strength of jats, and to increase it, if possible.* Significantly, Chhotu Ram was advocating the readmission of the purified jats into their own jat biraderi (caste-brotherhood) not as Aryas but as jats. In fact, he resisted all attempts of the Arya jats to be called Aryas only.[26]

Chhotu Ram, too, acknowledged the essentially political motives behind the shuddhi enterprise when he stated that:

The very aim of the (shuddhi) movement was to integrate the Shuddh-Shuddh jats into the fold of the jat community so as to strengthen the jats.[27]

It should also be noted that, as in the case of the malkana rajputs, the supposedly anti-caste Arya Samaj not only sought to convert the mula jats as an entire caste group (which it would not have attempted had it really been opposed to the caste system), but also tried, though in vain, to get the mula jats absorbed into the Hindu jat caste. Had the shuddhi of the mula jats been successful this would undoubtedly have further strengthened the caste system, a social order which the Aryas denounced in theory.

Besides the conversion to Hinduism of nominally Muslim castes such as the malkanas and the mula jats, the Arya Samaj also reached out to castes on the peripheries of the Hindu caste order who, though non-Muslim, practised many Islamic customs. Historically, it was the gradual adoption of many Muslim practices by non-Muslim caste groups that paved the way for their eventual formal conversion to Islam. The Arya Samaj sought to prevent this by campaigning against these customs and practices. This de-islamisation among the peripheral castes was soon followed by their eventual conversion to Hinduism after undergoing the Arya shuddhi ceremony.

One instance of this is the Arya Samaj's missionary efforts among the Bishnois, a large farming community spread over Rajputana and the western districts of the United Provinces. The Bishnois had adopted several Muslim customs such as burial of the dead, employing the name 'Allah' to refer to God and using Muslim names and, unlike orthodox Hindus, they did not worship idols. A leading Arya missionary, Shraddhananda Sanyasi, explains this by saying that:

> ...having once slain a Qadi, who had interfered with their rite of widow-burning, they had compounded the offence by embracing Islam.[28]

The Arya Samaj began working among the Bishnois in the 1920s. Gradually they were made to give up their Islamic customs and today they are almost a full-fledged Hindu caste.

Another similar case of the Arya Samaj's efforts to do away with Islamic customs practised by peripheral non-Muslim castes was that of its work among the bhangis (sweepers) of Rajputana and the Punjab. From the point of view of the brahminical *Dharmasastras* (law-books), the bhangis, along with all other 'untouchable' groups, are considered to be non-Hindus or outcastes, since they fall outside the 'chaturvarnya', the four-fold Hindu caste order. Hence, the bhangis were largely uninfluenced by the brahminical ethos. They, in fact, had adopted many Islamic customs and several of them had converted to Islam in search of social equality and dignity.

This free borrowing of Muslim customs by the bhangis was noted by William Crooke who, writing in 1896, observed that,

> The religion of the sweepers is a curious mixture of various faiths. Some ... profess to be Hindus, others Musalmans, others Sikhs...[29]

The bhangis of the princely state of Jodhpur in western Rajputana celebrated Muslim festivals such as Shab-e-Barrat, Moharrum and the 'urs of local 'pirs'. Most of them were followers of the cults of Sufi saints such as Zinda Pir, Lal Beg, Sujani Pir and Ghazi Pir. Many non-Muslim bhangis of Jodhpur kept Muslim names.[30]

The Arya Samaj began its programme of de-Islamising the Jodhpur bhangis in 1923. Its main objective was said to have been "to eradicate Muslim influence from their socio-religious spheres and to create a feeling of Hinduism".[31] The conversion of the bhangis to the Arya Samaj fold did not in any way help in ameliorating their dismal social and economic conditions. Nor did the giving up of Muslim customs at all help in elevating them from the lowest rung of the caste system.

In the wake of the partition of the subcontinent in August 1947, bloody riots broke out all over northern India in which thousands lost their lives. In several areas, Hindus forced Muslims to choose between fleeing to Pakistan, being slaughtered or else agreeing to convert to Hinduism. Under duress scores of Muslims are said to have chosen the third option.[32]

By 1950, when India declared itself a republic, the communal situation had shown some signs of improvement. Fairly strong modernist and liberal political tendencies had emerged, and Hindu political outfits such as the Hindu Mahasabha and the RSS had been considerably marginalised. This, however, was not to last very long and by the early 1970s, coinciding with the emergence of the general crisis of the Indian state, extreme right wing brahminical Hindu militancy saw an enormous upsurge. The main force behind this was the RSS, which operates through a large number of frontal organisations working in different fields. One of the most powerful of these is the VHP, the "World Hindu Congress", floated in 1964, among whose main objectives is the conversion of all the non-Hindus to Hinduism.

Recent Conversions

The most recent of the mass conversion of Muslims to Hinduism organised by the VHP has been that among the Cheeta-Merat rajput Muslims. This community numbers over 3,00,000 and is scattered across the districts of Udaipur, Pali, Bhilwara and Ajmer in Rajasthan, with their biggest concentration being in the Beawar region of Ajmer district. These Muslims are believed to be descended from the rajput king Prithvi Raj Chauhan, who fought several battles with the Muslim rulers of Delhi. According to local tradition, Cheeta, grandson of Mera Chauhan, converted to Islam during the reign of the Mughal emperor Aurangzeb (1658-1707 AD) and his descendants came to be known as cheetas, mers or merats. On the other hand, the other descendants of Mera Chauhan remained Hindus and are known as gorat merats, barar mers or rawats.[33]

In the early censuses, however, all the mers were classified as belonging to non-Hindu aboriginal tribes and even today the distinction between Muslim and Hindu mers remains blurred. Indeed, apart from the practice of circumcision and the burying of the dead, the nominally Muslim mers are quite indistinguishable from their Hindu relatives. Until recently, mers, irrespective of religion, used to freely inter-marry and brahmins would perform their marriage ceremonies according to Hindu rites.

Commenting on the admixture of Hindu and Muslim customs among the mer or cheeta rajputs, Lodrick notes that:

> Mers (Muslims) and Rawats (Hindus) shared a common culture, inter-dined, wore similar dress and even worshipped the same Hindu deities. Hindu mers disregard many of the traditional Hindu prescriptions concerning ablutions, ceremonial forms and food, and have no compunction about eating beef or any animal flesh. Many orthodox Hindus disassociate themselves from the mer community, and a strong case can be made for regarding mers, whether Katat mers, Gorat merat or Rawat, as a distinct group that fits neither the Mouslem nor the Hindu mould.[34]

The close kinship and other social ties between the Hindu and Muslim mers, however, came in for vigorous opposition from the Arya Samaj. Its founder, Dayananda Saraswati, had set up his headquarters at Ajmer, and he is said to have made the Hindu mers of the neighbouring Masauda and Merwara regions give up the practice of intermarrying with the Muslim mers.[35]

The gradual drifting apart of the Muslim mers and the Rawats was further accelerated by the introduction of the franchise and communal representation in British India as well as by the bloody events immediately before and after the independence of India in 1947.[36]

According to Jamal Khan, president of the Cheeta-Merat-Kathat Sabha of Beawar, the first conversions of Muslim mer rajputs to Hinduism occurred in 10 to 15 villages in the Bhim tehsil of the Udaipur district in 1947. Thereafter, strenuous efforts were made to Hinduise the mers of Beawar. One means that was adopted was the instruction given to Hindu school teachers by some local rajput heads of villages to change the names of their Muslim students to Hindu ones in the official school records.[37]

In the 1970s, the organised attempts by the VHP to convert the mer Muslims were further intensified. It has been alleged that since

1975, the VHP's conversion drive in this region has been funded by a monthly grant of Rs 3,00,000 by Birla and Company, India's largest industrial house.[38] In the same year, the Chauhan Rajput Sabha, a Hindu rajput outfit allied to the VHP, held a meeting on January 19 at Kana Kheda in the Ajmer district which was attended by Hindu Chauhan rajput heads of several villages. In its resolution it appealed to the Muslim Chauhan mers to abide by the following decisions of the sabha:

(1) Circumcision should be done away with.
(2) Keeping in mind the glory of our caste, the marriages of our children should be performed in Hindu style by circumbulation of fire.
(3) On the death of any Chauhan, no *fakir* (Muslim mendicant) should be called and nor should the *fatiha* be recited.
(4) Since we are the descendants of Prithvi Raj Chauhan, to maintain the glory of our caste we should give our children only Hindu titles and surnames such as Singh, Raj, Chand, Kumar, Lal, Ram, etc.[39]

As is evident from this resolution, the de-Islamisation of the Muslim mers, and their acceptance of certain Hindu customs and cultural norms, rather than a concern for their spiritual and social development, forms the core of the conversion drive among them.

The VHP is reported to have made several films on Prithvi Raj Chauhan and Baba Ramdeo Ji, another Chauhan hero whom Muslim rajputs also revere, which are regularly screened in mer Muslim villages. Through these films the VHP is seeking to propagate a distorted history of the ancestors of the mers as having been forcibly converted to Islam by the Muslim rulers.[40]

Taking advantage of the abject poverty of the mers, the VHP is said to be attempting to win them over by the liberal distribution of rice and clothes. It has set up free dispensaries in the Muslim mer-inhabited hamlets of Shyamgarh, Chana and Kharkhedi in Ajmer district as well as schools, hospitals and creches in other mer villages of the Beawar region.[41]

The process of persuading the Muslim mers to convert to Hinduism is said to take several months and it involves organising kirtans (ceremonies at which hymns are sung and sermons are delivered) and meetings in which the VHP's version of the history of the mers is narrated.[42] Before the actual conversion itself, villagers are made to sign a joint letter addressed to the VHP which invariably states that they want to give up their Muslim customs at a ceremony in which they shall take a solemn oath to adhere to the 'pure kshatriya dharma', the rules of social conduct appropriate to members of the Hindu rajput warrior caste. The letter is said to always end with a request to the VHP to make arrangements to screen films on Prithvi Raj Chauhan. A letter of this sort is the VHP's way of ensuring that the conversion ceremony is seen as purely voluntary.[43]

The VHP claims to have converted over 47,000 mers, though this number is said to be a gross exaggeration. In the wake of these conversions some Islamic organisations such as the Jamiyat-ul-Ulema-i-Hind, the Rajasthan DiniTalimi Sangh and the Muslim United Forum of Pali are said to have stepped up efforts to bring the mers back to Islam.

The conversions among the mers, quite expectedly, caused great concern to Muslim leaders and a leading Indian Muslim politician, Syed Shahabuddin wrote to the government seeking its opinion in the matter. In response, the home ministry, in its letter December 29, 1983 to Shahabuddin, opined that the Cheeta-Merats who had come under the influence of the VHP had only thereby "re-affirmed their faith in Hinduism".[44] The choice of the phrase "re-affirmation of faith" instead of "conversion" was too significant to be ignored.

The VHP claims to have converted over 20,000 Muslims in the remote Kutch district of northern Gujarat, though this is certainly a gross exaggeration. It is now said to be eyeing the 5,00,000 strong Maul-e-Salaam girasiya rajput Muslims of central Gujarat, who still retain many Hindu customs.[45] Muslims in many parts of India live in constant fear of attacks by Hindu mobs in which, especially in recent years, the police is known to play an extremely partisan role, often actively assisting the Hindu rioters. Heightened insecurity has driven some Muslims to enter Hinduism to protect their lives and property. Hasmukh Patel, a leading VHP functionary from Gujarat, explains his outfits success in winning Muslim converts by stating that:

> We promise the both *swabhiman* (self-respect) and *salamati* (security) if they convert.[46]

Seen in the context of the repeated bloody anti-Muslim progroms that periodically rock Gujarat, this promise to grant Muslim converts security seems but a veiled threat of violence being unleashed against Muslims if they fail to convert.

The VHP is said to have converted some 200 Muslims of the mir caste of musicians in Ahmedabad, Gujarat in early 1993. It is also said to be attempting to convert half a dozen Muslim castes in central Gujarat who still have not discarded many of the Hindu customs of their ancestors.[47] Conversions of Muslims to Hinduism are also said to have occurred in some states ruled by the Bharatiya Janata Party (BJP), the right wing Hindu party. Thus, in 1992 the rajput Muslim inhabitants of eight villages in the Hathras district of Uttar Pradesh were converted by Arya Samaj and the VHP. According to a report in a leading English language daily:

> ...over the past many years, volunteers of the RSS have been systematically raiding the community (i e, the Muslims of these villages), using their abject poverty to lure them with promises of employment and a higher standard of living... Not surprisingly, the exertions of the RSS band bore fruit and four years ago, a sizeable number of Muslims, as many as 12 each from the villages of Allahpur and Sujjan alone, took to Hinduism.

The report goes on to add that the ruling BJP, too, had a hand in these conversions, and that:

> ...it (the BJP) has begun to take direct interest in the operation. On October 18, a party delegation led by two MPs from Hathras, Dr L B Rawal and Mr Suresh Anand, participated in a *shastra pujan* ('worshipping of weapons') ceremony at Sujjan. The ceremony was organised by the *Saraswati Shishu Mandir*, a school run by the RSS-sponsored Vidya Bharati mission. At the ceremony, the MPs, according to eyewitness accounts, gave impassioned speeches extolling the virtues of the *kshatriya* (rajputs) and stressed that the adoption of the *kshatriya dharma* was the only path to salvation.

Since Sujjan is an overwhelmingly Muslim village, the purpose of the visit by the BJP's MPs, according to the report, "could only have been to secure more conversions".[48]

The dramatic rise in recent years of the BJP in Indian politics has ominous portents for the future of the Indian Muslims. It is likely that if this party were to come to power at the centre, efforts to convert the Muslims to Hinduism would receive a tremendous impetus. After all, the late M S Golwalkar, the head of the RSS of which the BJP is the political wing, had declared that the Indian Muslims must,

> ... either adopt the Hindu culture and language, must learn to respect and hold in reverence Hindu religion, must entertain no idea but those of the glorification of the Hindu race and culture, i e, of the Hindu nation, and must lose their separate existence to merge in the Hindu race, or may stay in the country, wholly subordinated to the Hindu Nation, claiming nothing, deserving no privileges, far less any preferential treatment—not even citizen's rights.[49]

CONCLUSION

The Hindu missionary enterprise seems more of a politically-inspired movement rather than a purely religious undertaking. In all the cases of the mass conversions of Muslims to Hinduism the central trust has been on their de-Islamisation rather than on their accepting, in any real sense, the Hindu religion. This is not merely due to the absence of a set of fundamental tenets in Hinduism, but primarily because the Arya Samaj and the Vishwa Hindu Parishad missionaries seem more concerned with weaning Muslims away from Islam than with the spiritual instruction and development of their converts.

Muslim castes which have been particularly vulnerable to Hindu missionary efforts have several features in common. They are generally only nominally Muslim and still retain many Hindu customs and beliefs. Most of the mass conversions have occurred among Muslim rajput groups. The malkanas, cheeta merats, Maul-e-Salaam girasiyas and the meos are all of rajput origin, and the mula jats, too, claim kshatriya ancestry. In converting to Hinduism many rajput Muslims were perhaps attracted by the promises given to them of their being restored the 'upper' caste privileges due to them as descendants of members of the rajput kshatriya community.

The Hindu missionaries, too, seem to have exhibited an inordinate interest in converting the socially dominant and powerful Muslim rajputs, since the entire shuddhi movement was largely undertaken to bolster the fortunes of the entrenched Hindu 'higher' castes. On the other hand, there have been few instances of mass conversions to Hinduism among the 'lower' Muslim castes, who form the majority of the Indian Muslim population. This is perhaps due to the fact that the Hindu missionary outfits, being upholders of the brahminical caste order, have not shown great concern for the spiritual salvation and the social upliftment of the lower castes. Further, since the Hindu missionary organisations promise to rehabilitate Muslim converts into the caste to which their Hindu ancestors originally belonged, few 'low' caste Muslims would be willing to enter the Hindu fold since that would mean being once again accommodated at the lower rungs of the caste system as untouchables and shudras.[50]

It is also worth noting that these mass conversions have mostly occurred in the backward regions of northern India where feudalism is still largely intact and where brahminism has not been challenged by assertive 'lower' castes as elsewhere. In regions such as southern India, where Muslims are fairly well-educated and where 'upper' caste Hindu communalism has been, to a great extent, countered by low caste anti-brahminical militancy, few conversions to Hinduism among Muslims have been reported. There have, in fact, been no instances of any major mass conversions of Muslims outside the orthodox brahminical heartland of northern India.

Notes

1 J F Seunarine, *Reconversion to Hinduism through Suddhi*, Madras, Christian Literature Society, 1977. See pp 100-105 for a detailed description of the actual conversion ceremony.

2 Robert Eric Frykenburg, 'Fundamentalism and Revivalism in South Asia' in James Warner Bjorkman (ed), *Fundamentalism, Revivalists and Violence in South Asia*, New Delhi, Manohar, 1988, p 39.

3 A leading Hindu Punjabi leader, Lala Lajpat Rai, writing in *The Tribune* of Lahore on December 13, 1924, stated that, "The Principle of Shuddhi... has now been accepted by the *Hindu Sabha*, and I am free to confess that the idea at the back of this decision is partly political partly communal and partly humanitarian".

4 See Rajeshwar, *Paravartan Kyo aur Kaise*? (Hindi) ('Conversion: Why and How?'), New Delhi, Suruchi Prakashan, 1992. The author is the former head of the south Delhi unit of the RSS and served for many years as the president of the Delhi wing of the VHP. The book is an account of shuddhi by one who claims to have performed many conversions of non-Hindus.

5 See JTF Jordens, 'Reconversion to Hinduism: The Shuddhi of the Arya Samaj' in GA Oddie (ed), *Religion in South Asia*, New Delhi, Manohar, 1977 for a detailed treatment of the issue.

6 Shriman Mehta Ramachandra Ji Shastri, *Patiton Ki Shuddhi Sanatan Hai* ('Shuddhi of the Backward Classes is Ancient') Lahore, Arya Pradeshik Pratinidhi Sabha, 1908, p 76.

7 See Seunarine, *op cit*, pp 29-31.

8 Kenneth W Jones, *Arya Dharm: Hindu Consciousness in Nineteenth Century Punjab*, New Delhi, Manohar, 1972, p 131.

9 Jordens, *op cit*, p 147.

10 Ibid, p 152.

11 Jordens observes that, "In the extant reports there is a noticeable absence of any reference to the religious instruction of converts, shuddhi was not a rite that presupposed an inner religious conversion reinforced by instruction to foster a new interior life. It was a rite of access... A change in the individual's (neo-Hindu's) religious life is not a question primarily of inner conversion, but rather the acquisition of the right of entry into the manifold sects, *panths*, orders and *sabhas* and the right of access to the very heart of orthodoxy—the Vedas and the Vedic rites," (*op cit*, p 154).

12 Quoted in Rajeshwar, *op cit*, p ix.

13 Mushirul Hasan, *Nationalism and Communal Politics in India 1885-1930*, New Delhi, Manohar, 1991, p 210f.

14 Jordens, *op cit*, p 158.

15 Horst Kruger (ed), *Kunwar Mohammad Ashraf—An Indian Scholar and Revolutionary*, Akademie-Verlag Berlin, Berlin, 1966, p 350.

16 M Hasan, *op cit*, p 237.

17 Jones, *op cit*, p 131.

18 M Hasan, *op cit*, p 210.

19 Seunarine, *op cit*, p 37.

20 Ibid, p 37.

21 Quoted in Seunarine, *op cit*, p 37.

22 Prem Chowdhry, *Punjab Politics—The Role of Sir Chhotu Ram*, New Delhi, Vikas, 1984, p 121.

23 Ibid, quoted on p 121.

24 Ibid, p 122f.

25 Ibid, p 121.

26 Ibid, p 122.

27 Ibid, quoted on p 122.

28 Shraddhananda Sanyasi, *Hindu Sanghathan*, Kurukshetra Gurukula, Kurukshetra, 1924, p 36.

29 W Crooke, *The Tribes and Castes of the North Western Provinces and Oudh*, Vol 1, Office of the Superintendent of the Government Printing Press, Calcutta, 1896, p 267.

30 Shyam Lal, 'Sanskritisation and Social Change among the Bhangis in Jodhpur' in *Indian Journal of Social Work*, Vol 34, No 1, 1973, p 39.

31 Shyam Lal, 'Social Reform Movement among the Bhangis of Western Rajasthan' in *Eastern Anthropologist*, Vol 32, No 2, 1979, p 101.

32 See Partap C Aggarwal, 'The Meos of Rajasthan and Haryana' in Imtiaz Ahmed (ed), *Caste and Social Stratification among the Muslims*, New Delhi, Manohar, 1973, p 25 for an account of forced conversions and killings of meo rajput Muslims by Hindus and royal authorities in the princely states of Bharatpur and Alwar in 1947.

33 Deryck O, Lodrick, 'A Cattle Fair in Rajasthan' in *Current Anthropology*, Vol 25, No 2, April 1984, p 221.

34 Ibid, p 221.

35 V K Vashishtha, 'Arya Samaj Movement in Rajasthan during the 19th Century' in S C Malik (ed), *Dissent, Protest and Reform in Indian Civilisation*, Indian Institute of Advanced Study, Simla, 1977, pp 229-30.

36 Lodrick, *op cit*, p 221.

37 Mohammad Ahmad Kazmi, 'The Story of Muslim Conversions in Rajasthan' in *Radiance*, September 20-26, 1992, p 7.

38 Ibid, p 7.

39 Ibid, quoted on p 6.

40 Ibid, p 6.

41 Ibid, p 7.

42 Sreekant Khandekar, 'Rajasthan: Conversion Convulsions', *India Today*, June 30, 1986, p 143.

43 Ibid, p 143.

44 Quoted from a letter dated December 29, 1983 from the Home Ministry of the Government of India to Syed Shahabuddin, MP, *Muslim India*, Vol II, No 14, February 1984, p 55.

45 *India Today*, February 28, 1993, p 100.

46 Ibid, *The India Today* report quotes a certain Abdul Rashid Mir, now Prakashbhai, a scooter mechanic of Ahmedabad, who explained his conversion to Hinduism by saying, "We want our sons to be secure in the future."

47 Ibid, p 100.

48 Vidya Subrahmaniam, 'Muslims in Western UP—Spectre of Conversions Haunts a Minority', *The Statesman*, New Delhi, April 10, 1992.

49 M S Golwalkar, *We, or Our Nationhood Defined*, Bharat Publications, Nagpur, 1939, pp 47-48.

50 As for those Muslim converts to Hinduism who were not aware of the caste of their Hindu ancestors, the Hindu Mahasabha, the leading orthodox Hindu political organisation, proposed that a new Varna or broad caste category, in addition to the existing four varnas be created to accommodate them. Thus N C Chatterjee, delivering the presidential address at the Hindu Mahasabha's 30th general session at Bhopal on December 28, 1952 asserted that, "We should not neglect *Shuddhi* and *Sangathan* (Hindu unity) and we should declare all converts to Hinduism who cannot be fitted into their old families as belonging to the *Mahasava Varna*" (see N C Chatterjee, *Presidential Address*, All India Hindu Mahasabha, New Delhi, 1952, p 19).

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BALANCE SHEET OF THE INDIAN BRANCHES AS AT MARCH 31, 1994

	Schedule	As on 31.3.94 Rs. 000	As on 31.3.93 Rs. 000
CAPITAL & LIABILITIES			
Capital	1	970,000	770,000
Reserves & Surplus	2	4,886,185	3,369,226
Deposits	3	62,577,016	50,090,063
Borrowings	4	2,527,234	8,149,402
Other liabilities and provisions	5	3,852,271	4,723,124
TOTAL		73,842,706	66,331,815
ASSETS			
Cash and balance with Reserve Bank of India	6	6,596,378	6,233,513
Balances with banks and money at call and short notice	7	3,402,396	6,270,401
Investments	8	31,975,802	26,997,593
Advances	9	22,576,231	21,053,766
Fixed Assets	10	1,336,613	545,341
Other Assets	11	7,955,286	5,231,201
TOTAL		73,842,706	66,331,815
Contingent Liabilities	12	94,498,242	77,427,973
Bills for collection		456,873	732,457
Notes on Accounts	17		

Schedules referred to herein form an integral part of the Balance Sheet

Sd/-
Partner
for and on behalf of
FRASER & ROSS
Chartered Accountants

Sd/
S. VENKATACHALAM
Vice President

Sd/-
ROBERT EICHFELD
Chief Executive Officer—India

Place: BOMBAY
Date: July 11, 1994

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PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

	Schedule	1993-94 Rs. 000	1992-93 Rs. 000
I. INCOME			
Interest earned	13	7,233,479	8,473,001
Other income	14	2,050,669	1,601,122
TOTAL		9,284,148	10,074,123
II. EXPENDITURE			
Interest expended	15	3,990,156	5,102,091
Operating expenses	16	2,632,392	2,912,698
Provisions and contingencies		1,831,214	1,252,140
TOTAL		8,453,762	9,266,929
III. PROFIT			
Net profit for the year		830,385	807,194
Profit brought forward		1,988,886	1,443,131
TOTAL		2,819,271	2,250,325
IV. APPROPRIATIONS			
Transfers to statutory reserves		(166,077)	(161,439)
Transfers to Properties Investment Reserve		0	(100,000)
Balance carried over to Balance Sheet		2,653,194	1,988,886
TOTAL		2,819,271	2,250,325
Notes on Accounts	17		

Schedules referred to herein form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

Sd/-
Partner
for and on behalf of
FRASER & ROSS
Chartered Accountants

Sd/-
S. VENKATACHALAM
Vice President

Sd/-
ROBERT EICHFELD
Chief Executive Officer —India

Place: BOMBAY
Date: July 11, 1994

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

	As on 31.3.94 Rs. 000	As on 31.3.94 Rs. 000	As on 31.3.93 Rs. 000
SCHEDULE 1—CAPITAL			
CAPITAL			
Amount of deposit kept with RBI under Section 11(2) of the Banking Regulation Act, 1949 (see schedule 17—note I)		970,000	770,000
TOTAL		970,000	770,000
SCHEDULE 2—RESERVES & SURPLUS			
I. Statutory Reserves			
Opening Balance	677,687		516,248
Additions during the year	166,077		161,439
		843,764	677,687
II. Citibank Cards Reserve		67,500	67,500
III. Furniture & Equipment Reserve		15,722	15,722
IV. Properties Investment Reserve (see schedule 17—note C)			
Opening Balance	619,431		519,431
Additions during the year	NIL		100,000
Deductions during the year	NIL		NIL
		619,431	619,431
V. Properties Revaluation Reserve (see schedule 17—note A(v))		686,574	NIL
VI. Balance in Profit and Loss Account		2,653,194	1,988,886
TOTAL		4,886,185	3,369,226

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

	As on 31.3.94 Rs. 000	As on 31.3.94 Rs. 000	As on 31.3.93 Rs. 000
SCHEDULE 3—DEPOSITS			
A. I. Demand Deposits			
i) From banks		114,715	168,734
ii) From others		8,826,646	5,477,192
		8,941,361	5,645,926
II. Savings Bank Deposits		1,539,764	1,161,679
III. Term Deposits			
i) From banks		8,257,114	8,613,310
ii) From others		43,838,777	34,669,148
		52,095,891	43,282,458
TOTAL		62,577,016	50,090,063
B. i) Deposits of branches in India		62,577,016	50,090,063
SCHEDULE 4—BORROWINGS			
I. Borrowings in India			
i) Reserve Bank of India		18,000	1,718,074
ii) Other banks		459,060	4,111,158
iii) Other institutions and agencies		1,841,005	1,871,199
		2,318,065	7,700,431
II. Borrowings outside India		209,169	448,971
TOTAL		2,527,234	8,149,402
Secured borrowings included in I & II above		NIL	NIL

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

	As on 31.3.94 Rs. 000	As on 31.3.94 Rs. 000	As on 31.3.93 Rs. 000
SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS			
(see schedule 17—note D)			
I. Bills payable		726,408	731,037
II. Inter-office adjustments (net)		NIL	656,762
III. Interest accrued		905,022	1,135,403
IV. Others (including provisions)		2,220,841	2,199,922
TOTAL		3,852,271	4,723,124
SCHEDULE 6—CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I. Cash in hand (including foreign currency notes)		106,745	96,675
II. Balances with Reserve Bank of India			
i) in Current Account	6,489,633		6,136,838
ii) in Other Accounts	NIL		NIL
		6,489,633	6,136,838
TOTAL		6,596,378	6,233,513
SCHEDULE 7—BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
i) Balances with banks			
a) in Current Accounts	1,611,784		3,300,813
b) in Other Deposit Accounts	NIL		NIL
		1,611,784	3,300,813
ii) Money at call and short notice			
a) With banks	NIL		2,150,000
b) With other institutions	NIL		NIL
		NIL	2,150,000
TOTAL		1,611,784	5,450,813
II. Outside India			
i) in Current Account	163,847		95,680
ii) in Other Deposit Accounts	1,626,765		723,908
iii) Money at call and short notice	NIL	1,790,612	NIL
TOTAL		1,790,612	819,588
GRAND TOTAL		3,402,396	6,270,401

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

	As on 31 3 94 Rs 000	As on 31 3 94 Rs 000	As on 31 3 93 Rs 000
SCHEDULE 8—INVESTMENTS			
(see schedule 17—note A (iv))			
I Investments in India in trading securities			
i) Government securities	17,756,802		12,927,926
ii) Other approved securities	1,512,287		1,521,687
		19,269,089	14,449,613
Investment securities			
i) Debentures and Bonds		12,093,166	11,556,673
ii) Shares		16,388	26,838
iii) Units			
a) Initial Contribution		100	100
b) Other units		203,534	423,224
		203,634	423,324
iv) Others (see schedule 17 -note J)		393,525	541,145
TOTAL		31,975,802	26,997,593
SCHEDULE 9—ADVANCES			
(see schedule 17—note A (iii))			
A i) Bills purchased and discounted		1,637,391	1,329,337
ii) Cash credits, overdrafts and loans repayable on demand		9,641,718	10,157,550
iii) Term loans		11,297,122	9,566,879
TOTAL		22,576,231	21,053,766
B i) Secured by tangible assets		10,818,414	15,418,262
ii) Covered by Bank/Government Guarantees		205,106	355,825
iii) Unsecured		11,552,711	5,279,679
TOTAL		22,576,231	21,053,766
C I Advances in India			
i) Priority Sectors		2,260,562	3,156,276
ii) Public Sector		2,148,061	1,479,872
iii) Banks		9	228,199
iv) Others		18,167,599	16,189,419
TOTAL		22,576,231	21,053,766
II Advances Outside India		NIL	NIL
i) Due from banks			
ii) Due from others			
a) Bills purchased and discounted		NIL	NIL
b) Syndicated loans		NIL	NIL
c) Others		NIL	NIL
TOTAL		NIL	NIL
GRAND TOTAL (C I & II)		22,576,231	21,053,766

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

	As on 31.3.94 Rs. 000	As on 31.3.93 Rs. 000
SCHEDULE 10—FIXED ASSETS		
(see schedule 17—note A (v))		
I. Premises		
At cost as on 1 April	97,470	75,496
Additions during the year	13,633	24,820
Deductions during the year	NIL	(2,846)
Depreciation to date	(20,480)	(16,420)
	90,623	81,050
Add: Premises Revaluation	686,574	NIL
TOTAL	777,197	81,050
II. Other Fixed Assets (including furniture and fixtures)		
At cost as on 1 April	775,211	623,997
Additions during the year	191,699	152,675
Deductions during the year	(19,405)	(1,461)
Depreciation to date	(388,089)	(310,920)
TOTAL	559,416	464,291
GRAND TOTAL	1,336,613	545,341
SCHEDULE 11—OTHER ASSETS		
(see schedule 17—note E)		
I. Due from Head Office	3,156	125,513
II. Inter Office adjustments (Net)	469,859	NIL
III. Interest accrued	971,512	1,366,085
IV. Stationery and stamps	21	11
V. Others	6,510,738	3,739,592
TOTAL	7,955,286	5,231,201
SCHEDULE 12—CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	661,550	210,736
II. Liability for partly paid investments	NIL	NIL
III. Liability on account of outstanding forward exchange contracts	86,814,221	68,734,009
IV. Guarantees given on behalf of constituents		
a) In India	3,292,994	3,137,796
b) Outside India	390,181	656,863
V. Acceptances, endorsements and other obligations	2,990,596	4,339,669
VI. Other items	348,700	348,900
TOTAL	94,498,242	77,427,973

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

		1993-94 Rs. 000	1992-93 Rs. 000
SCHEDULE 13—INTEREST EARNED			
I.	Interest/discount on advances/bills	3,521,827	4,874,207
II.	Income on investments	3,268,056	2,896,921
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	436,136	692,657
IV.	Others	7,460	9,216
	TOTAL	7,233,479	8,473,001
SCHEDULE 14—OTHER INCOME			
I.	Commission, exchange and brokerage	1,130,675	1,215,632
II.	Profit/(Loss) on sale of investments (see schedule 17—note G)	602,947	(369,000)
III.	Profit on exchange transactions	316,242	754,490
IV.	Miscellaneous Income	805	NIL
	TOTAL	2,050,669	1,601,122
SCHEDULE 15—INTEREST EXPENDED			
I.	Interest on deposits	3,465,776	3,471,412
II.	Interest on Reserve Bank of India/inter-bank borrowings	381,236	984,386
III.	Others	143,144	646,293
	TOTAL	3,990,156	5,102,091
SCHEDULE 16—OPERATING EXPENSES			
I.	Payments to and provisions for employees	454,903	272,549
II.	Rent, taxes and lighting	134,193	122,844
III.	Printing and stationery	79,994	101,227
IV.	Advertisement and publicity	61,717	54,624
V.	Depreciation on bank's property	91,926	87,350
VI.	Local advisory board members fees, allowances and expenses	770	181
VII.	Auditors' fees and expenses	1,500	900
VIII.	Law charges	10,521	16,395
IX.	Postage, Telegrams, Telephones, etc.	158,466	116,637
X.	Repairs and maintenance	113,565	77,315
XI.	Insurance	60,739	33,811
XII.	Other expenditure	1,464,098	2,028,865
	TOTAL	2,632,392	2,912,698

SCHEDULE 17

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

A STATEMENT OF ACCOUNTING POLICIES

i BASIS OF PRESENTATION

The financial statements have been prepared on the historical cost basis in accordance with generally accepted accounting principles and conform to the statutory requirements prescribed under the Banking Regulation Act 1949.

ii FOREIGN CURRENCY TRANSLATION

Assets and liabilities in foreign currencies are translated at year end rates of exchange. Revenues and expenses have been translated at rates prevailing on the transaction date. Foreign exchange trading positions including spot and forward contracts are valued monthly at prevailing market rates and the resulting gains and losses are included in foreign exchange revenue.

iii CREDIT LOSSES

The Bank has a consistent internal policy of classifying its commercial and consumer loans and advances and full provision for credit losses and writeoffs, have been made to satisfy the Prudential accounting norms prescribed by the Reserve Bank of India for asset classification and for income recognition.

iv SECURITIES

The Bank has been consistently classifying its securities portfolio into current (trading) and permanent (investment). Trading securities are marked to market, and in cases where no quotations are available, is derived by reference to the applicable market yield. Investment securities are generally stated at cost.

v PREMISES AND EQUIPMENT

Premises and equipment are stated at cost/valuation less accumulated depreciation. Depreciation is computed on written down value method (other than certain assets in staff quarters for which depreciation is computed on straight line method) with reference to the estimated useful life of the asset. Certain premises belonging to the Bank in India have been revalued by an approved valuer as at March 31, 1994 and the increment in value amounting to Rs. 686,573,919 has been brought into the books of account and credited to Properties revaluation reserve.

vi STAFF BENEFITS

The Bank has fully funded contributions to the Pension Fund and Superannuation benefits for its employees with the Life Insurance Corporation of India.

vii INCOME RECOGNITION

The Bank follows a procedure of income recognition which satisfy the norms prescribed by the Reserve Bank of India.

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

SCHEDULE 17 *(contd)*

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

viii NET PROFITS

The net income disclosed in the Profit and Loss Account is after

accounting for credit losses

provision for interest tax and income tax

—other usual or necessary provisions

– valuation adjustments in respect of securities

—charge for Head Office and Administrative expenses for the year as advised by the Head Office

B Investments include the following.

(i) Past due items lodged for registration pending on petition for arbitration Rs 347,500,000

(ii) Items purchased during the year from Citicorp Vickers Asia Pacific (CVAP) lodged for registration Rs 358,506,000

C The Bank has retained in the "Properties Investment Reserve" as at March 31, 1994 Rs 619,430,700 (1993 Rs 619 430,700) as per the Reserve Bank of India's guidelines

D Other liabilities include Rs 11,233,161 (1993 Rs 13 705,803) retained on account of balance of initial contribution to Life Insurance Corporation of India towards gratuity to employees funded with the corporation

E Sundry Accounts under the head "Other Liabilities" and "Other Assets" include amounts pending transfer to appropriate accounts

F Bills received from constituents for collection on their behalf are controlled through memorandum registers and are recorded in financial ledgers only when collected These bills for collection outstanding as at the year end have been stated in the Balance Sheet

G Profit/(Loss) on sale of investments is net of adjustment for market valuation Rs (23,409,888) [1993 Rs (22,010,255)]

H The Bank has discontinued the Portfolio Management scheme operated in earlier years

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

SCHEDULE 17 *(contd.)*

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1994

I Subsequent to the close of business as of March 31, 1994 the Bank has lodged additional securities with the Reserve Bank of India u/s 11(2) amounting to Rs. 200,000,000

J Other investments include Pass Thru Certificates Rs. 157,469,839 (1993 Rs. 309,603,977)

K The Bank has taken corrective steps to set right the deficiencies pointed out by the Reserve Bank of India with regard to adherence to guidelines and circulars issued by them from time to time some of which were due to the interpretation placed on these guidelines and circulars by the Reserve Bank of India being in variance with that placed by the Bank and in pursuance thereof the Bank has set up a procedure to seek clarifications from the Reserve Bank of India on an ex-ante basis wherever required

L Subsequent to the close of business as of March 31, 1994 the Bank has deposited with SIDBI amounts to meet the Reserve Bank limits on lending to Priority Sector

M Other assets include amounts deposited with SIDBI for meeting Priority Sector lending limits

N Prior year figures have been regrouped and reclassified wherever necessary

O The Indian Branches of the Bank as at March 31, 1994 are at
Bombay (Fort and Nariman Point), Calcutta (Chowringhee and Brabourne Road),
New Delhi (Jeevan Bharti) and Madras (Anna Salai)

SIGNATURES TO SCHEDULES 1 TO 17

Sd/-	Sd/-	Sd/-
Partner	S. VENKATACHALAM	ROBERT EICHFELD
for and on behalf of	Vice President	Chief Executive Officer—India
FRASER & ROSS		
Chartered Accountants		

Place: BOMBAY
Date. July 11, 1994

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AUDITORS' REPORT ON THE ACCOUNTS OF THE INDIAN BRANCHES OF CITIBANK, N.A. UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

We have audited the attached Balance Sheet of the Indian Branches of Citibank, N.A. (incorporated with Limited Liability in the U.S.A.) as at 31 March, 1994 and the relative Profit and Loss Account of the Indian Branches of the Bank for the year ended on that date signed by us under reference to this report.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with the notes thereon, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms "A" and "B" of the Third Schedule to the Banking Regulation Act, 1949.

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

2. The transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branches of the Bank.

3. In our opinion, proper books of account as required by law have been kept by the Indian Branches of the Bank so far as appears from our examination of these books.

4. The above mentioned Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account.

5. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with and subject to the notes thereon give the information required by the Companies Act, 1956, as amended in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian Branches of the Bank as at 31 March, 1994 and the Profit and Loss Account gives a true and fair view of the Profit of the Indian Branches of the Bank for the year ended on 31 March, 1994.

Sd/-
S. S. MANI
Partner
for and on behalf of
FRASER & ROSS
Chartered Accountants

Place: Bombay
Dated: July 11, 1994

India's External Debt

Retrospect and Prospects

Nirupam Bajpai

Statistics bear testimony to the fact that India's external debt has grown rapidly over the 80s. Also, it has been contracted on increasingly hard terms. With the serious external payment crisis that the country went through in the recent past, concern about the size and composition of India's external debt has come into sharp focus.

An attempt is made in this article to examine the reasons for the surge in the debt and its servicing burden. A modelling exercise is undertaken to project India's external debt and balance of payments.

I
Introduction

IT has been more than a decade since the debt moratorium announcement of Mexico. Ever since then the developing country debt crisis is dragging on. In much of Latin America, most of low income Africa and in several other debt distressed countries, the prospects for economic development in the 1990s remain severely constrained by an unfortunate conjuncture of influences, among which the burden of external debt is very prominent. The crisis is no longer perceived as a matter of temporary illiquidity of borrowers or as a threat to the overall international financial system. Above all, it is now seen in terms of impediments to debtors' prospects for economic growth and development. Therefore the key issues now relate to the impact of external debt upon levels and productivity of investment and of capacity utilisation in developing countries. Perhaps, too much of the adjustment thus far has been borne by investment cuts in the debtor countries. Also there is now an appreciation that the required internal transfer from the private to the public sector is no less a part of the debt crisis than the external transfer problem.

Over the years a broad consensus has emerged that there is a theoretical possibility that a debt overhang can damage the prospects of both creditors and debtors by way of discouraging private investment and economic policy reform, that is, that there exists a debt Laffer curve. Above some finite value of debt, further borrowing reduces the present value of future repayment obligations. Also there is wide ranging agreement that many debtor countries are now on the wrong side of the Laffer curve. While there have been a number of debt relief and restructuring strategies adopted over the 1980s the debt ridden countries have yet to grow out of the crisis. More importantly, experts with diverse views now tend to agree that domestic policy reform, foreign direct investment, and returning flight capital, together with modest and voluntary debt reduction have not succeeded in restoring growth and creditworthiness in the debt distressed countries.

The majority of the studies relating to the international debt crisis focus their attention on the debt owed to commercial banks by middle income countries, particularly those in Latin America. By contrast, the debt crisis in the low income countries has received little serious attention, perhaps because their debt liabilities are mainly loans from or are guaranteed by official creditors and consequently the commercial bank exposure is far less than that of the middle income countries.

For analytical purposes, the World Bank has classified low income countries (LICs)[1] and middle-income countries (MICs)[2] into two groups. These are called the severely indebted and the moderately indebted group of countries. The severely indebted low income countries (SILICs) and the severely indebted middle-income countries (SIMICs) are defined as countries in which either one of two key ratios for 1989-91 is above the critical level. These ratios and their critical levels are: present value of debt service to GNP (80 per cent), present value of debt service to exports of goods and all services (200 per cent).

Similarly the moderately indebted low income countries (MILICs) and the moderately indebted middle-income countries (MIMICs), are defined as countries in which either one of the two key ratios for 1989 91 falls in the following ranges: present value of debt service to GNP (48 80 per cent), present value of debt service to export of goods and all services (132 220 per cent). With the exception of China almost all other developing countries are classified in one or the other of the above mentioned categories. Although both India and China are low-income countries, the former is classified as a MILIC, while the latter is not a part of any of the analytical groups.[3]

India's external debt has grown rapidly over the 1980s. Also, apart from the growth in its size, it has also been contracted on increasingly hard terms. A decade ago, for example, 89 per cent of India's external debt was owed to official bilateral and multilateral creditors and was on highly concessional terms, that is, interest rates averaged 2 2 per cent and maturities averaged 35 years. However, during the period 1985 91, private creditor exposure to India has more than doubled i e, from $ 8 9 billion in 1985 to almost $ 22 5 billion by March 1991.[4] Increasing dependence on commercial borrowings has resulted in making the profile of India's external debt biased in favour of commercial debt.

Various estimates of India's external debt strongly suggest the need to take a closer look at its size and composition. Also, there is need to study the reasons for the surge in the debt and debt service burden and the policy options that India has in the backdrop of the current situation in order to keep the debt and debt service burden within manageable limits. With the serious external payment crisis that the country went through in the recent past, concern about the size and composition of India's external debt has come into sharp focus.

II
India's Mounting External Debt

India is one of the largest debtors among the developing countries, if ranked by outstanding external debt stocks. However, its ranking is much lower by debt service since a large proportion of its debt is still on concessional terms. At the end of fiscal year 1991-92, India's outstanding external debt amounted to US$ 71 5 billion, including obligations to the IMF, short-term debt, and approximately $ 9 2 billion of foreign currency deposits owed to non-resident Indian citizens.[5]

The World Debt Tables, 1992 93 shows that the total external debt of India (long-term public and publicly guaranteed, short-term debt and the use of IMF credit) rose from $ 36,677 3 million in March 1986 to $ 71 557 million in March 1992 (Table 1). *The Economic Survey*, 1992-93, on the other hand, shows that the aggregate external debt of India, excluding defence debt and the

civilian rouble debt, rose from $ 37,350 million in March 1986 to $ 67,580 million in March 1992.[6] However, as of September 1992, the *Economic Survey* reports India's total external debt to be of the order of $ 71,110 million which is close to what the World Bank data is for March 1992. Although, now the government of India provides external debt data as per the recommendations of a 'Policy Group and Task Force on External Debt Statistics of India',[7] there still exist differences in the statistics compiled by the government and those of international agencies such as the World Bank.

Between the period April 1986 and March 1992, India's aggregate external debt recorded a phenomenal increase of 95 per cent. The debt to official creditors rose from $ 23,608 million to $ 40,344 million during the same period, registering thereby an increase of 71 per cent. Debt obligations to the private creditors, on the other hand, witnessed an increase of over five times over the same period. Of course, a large chunk of it is in the form of NRI deposits which were not considered as part of external debt prior to 1987. Similarly, another significant factor with regard to India's external debt has been a sharp increase in the borrowing requirements of short-term debt (Table 1).[8]

Data obtained from the department of economic analysis and policy (DEAP), Reserve Bank of India, show that the NRI deposits (outstanding) rose from being US $ 1,044 million ($ 188 mn in FCNRA and $ 856 mn in NR(E)RA) in 1980 to $ 6,073 million ($ 2,719 mn in FCNRA and $ 3,354 mn in NR(E)RA) in 1987. The tentative figures for the same in 1993 stood at $ 8,160 million, of which, $ 5,287 million was in FCNRA and $ 2,873 million in NR(E)RA. However, in 1992 the outstanding NRI deposits fell sharply. As against $ 10,584 million in 1991, these deposits stood at $ 7,847 million in 1992 (Table 3). This significant decline was mainly due to the serious payments crisis that India went through in July 1991, and the consequent down grading of India's credit rating abroad. In the fiscal year 1991-92, $ 1,611 million were withdrawn from the FCNRA and $ 27 million from NR(E)RA by the non-resident Indians (Table 4).

Earlier the NRI deposits were not treated as part of the country's external debt. However, some international agencies were considering them to be a part of external debt and now the government of India too

TABLE 1: COMPOSITION OF INDIA'S EXTERNAL DEBT

($ Million)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Total external debt (1+2+3)	19,334.1	20,859.8	25,095.6	28,448.9	31,777.1	36,677.3	41,087.9	55,825	58,467	63,929	69,138	71,557
(1) Long-term debt	18,068.8	18,997.0	20,989.6	23,177.3	26,113.5	30,959.8	34,511.4	48,283	52,122	57,674	61,716	64,315
(A) Official creditors	17,053.6	17,313.1	18,461.6	19,626.9	20,404.0	23,608.0	26,899 0	30,167	31,027	33,353	36,735	40,344
(i) Multilateral	6,720 3	7,801.0	9,125.9	10,354.5	11,253.3	12,746.1	14,077.8	16,588	18,061	19,664	21,784	23,992
of which												
(a) IBRD	826 3	1,181 0	1,394 7	1,778 6	1,964.7	2,177.6	2,667 1	4,661	5,590	6,615	7,685	8,459
(b) IDA	5,142.0	5,905.8	6,982.7	7,820.0	8,544 9	9,750.1	10,529.2	11,615	12,019	12,521	13,312	14,203
(ii) Bilateral	10,333 3	9,512 1	9,335 7	9,272.4	9,150.8	10,861.9	12,821 2	13,579	12,966	13,872	14,951	16,352
(B) Private creditors	679 2	810 9	1,288 9	1,783 5	3,098.5	4,258.9	5,014 4	6,464	19,622	22,587	23,492	22,498
(C) Private non-guaranteed	335 0	873 0	1,239 0	1,767 0	2,611.0	3,093.0	2,598 0	1652	1,473	1,551	1,488	1,473
(2) Short-term debt	926 0	1,204 0	1,827 0	1,573 0	1,743.0	1,516.0	2,303 0	3,519	3,772	4,689	4,800	3,791
(3) Use of IMF credit	339 3	658 8	2,279 0	3,698 6	3,920 6	4,201.5	4,273 5	4,023	2,573	1,566	2,623	3,451
(4) Total debt service long and short-term debt	1,343 8	1,393 5	1,704.8	1,994 9	2,103 3	2,829.4	3,874 5	5,693	6,310	6,482	7,027	7,445
of which												
(A) Principal repayments	777 8	749 9	915.3	1,041.8	1,067.5	1,570.4	2,354 5	2,976	3,159	2,990	3,132	4,140
(B) Interest payments	566 0	643.6	789.5	953.1	1,035.8	1,259.0	1,520.0	2,717	3,151	3,492	3,896	3,305

Notes: (1) The data on total debt service up to the year 1986 excludes IMF repurchases and charges.
(2) The data on principal repayments up to the year 1986 excludes IMF repurchases.

Sources: World Bank, *World Debt Tables* (various issues).

TABLE 2: COMPOSITION OF INDIA'S EXTERNAL DEBT
(As proportion of total debt)

(Per cent)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
(1) Long-term debt	93.5	91.1	83.6	81.5	82.2	84.4	84.0	86.4	89.1	90.2	89.2	89 8
(A) Official creditors	88.2	83 0	73.6	69 0	64 2	64.4	65 5	54.0	53 0	52 1	53.1	56 3
(i) Multilateral	34.8	37.4	36.4	36 4	35 4	34.8	34.3	29.7	30.8	30.7	31.5	33.5
of which												
(a) IBRD	4.3	5.7	5.6	6.3	6.2	5 9	6.5	8 3	9 5	10.3	11.1	11 8
(b) IDA	26 6	28.3	27.8	27.5	26.9	26.6	25.6	20 8	20 5	19.5	19 2	19 8
(ii) Bilateral	53 4	45 6	37.2	32.6	28.8	29.6	31 2	24.3	22.1	21 6	21.6	22.8
(B) Private creditors	3.5	3 9	5.1	6 3	9.8	11 6	12.2	29.4	33.5	35.3	33 9	31 4
(C) Private non-guaranteed	1.7	4.2	4.9	6.2	8.2	8 4	6.3	2.9	2.5	2.4	2 1	2.0
(2) Short-term debt	4.8	5.8	7.3	5.5	5.5	4.1	5.6	6 3	6 4	7.3	6.9	5 2
(3) Use of IMF credit	1.8	3.2	9 1	13 0	12.3	11 5	10.4	7.3	4.4	2.4	3 7	4.8
(4) Total debt service long- and short-term debt	7.0	6.7	6.8	7.0	6.6	7.7	9 4	10 1	10.7	10 1	10 1	10.4
of which												
(A) Principal repayments	4.0	3.6	3.6	3.7	3.4	4.3	5 7	5.3	5 4	4.6	4.5	5 7
(B) Interest payments	2 9	3.1	3.1	3.4	3.3	3.4	3.5	4.8	5.3	5.5	5 6	4.7

Source: Computed from Table 1.

recognises them as a component of India's debt. However, only NRI deposits with original maturity of more than one year are being treated as long-term. Deposits up to one year maturity are proposed to be classified as short-term debt. The RBI data on NRI deposits does not include the accrued interest, whereas the World Bank data does, and therefore the figures provided by the latter are higher. The reason government of India did not consider NRI deposits as part of India's debt earlier was due to the fact that most of the deposits were renewed from time to time and it was presumed that they would eventually be utilised in India. However, this assumption did not hold good in 1991-92 when large-scale outflows took place (Table 4) and it was decided to include the deposits of non-resident Indians in external debt from the point of view of debt management.

The short-term debt of India includes all borrowings above six months and up to one year maturity. The short-term debt is classified into two broad heads, namely, banker's acceptance facility (BAF) and supplier's credit. While the former includes short-term bank exposures along with the roll-overs of BAF, the latter includes export credit arrangements for the period of six months to one year. The disaggregate data with regard to the short-term debt is given in Table 5.

The debt service burden of the government of India has been steadily rising and particularly so after April 1986. According to the *World Debt Tables*, total debt service (long- and short-term) increased from \$ 1,343 million in 1980-81 to \$ 2,829 million in 1985-86 and further to \$ 7,445 million in 1991-92. As against these figures, the *Economic Survey* reports the total debt service to be \$ 1,410 million; \$ 2,610 million; and \$ 6,440 million respectively for the above mentioned years. The World Bank data on total debt service includes interest on short-term debt and the IMF repurchases and charges. The interest payments on short-term debt increased from \$ 226 million in 1985-86 to \$ 400 million in 1991-92. For data on short-term debt refer to Tables 1 and 5. IMF repurchases and charges, on the other hand, rose to as high as \$ 1,444 million in 1988-89 but have since seen a decline and were \$ 663 million in 1991-92. The repayment of IMF credit, the growing proportion of commercial credits in the total credit and also the growing proportion of non-concessional and non-grant elements in the official credit have raised the debt service payments substantially between the period 1986-87 and 1991-92 as compared to the level obtaining in 1985-86.

The growing commercial borrowings have substantially changed the profile of India's external debt. The share of official credit in the total external debt declined precipitously from around 88 per cent in 1980-81 to 64 per cent in 1985-86 and further to 56 per cent in 1991-92 (Tables 2 and 10). While the share of multilateral credit remained stable around 34 to 35 per cent of the total outstanding debt of India, it was the bilateral credit (loans from governments and their agencies and loans from autonomous bodies funded by the government) that registered a steep decline. The share of bilateral credit in the total external debt of India declined from being 53 per cent in 1980-81 to 30 per cent in 1985-86 and further to 23 per cent in 1991-92 (Table 2). In absolute terms, the bilateral credit flows were \$ 10,353 million in 1980-81, \$ 10,861 million in 1985-86 and \$ 16,352 million in 1991-92 (Table 1).

The share of credits from the financial markets in the total long-term credit to India increased from a negligible level of 0.7 per cent in 1977-78 to 2.9 per cent in 1980-81 and to 13.3 per cent in 1985-86. For the subsequent period, however, as the *World Debt Tables* have clubbed the financial market borrowings in a separate category entitled 'Other Private' it is not known how much credit has been raised from the financial markets. Similarly, debt obligations from the commercial banks have risen sharply. Debt to the commercial banks increased from being \$ 464 million in 1980-81 to \$ 2,196 million in 1985-86 and finally to \$ 7,067 million in 1991-92.[9] Furthermore, India's short-term debt obligations have also been increasing at a fast pace. Such obligations stood at \$ 926 million in 1980-81 (4.8 per cent of total debt stocks), \$ 1,516 million in 1985-86 (4.1 per cent of total debt stocks), \$ 4,800 million in 1990-91 (6.9 per cent of total debt stocks). However, the short-term debt declined in 1991-92 and was placed at \$ 3,791 million (5.2 per cent of total debt stocks). The change in the debt profile is thus attributable mainly to the rising financial market borrowings and a steep decline in the bilateral credits. Also, the component of concessional debt in the total debt has fallen steadily. From being as high as 75 per cent in 1980-81 it fell to 49 per cent in 1985-86 and further to 42 per cent in 1991-92.

India's borrowing terms witnessed distinct signs of hardening over the 80s. Consequently, India's debt service burden increased year after year. The maturity period of new official credit commitments to India shortened from 36 years in 1980-81 to 30.7 years in 1985-86 and further to 25.9 years in 1990-91 (Table 6). Also, the maturity period of new private credit commitments fell over the 80s, from being 9.5 years in 1980-81 to 9.8 years in 1985-86 and to 7.7 years in 1991-92. Interest cost on new official credit commitments after remaining stable around 2.2 per cent until 1980-81 jumped to 6.2 per cent in 1982-83 and since then has fluctuated between 4 and 6 per cent. By contrast, the interest rate on private credit declined continuously from a high level of 15.5 per cent in 1980-81 to 8.3 per cent in 1985-86 and was marginally higher at

TABLE 3: NRI DEPOSITS (OUTSTANDING)

(US \$ mn)

As at the	NR(E)RA	FCNRA	Total
1	2	3	4
1980	856	188	1,044
1981	1,145	135	1,280
1982	1,347	157	1,504
1983	1,684	252	1,936
1984	2,105	570	2,675
1985	2,304	770	3,074
1986	2,817	1,770	4,587
1987	3,354	2,719	6,073
1988	3,942	3,828	7,770
1989	3,774	5,275	9,049
1990	3,777	6,586	10,363
1991	3,746	6,838	10,584
1992	2,591	5,256	7,847
1993	2,873 (T)	5,287	8,160(T)

T: Tentative

Source: Department of Economic Analysis and Policy (DEAP), Reserve Bank of India.

TABLE 4: INFLOWS UNDER FCNR AND NR(E)R ACCOUNTS

(US \$ mn)

Year	FCNRA	NR(E)RA	Total
1	2	3	4
1979-80	-6.2	206.5	200.3
1980-81	-4.7	119.0	114.3
1981-82	-18.2	97.0	78.8
1982-83	112.8	116.0	228.8
1983-84	320.5	330.0	650.5
1984-85	231.6	508.0	739.6
1985-86	940.9	503.0	1143.9
1986-87	917.8	373.0	1290.8
1987-88	1051.0	368.0	1419.0
1988-89	1540.0	162.0	1702.0
1989-90	1309.0	166.0	1475.0
1990-91	168.0	84.0	252.0
1991-92	-1611.0	-27.0	-1638.0
1992-93	86.0	29.0(T)	115.0(T)

T: Tentative

Source: Department of Economic Analysis and Policy (DEAP), Reserve Bank of India.

TABLE 5: SHORT-TERM DEBT—INDIA

(US \$ mn)

Year	Banker's Acceptance Facility	Supplier's Credit	Total
1986-87	764	2533	3297
1987-88	1089	2430	3519
1988-89	2201	1571	3772
1989-90	3747	942	4689
1990-91	3862	938	4800
1991-92	2039	1752	3791
1992-93	1110	NA	—

Source: Department of Economic Analysis and Policy (DEAP), Reserve Bank of India.

8.7 per cent in 1991-92 (Table 6). There has also been a significant reduction in the grant element in the new credit commitments to India. The grant element on all credits together declined from 71.7 per cent in 1977-78 to 46.2 per cent in 1980-81 and further to 30.3 per cent in 1985-86. However, in 1991-92, the grant element was placed at 31.3 per cent.

As a result of the substantial reduction of the maturity period, the volume of principal repayments in respect of long-term debt increased from $ 778 million in 1980-81 (4 per cent of total debt) to $ 1,570 million in 1985-86 (4.3 per cent of total debt) and further to $ 4,140 million in 1991-92 (5.7 per cent of total debt). There was also significant increase in interest payments which rose from $ 566 million in 1980-81 (2.9 per cent of total debt) to $ 1,259 million in 1985-86 (3.4 per cent of total debt) and further to $ 3,305 million in 1991-92 (4.7 per cent of total debt). For details refer to Tables 1 and 2.

Interest and amortisation payments which together absorbed 41 per cent of the total disbursements in 1980-81 rose sharply to 61 per cent in 1985-86 and further to a substantially higher level of 84 per cent in 1991-92 leaving a net transfer to India of only 16 per cent of the total annual long-term credit disbursements (Table 7). Net transfer from multilateral creditors and private creditors have declined significantly. As regards the former, net transfers fell from 88 per cent of total annual disbursement in 1980-81 ($ 1,351 million) to 66 per cent in 1985-86 ($ 922 million) and further to 46 per cent in 1991-92 ($ 1,267 million). Net transfers from private creditors fell from 66 per cent of total annual disbursement in 1980-81 ($ 248 million) to 51 per cent in 1985-86 ($ 598 million) and finally to minus 22 per cent in 1991-92 ($ -589 million), i e, substantial flow of resources from India to the creditor institutions. For details refer to Table 7.

Amongst the principal debt indicators listed in Table 8, at least three require to be analysed in detail. These are: the debt service ratio (TDS/XGS); the debt/GNP ratio (EDT/GNP); and perhaps the most important for a realistic picture of the debt servicing capacity, the current account deficit/exports ratio (CAD/XGS). While the debt service ratio is one of the most widely used debt indicator for a country, its inadequacy becomes apparent when we recognise that an increase in exports can be accompanied by a proportionate or more than proportionate increase in imports, thereby worsening the country's debt servicing capacity despite an increase in exports. Be that as it may, the debt service ratio for India increased from 10.9 per cent in 1980-81 to 21.5 per cent in 1985-86 and to 30.6 per cent in 1991-92. The debt/GNP ratio rose from 11.9 per cent in 1980-81 to 18.5 per cent in 1985-86 and to 29.2 per cent in 1991-92 (Table 8).

Changes in the current account deficit/exports ratio over time will directly indicate the changes in the gap (current account deficit) the country has already bridged (or otherwise) and the gap it still has to bridge before generating a capacity for servicing its external debt obligations. Ultimately, the ability of a country to service its external debt depends on the surplus of its export earnings over import payments. A fall in the CAD/XGS ratio will reflect a narrowing of the gap to take the country nearer to a stage of generating a debt servicing capacity. A rise in the ratio, on the other hand, will indicate that the distance the country has to traverse has increased and therefore it has become more difficult for it to generate a debt servicing capacity. Furthermore, a rise in the CAD/XGS ratio will also point to the movement of the country towards greater dependence on external resources, and thereby larger debt servicing obligations in the future.

The current account deficit/export ratio for India between 1985 and 1990 is seen to be very high. In fact, for the years 1985 and 1988 it is as high as 55 and 57 per cent respectively (Table 8). While the cumulative current account deficit for the decade of the 70s was a mere $ 4.7 billion, the same for the 80s was as high as $ 58 billion. As a proportion of 1981 GDP, the cumulative current account deficit for the period 1970-80 was 2.7 per cent. Whereas, as a proportion of 1991 GDP, the cumulative current account deficit for the period 1981-90 was as large as 19.5 per cent (Table 9). The CAD/XGS ratio, however, declined substantially in 1991 to 17.73 per cent. Of course, this sudden decline in 1991-92 is mainly attributable to the wide-ranging import curbs necessitated by the serious payments crisis that faced the country in mid-1991. While the current account deficit in 1990-91 was $ 7,727 million, the same for 1991-92 stood at a substantially lower level of $ 3,169 million.

The large and persistent current account deficits over the 80s have had and will continue to have far-reaching implications on the capital account of the balance-of-payments. While, on the one hand, larger borrowings were undertaken to finance these deficits, on the other, they were largely on commercial terms since both concessional multilateral and bilateral credits were not forthcoming as they were in the 70s and the early 80s. Debt owed to the commercial banks alone rose from $ 2.1 billion in 1985 to $ 7 billion in 1991. By contrast, debt owed to the commercial banks in 1980 was a mere $ 464 million. Also, the short-term debt rose from $ 3.1 billion in 1985 to $ 4.8 billion in 1990. However, it declined to $ 3.7 billion in 1991.

While principal repayments have had some degree of year-to year fluctuations during the second half of the 80s, the interest payments have risen far more sharply. The latter rose from $ 1.9 billion in 1985 to $ 3.9 billion in 1990, although they declined to $ 3.3 billion in 1991. The principal repayments have averaged around $ 3 billion a year during these seven years. More importantly, the implications of large-scale commercial borrowings on the capital account will be reflected during the mid- and late 90s when the repayment of such loans is supposed to commence. The average maturity period for the commercial loans raised during the second half of the 80s is 10 to 11 years (Table 6).

III
External Debt and BoP Projections for India

The external sector has been assuming an increasing degree of importance and relevance to developing countries, particularly in the case of countries with low growth rates of savings and GDP and lagging in technological development. The periodical assessment of a country's external debt and investment position has, therefore, evoked considerable public interest due to its policy implications. With the

TABLE 6: AVERAGE TERMS OF NEW CREDIT COMMITMENT TO INDIA

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
All creditors												
Interest (per cent)	4.7	4.7	7.3	6.4	6.7	6.1	5.1	5.2	6.2	5.5	4.8	5.8
Maturity (years)	31.0	34.[illegible]	25.6	23.7	26.6	25.3	22.2	23.8	20.4	19.7	25.0	19.6
Grant element (per cent)	46.2	46.5	23.3	29.4	27.6	30.3	33.3	34.9	27.5	30.5	42.0	31.3
Official creditors												
Interest (per cent)	2.2	3.8	6.2	4.4	6.0	5.4	4.8	4.8	5.4	4.6	3.6	4.2
Maturity (years)	36.0	37.6	31.4	31.7	30.2	30.7	24.3	27.3	24.7	22.9	29.0	25.9
Grant element (per cent)	63.4	54.0	33.1	46.1	33.6	38.3	36.4	39.7	34.4	37.6	52.0	44.4
Private creditors												
Interest (per cent)	15.5	11.3	9.9	10.1	9.7	8.3	6.6	6.8	7.9	8.1	8.7	8.7
Maturity (years)	9.5	9.4	12.3	9.0	10.9	9.8	9.4	11.1	10.6	10.2	11.0	7.7
Grant element (per cent)	–28.5	–8.8	0.8	1.4	1.9	7.2	14.8	18.0	11.5	9.6	6.7	6.4

Source: World Bank, *World Debt Tables* (various issues).

growing need to raise resources in foreign currencies to meet the cost of imports, capital requirements of developing countries have grown substantially. This has led in many developing countries including India to relax their economic regulations paving way for smoother flow of capital from abroad. Also, many incentives and fiscal concessions have been offered to attract foreign investment.

Over the 80s, developing country debt witnessed considerable rise in its volume and consequently servicing commitments. The issue concerning reduction and restructuring of the debt burden have been discussed at different fora. Several plans have been formulated by international agencies to help the indebted countries in this regard. The increasing debt servicing burden has seriously eroded the balance-of-payments position in most of the highly indebted countries which, in turn, has adversely affected their growth performance.

While the problem of India's mounting external debt and servicing burden has been discussed at length in Section II, the present section analyses the projections of India's external debt and balance-of-payments. The debt projections have been done using the World Bank's Revised Minimum Standard Model (RMSM-X) for India. The RMSM is a disaggregated trade gap model, which consists of a simple system of relationships based on general economic principles. It is essentially an accounting framework of the national accounts and the balance-of-payments with special attention to flows resulting from external borrowings.

The projections of India's external debt and the balance-of-payments have been done for the period 1992-93 to 2001-02. While the data source for the former is *World Debt Tables 1993-94*, for the latter, the data is from the Reserve Bank of India, Annual Reports (various issues). The projections have been done for two scenarios, that is, the optimistic and the pessimistic scenario. The debt projections have been divided into seven broad heads. These are: commitments, disbursements, principal repayments, interest payments, net flows, net transfers, and debt service. While assumptions have been used for projecting commitments, disbursements, principal repayments, and interest payments, the remaining three heads, i e, net flows, net transfers, and debt service are calculated by the model using the projections.

The seven broad heads mentioned above have been further disaggregated into 10 sub-heads each. These sub-heads are: IDA, other concessional multilateral, IBRD, other non-concessional multilateral, bilateral concessional, bilateral non-concessional, bonds, commercial banks, suppliers, and other private. These 10 sub-heads constitute the public and publicly guaranteed debt. Private non-guaranteed debt is projected separately. Debt outstanding and disbursed (long-term) constitutes public and publicly guaranteed debt and private non-guaranteed debt. Finally, the total debt stocks are arrived at by adding debt outstanding and disbursed (long-term) to the use of IMF credit and short-term debt.

The external debt and balance-of-payments projections of the optimistic scenario have the following broad assumptions: (a) the stabilisation induced recession in the economy lasts till 1992/93; (b) the import growth during the period (1992-93 and 1993-94) averages around 13 per cent and the exports grow at 10 per cent; (c) between the period 1994/95 and 1998/99 both imports and exports witness sustained growth and average 16 and 15 per cent respectively; (d) from 1999/2000 the export growth averages 20 per cent while the import growth is placed at 13 per cent, hence the resource balance is declining throughout.

Between 1992 and 1994 because of substantially lower level of current account

TABLE 7: NET TRANSFERS FROM EXTERNAL BORROWING OF INDIA

($ million)

		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Total yearly disbursement (long-term debt)		2902.3	2422.4	3127.8	3267.4	4581.1	4460.3	4491.1	5484	6124	5651	4956	7147
Total yearly debt service		1200.3	1194.8	1517.5	1822.5	1930.0	2696.8	3713.3	3628	4173	4532	5322	5988
(long-term debt)		(41.4)	(49.3)	(48.5)	(55.8)	(42.1)	(60.5)	(82.7)	(66.1)	(68.1)	(80.1)	(107.3)	(83.7)
Total yearly net transfers		1702.0	1227.6	1610.4	1444.6	2651.1	1763.4	777.7	1856	1951	1119	–366	1159
(long-term debt)		(58.6)	(50.7)	(51.5)	(44.2)	(57.9)	(39.5)	(17.3)	(33.8)	(31.8)	(19.8)	(–7.3)	(16.2)
Official creditors:	Disbursement	2238.9	1756.0	1955.9	1932.0	2165.1	2153.2	2612.6	3598	3627	3619	3656	4450
	Debt service	942.2	929.8	969.0	1046.1	1017.8	1205.2	1772.6	1903	1096	2181	2393	2701
		(42.4)	(52.9)	(49.5)	(53.8)	(47.0)	(56.0)	(67.8)	(52.8)	(52.2)	(60.2)	(65.1)	(60.6)
	Net transfers	1289.8	826.2	986.9	892.7	1147.3	948.8	840.1	1695	1732	1438	1272	1748
		(57.6)	(47.1)	(50.5)	(46.2)	(53.0)	(44.0)	(32.2)	(47.1)	(47.7)	(39.7)	(34.7)	(39.2)
Multilateral	Disbursement	1543.6	1231.3	1451.9	1362.0	1143.2	1403.4	1354.8	2269	2625	2185	2226	2771
	Debt service	192.5	201.6	252.4	341.3	390.6	481.7	668.3	987	978	1106	1347	1503
		(12.5)	(16.4)	(17.4)	(25.1)	(34.2)	(34.3)	(49.3)	(43.4)	(37.2)	(52.5)	(60.5)	(54.2)
	Net transfers	1351.1	1029.8	1199.5	1020.6	752.5	921.7	606.5	1281	1647	999	880	1267
		(87.5)	(83.6)	(82.6)	(74.9)	(65.8)	(65.7)	(50.7)	(56.4)	(62.7)	(47.4)	(39.5)	(45.7)
Bilateral	Disbursement	695.3	524.7	504.0	570.9	1021.9	749.8	1257.8	1329	1002	1514	1429	1679
	Debt service	756.6	728.3	716.6	698.8	627.9	723.5	1104.2	916	918	1075	1037	1198
		(108.8)	(138.8)	(142.2)	(122.4)	(61.4)	(96.5)	(87.8)	((68.9)	(91.6)	(71.0)	(72.5)	(71.3)
	Net transfers	–61.3	–203.6	–212.6	-127.9	394.7	26.3	153.6	413	84	439	392	481
		(–8.8)	(38.8)	(–42.2)	(–22.4)	(38.6)	(3.5)	(12.2)	(31.0)	(8.3)	(28.9)	(27.4)	(28.6)
Private creditors:	Disbursement	378.3	244.4	586.9	695.5	1581.0	1172.0	1029.4	1086	2496	2032	1300	2697
	Debt service	130.2	143.0	193.5	321.6	379.2	573.8	923.8	1725	2277	2351	2938	3287
		(34.4)	(58.5)	(33.0)	((46.2)	(24.0)	(49.0)	(89.7)	(91.4)	(91.2)	(115.6)	(226.0)	(121.8)
	Net transfer	248.2	101.4	393.4	373.9	1201.8	598.4	105.6	161	219	–319	–1638	–589
		(65.6)	(41.5)	(67.0)	(53.8)	(76.0)	(51.0)	(10.3)	(8.5)	(8.7)	(–15.6)	(–12.6)	(–21.8)
IMF	Disbursement	1023	692	1968	1376	201	0	0	0	0	0	1754	1233
	Debt service	14	65	144	347	507	625	965	1378	1444	1192	859	662
		(1.3)	(9.3)	(7.3)	(25.2)	(–252.2)	(–)	(–)	(–)	(–)	(–)	(48.9)	(53.7)
	Net transfers	1009	627	1824	1029	–306	625	965	1378	1444	1192	895	570
		(98.6)	(90.6)	(92.6)	(74.7)	(–152.2)	(–)	(–)	(–)	(–)	(–)	(51.0)	(46.2)

Notes: (1) Minus indicates negative net transfers.
(2) Figures in parentheses indicate percentage to respective disbursement.

Source: World Bank, *World Debt Tables* (various issues).

Debt Projections: Optimistic Scenario

(US $ million)

	Actuals			Projections									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total Debt Stocks	63811	68698	71643	76605	80751	84664	88563	91949	95822	99616	101375	103107	104530
Debt outstanding and disbursed (LT)	57556	61275	64401	68987	72473	75790	79095	81899	85211	88502	91295	94251	97145
Public and publicly guaranteed	56005	59787	62856	67414	70931	74098	77275	79987	83350	86793	89914	93250	96584
Private non-guaranteed	1551	1488	1545	1493	1542	1692	1820	1911	1861	1709	1381	1001	561
Use of IMF credit	1566	2623	3451	4740	5310	5891	6465	7027	7566	8047	6990	5743	4247
Short-term debt	4689	4800	3791	2958	2968	2983	3003	3024	3045	3067	3090	3114	3138
Total disbursements	5847	8006	8255	8012	9071	9273	9885	10351	10656	11236	10316	11197	11986
Disbursements (LT)	5847	6252	7022	6389	7794	7965	8550	8998	9274	9828	10316	11197	11986
IMF purchases	0	1754	1233	1623	1277	1308	1335	1361	1382	1408	0	0	0
Total principal repayments	2991	3131	3714	4162	4910	5250	5830	6551	7359	8176	9438	10473	11783
Principal Repayments (LT)	1983	2404	3254	2995	4203	4523	5069	5752	6516	7249	8381	9226	10287
IMF repurchases	1008	727	460	334	707	727	761	799	843	927	1057	1247	1496
Short term debt	0	0	0	833	0	0	0	0	0	0	0	0	0
Total Net Flows	2856	4875	4541	3850	4161	4023	4055	3800	3296	3060	878	723	203
Net Flows (LT)	3864	3848	3768	3394	3591	3442	3481	3238	2757	2579	1935	1970	1699
IMF net flows	-1008	1027	773	1289	570	581	574	562	539	481	-1057	-1247	-1496
Total Interest Payments	3492	3721	3829	3308	3573	3793	3900	4087	4127	4184	4291	4364	4537
Interest Payments (LT)	3012	3194	3226	2846	2941	3196	3400	3665	3720	3781	3891	3964	4137
IMF charges	184	134	203	271	232	197	101	22	8	3	0	0	0
Short term debt	296	393	400	191	400	400	400	400	400	400	400	400	400
Total Net Transfers*	281	1265	-297	542	598	244	174	-266	-809	-1102	-3389	-3617	-4309
Net transfers (LT)	852	654	542	548	649	245	81	-426	-962	-1202	-1955	-1994	-2438
IMF net transfers	-1192	893	570	1018	338	384	473	540	532	478	-1057	-1247	-1496
Short term debt	621	-282	-1409	-1024	-390	-385	-380	-379	-379	-378	-377	-376	-375
Total Debt Service	6483	6852	7543	7470	8483	9043	9730	10638	11487	12360	13728	14838	16320
Debt Service (LT)	4995	5598	6480	5841	7144	7719	8468	9417	10236	11038	12271	13191	14424
IMF debt services	1192	861	663	605	939	924	862	821	851	930	1057	1247	1496
Short term debt	296	393	400	1024	400	400	400	400	400	400	400	400	400
Debt outstanding and disbursed (LT)	57556	61275	64401	68907	72473	75790	79095	81899	85211	88502	91295	94251	97145
Official creditors	33418	36535	40080	43158	45924	48418	51049	53462	55543	57728	59910	62160	64368
Multilateral	19665	21784	23979	25899	27375	29121	30915	32591	33867	35151	36491	37886	39491
Concessional	13003	13839	14765	16211	17335	18578	20006	21367	22874	24521	26239	28017	30112
IDA	12521	13312	14203	14547	15108	15670	16225	16755	17364	18054	18722	19349	5196
Other concessional mul	482	527	562	627	740	904	1104	1320	1576	1852	2122	2441	2854
Non concessional	6662	7945	9214	9688	10039	10542	10908	11225	10993	10630	10253	9868	9380
IBRD	6615	7685	8459	8677	8765	9011	9165	9379	9174	8999	8998	9171	9332
Other non concessional mul	47	260	755	1111	1474	1911	2327	2936	3711	4722	5546	5988	6339
Bilateral	13753	14751	16101	17259	18550	19297	20135	20871	21676	22577	23419	24274	24876
Concessional	12653	13473	14697	15533	16569	17160	17875	18607	19400	20279	21136	22041	22792
Non concessional	1100	1278	1404	1726	1981	2138	2260	2264	2276	2299	2284	2213	2085
Private creditors	22587	23252	22776	24256	25007	25680	26226	26526	27807	29065	30004	31090	32216
Bonds	2577	2940	4436	4225	4242	4255	4211	4024	4111	3863	3265	2536	1482
Commercial banks	6434	6940	7067	6589	6337	6031	5345	4693	3695	2816	1974	1105	347
Suppliers	539	434	426	426	546	707	1057	1418	1846	2265	2603	2861	3070
Other private	7762	6344	4009	5416	6257	7037	7938	8701	9411	10064	10597	11288	12022
NRI deposits	5275	6586	6838	7600	7625	7650	7675	7690	8745	10057	11565	13300	15295
Private non-guaranteed	1551	1488	1545	1493	1542	1692	1820	1911	1861	1709	1381	1001	561
Commitments (LT)	10174	6636	8293	5357	8362	8026	8555	7984	8375	8525	9575	10075	10675
Public and publicly guaranteed	10174	6636	8293	5103	8062	7626	8105	7484	7875	8025	9075	9575	10175
Official creditors	7591	5180	5587	5103	6345	5875	6275	5425	5475	5375	6125	6225	6525
Multilateral	3578	2512	3798	2953	3945	3975	4325	3475	3425	3375	3675	3825	4175
Concessional	1107	1149	1399	1025	1325	1175	1025	1075	1075	1075	1075	1075	1075
IDA	860	943	1379	925	1225	1075	925	975	975	975	975	975	975
Other concessional mul	247	206	20	100	100	100	100	100	100	100	100	100	100
Non concessional	2471	1363	1749	1478	1870	2100	2300	2400	2450	2300	2600	2750	3100
IBRD	2126	1243	1482	1078	1270	1300	1300	1400	1450	1500	1800	2000	2400
Other non concessional mul	345	120	267	400	600	800	1000	1000	1000	800	800	750	700
Bilateral	4013	2668	1789	2150	2400	1900	1950	1950	1950	2000	2450	2400	2350
Concessional	3357	2501	1685	1750	1750	1250	1250	1250	1200	1250	1750	1750	1750
Non-concessional	656	167	104	400	650	650	700	700	750	750	700	650	600
Private creditors	2583	1456	2706	0	1717	1751	1030	2059	2400	2650	2950	3350	3650
Bonds	773	586	1644	0	500	450	400	359	300	250	200	350	400
Commercial banks	1596	518	281	0	600	650	700	900	1200	1400	1600	1650	1750
Suppliers	194	21	5	0	317	301	330	350	400	400	500	600	700
Other private	20	331	776	0	300	350	400	450	500	600	650	750	800
Private non-guaranteed	0	0	0	254	300	400	450	500	500	500	500	500	500

(Contd)

Debt Projections: Optimistic Scenario (*Continued*)

(US $ millions)

	Actuals			Projections									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Disbursements (LT)	5847	6252	7022	6389	7794	7965	8550	8990	9274	9828	10316	11197	11986
Public and publicly guaranteed	5607	6038	6713	6135	7494	7565	8100	8490	8774	9328	9816	10697	11486
Official creditors	3575	3559	4400	4402	4178	4089	4320	4481	4349	4628	4841	5097	5386
Multilateral	2106	2226	2758	2408	2210	2473	2729	2880	2591	2731	2878	3061	3301
Concessional	581	818	1022	1280	1069	1258	1479	1630	1791	1956	2078	2181	2251
IDA	566	762	953	1186	937	1075	1251	1383	1505	1650	1778	1831	1801
Other concessional mul	15	56	69	94	132	183	228	247	286	306	300	350	450
Non-concessional	1525	1408	1736	1128	1141	1215	1250	1250	800	775	800	880	1050
IBRD	1445	1219	1231	852	841	900	950	975	550	550	600	700	800
Other non-concessional mul	80	189	505	276	300	315	300	275	250	225	200	180	250
Bilateral	1469	1333	1642	1994	1968	1616	1591	1601	1758	1897	1963	2036	2085
Concessional	988	1114	1454	1604	1584	1298	1224	1231	1275	1316	1307	1338	1376
Non-concessional	481	219	188	390	384	318	367	370	483	581	656	699	710
Private creditors	2032	2479	2313	1733	3316	3476	3780	4009	4425	4700	4975	5600	6100
Bonds	773	586	1644	0	600	550	600	609	575	550	475	600	600
Commercial banks	1159	69[illegible]	423	104	784	1000	1200	1350	1700	1850	2200	2350	2650
Suppliers	3	8	73	100	432	426	480	550	650	700	700	700	750
Other private	97	1189	173	1529	1200	1150	1100	1050	1000	1000	950	1200	1300
Private nonguaranteed	240	214	309	254	300	400	450	500	500	500	500	500	500
Principal Repayments (LT)	1983	2404	3254	2995	4203	4523	5069	5752	6516	7249	8381	9226	10287
Public and publicly guaranteed	1661	2086	2981	2689	3952	4273	4747	5343	5966	6597	7553	8346	9347
Official creditors	1095	1204	1446	1674	1662	1795	1000	2069	2267	2443	2658	2848	3178
Multilateral	467	609	703	838	985	927	1135	1204	1314	1448	1537	1667	1695
Concessional	126	151	180	184	195	215	251	270	283	310	360	402	157
IDA	98	114	141	155	176	196	223	239	253	280	330	371	120
Other concessional mul	28	37	39	29	19	19	28	31	30	30	30	31	37
Non-concessional	341	458	523	654	790	712	884	934	1031	1138	1177	1265	1538
IBRD	352	472	527	634	753	654	796	761	756	725	601	527	639
Other non-concessional mul	-11	-14	-4	20	37	58	88	173	276	413	576	737	899
Bilateral	628	595	743	836	677	868	753	865	953	995	1121	1181	1483
Concessional	508	552	666	768	548	707	508	499	482	437	450	432	625
Non-concessional	120	43	77	68	129	161	245	366	471	558	671	749	858
Private creditors	566	882	1535	1015	2290	2478	2859	3274	3698	4154	4894	5499	6169
Bonds	27	282	244	211	583	537	644	796	488	797	1074	1329	1653
Commercial banks	316	355	418	582	1036	1306	1886	2002	2698	2729	3042	3219	3408
Suppliers	98	113	82	100	312	265	130	190	222	281	362	442	542
Other private	125	132	791	122	359	370	199	287	290	347	417	509	566
Private nonguaranteed	322	318	273	306	251	250	322	409	551	652	828	880	940
Net Flows (LT)	3864	3848	3768	3394	3591	3442	3481	3238	2757	2579	1935	1970	1699
Public and publicly guaranteed	3946	3952	3732	3446	3542	3292	3352	3147	2808	2731	2263	2350	2139
Official creditors	2480	2355	2954	2728	2516	2294	2432	2412	2081	2185	2183	2249	2208
Multilateral	1639	1617	2055	1570	1225	1546	1594	1676	1276	1283	1341	1394	1606
Concessional	455	667	842	1096	874	1043	1228	1360	1508	1646	1718	1779	2094
IDA	468	648	812	1031	761	879	1028	1144	1252	1370	1448	1460	1681
Other concessional mul	-13	19	30	65	113	164	200	216	256	276	270	319	413
Non-concessional	1184	950	1213	474	351	503	366	316	-231	-363	-377	-385	-488
IBRD	1093	747	704	218	88	246	154	214	-206	-175	-1	173	161
Other non-concessional mul	91	203	509	256	263	257	212	102	-26	-188	-376	-557	-649
Bilateral	841	738	899	1158	1291	748	838	736	805	902	842	855	602
Concessional	480	562	788	836	1036	591	716	732	793	879	857	906	751
Non-concessional	361	176	111	322	255	157	122	4	12	23	-15	-51	-149
Private creditors	1466	1597	778	718	1026	998	921	735	727	546	81	101	-69
Bonds	746	304	1400	-211	17	13	-44	-187	87	-247	-599	-729	-1053
Commercial banks	843	341	5	-478	-252	-306	686	-652	-998	-879	-842	-869	-758
Suppliers	-95	-105	-9	0	120	161	350	360	428	419	338	258	208
Other private	-28	1057	-618	1407	841	780	901	763	710	653	533	691	734
Non-resident deposits	5275	6586	6838	7600	7625	7650	7675	7690	8745	10057	11565	13300	15295
Private non-guaranteed	-82	-104	36	-52	49	150	128	91	-51	-152	-328	-380	-440
Interest Payments (LT)	3012	3194	3226	2846	2941	3196	3400	3665	3720	3781	3891	3964	4137
Public and publicly guaranteed	2872	3059	3100	2723	2836	3079	3266	3511	3543	3602	3708	3791	3961
Official creditors	1087	1181	1267	1382	1860	2116	2304	2501	2428	2429	2471	2490	2592
Multilateral	640	737	800	899	1125	1234	1277	1391	1522	1591	1698	1780	1901
Concessional	103	109	120	126	145	156	163	167	170	174	178	183	109
IDA	90	97	101	109	126	130	133	136	137	141	143	148	152
Other concessional mul	13	12	19	17	19	25	29	31	33	33	34	35	36
Non-concessional	537	628	680	773	980	1079	1115	1224	1352	1418	1520	1597	1712
IBRD	529	615	647	709	852	881	841	892	962	982	1014	1030	1107

(Contd)

Debt Projections: Optimistic Scenario (*Continued*)

(US $ millions)

	Actuals							Projections					
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Other non concessional mul	8	13	33	64	121	151	180	199	233	280	353	417	461
Bilateral	447	444	467	483	735	882	1027	1110	906	838	774	709	691
Concessional	366	339	370	385	485	529	566	536	464	474	485	497	507
Non concessional	81	105	97	98	250	353	461	574	442	364	288	213	185
Private creditors	1785	1878	1833	1341	976	962	962	1010	1115	1172	1236	1301	1369
Bonds	150	207	223	258	386	363	342	335	339	308	281	258	236
Commercial banks (*)	492	543	469	371	415	476	535	588	679	746	819	885	948
Suppliers	53	43	31	561	26	42	59	81	98	118	136	158	186
Other private	1090	1085	1110	151	149	82	25	7	0	0	0	0	0
Private non guaranteed	140	135	126	123	105	118	134	153	177	180	183	173	176
Net Transfers (LT)	852	654	542	548	649	245	81	–426	–962	–1202	–1955	–1994	-2438
Public and publicly guaranteed	1074	893	632	723	705	213	87	364	–734	871	1444	1441	–1822
Official creditors	1393	1174	1687	1346	656	177	127	88	346	245	–289	241	–384
Multilateral	999	880	1255	671	100	312	317	286	–245	308	357	386	–295
Concessional	352	558	722	970	729	887	1065	1193	1338	1472	1540	1595	1905
IDA	378	551	711	922	635	749	895	1009	1115	1230	1305	1312	1529
IBRD	26	–31	35	19	19	–19	19	19	19	19	13	–11	0
Other concessional mul	26	7	11	48	94	139	171	185	223	243	236	284	377
Non concessional	647	322	583	299	629	576	749	908	1583	1780	1898	1982	–2200
IBRD	564	132	57	–491	–763	635	687	678	1168	1156	1014	857	946
Other non concessional mul	83	190	476	192	142	106	32	–97	259	469	730	975	-1110
Bilateral	394	294	432	675	556	–135	190	374	101	64	68	146	–89
Concessional	114	223	418	451	551	62	149	196	329	404	372	409	244
Non concessional	280	71	14	224	5	196	339	570	430	341	303	–263	–333
Private creditors	319	281	1055	623	50	36	41	276	388	–626	1156	1200	1438
Bonds	596	97	1177	469	–369	350	387	522	252	556	880	–987	1289
Commercial banks	351	202	464	849	667	782	–1221	1240	1677	1625	1661	1754	1706
Suppliers	148	148	40	561	94	119	292	280	331	301	202	100	23
Other private	1118	28	1728	1256	692	698	876	756	710	653	533	691	734
Non resident deposits	5275	6586	5838	7600	7625	7650	7675	7690	8745	10057	11565	13300	15295
Private nonguaranteed	222	239	90	175	56	32	6	62	228	–331	511	–553	–616
Debt Service (LT)	4995	5598	6480	5841	7144	7719	8468	9417	10236	11030	12271	13191	14424
Public and publicly guaranteed	4533	5145	6081	5412	6788	7352	8013	8854	9508	10199	11260	12138	13308
Official creditors	2182	2385	2713	3056	3522	3911	4192	4570	4695	4872	5130	5337	5770
Multilateral	1107	1346	1503	1737	2110	2161	2412	2595	2836	3039	3235	3447	3596
Concessional	229	260	300	310	340	371	414	437	453	484	538	585	346
IDA	188	211	242	264	302	326	356	375	390	421	473	519	272
IBRD	26	31	35	19	19	19	19	19	19	19	13	11	0
Other concessional mul	41	49	58	46	38	44	57	62	63	63	64	66	73
Non concessional	878	1086	1203	1427	1770	1791	1999	2158	2383	2555	2698	2862	3250
IBRD	881	1087	1174	1343	1605	1535	1637	1653	1718	1706	1614	1557	1746
Other non concessional mul	3	1	29	84	158	209	268	372	509	694	930	1155	1360
Bilateral	1075	1039	1210	1319	1412	1750	1780	1975	1859	1833	1895	1890	2174
Concessional	874	891	1036	1153	1033	1236	1074	1035	946	911	935	929	1131
Non concessional	201	148	174	166	379	514	706	940	913	922	959	962	1043
Private creditors	2351	2760	3368	2356	3266	3440	3821	4285	4813	5326	6131	6800	7538
Bonds	177	489	467	469	969	900	987	1131	827	1106	1355	1587	1889
Commercial banks	808	898	887	953	1451	1782	2421	2590	3377	3475	3861	4104	4356
Suppliers	151	156	113	661	338	307	188	270	319	399	498	600	727
Other private	1215	1217	1901	273	508	452	224	294	290	347	417	509	566
Non resident deposits													
Private non guaranteed	462	453	399	429	356	368	456	562	728	831	1011	1053	1116
Principal Ratios (Per cent)													
Total debt service (TDS)/ Exports of G and S (XGS)	27	26	29	28	29	28	27	27	25	24	23	21	19
Interest payments (INT)/ Exports of G and S (XGS)	14	14	15	12	12	12	11	10	9	8	7	6	5
Current A/c balance (CAB)/ Exports of G and S (XGS)	28	29	8	15	17	19	23	29	28	25	20	14	10
Total debt stocks (EDT)/ Exports of G and S (XGS)	261	259	272	283	273	260	247	232	212	192	167	145	124
Short-term debt (STD)/ Total debt stocks (EDT)	7	7	5	4	4	4	3	3	3	3	3	3	3
Concessional (CON)/Total debt stocks (EDT)	40	40	41	41	42	42	43	43	44	45	47	49	51
Multilateral (MUL)/Total debt stocks (EDT)	31	32	33	34	34	34	35	35	35	35	36	37	38

Debt Projections: Pessimistic Case

	Actuals			Projections									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total Debt Stocks	63811	68698	71643	76605	80644	84603	88683	92398	96635	101891	107085	112214	116626
Debt outstanding and disbursed (LT)	57556	61275	64401	68907	72630	76434	80425	84194	88631	93139	97510	101680	105417
Public and publicly guaranteed	56005	59787	62856	67414	71088	74742	78605	82283	86770	91431	96129	100679	104856
Private non-guaranteed	1551	1488	1545	1493	1542	1692	1820	1911	1861	1709	1381	1001	561
Use of IMF credit	1566	2623	3451	4740	5046	5186	5255	5180	4960	5685	6485	7420	8070
Short-term debt	4689	4800	3791	2958	2968	2983	3003	3024	3045	3067	3090	3114	3138
Total Disbursements	5847	8006	8255	8012	9150	9600	10350	11196	12564	14663	16101	17617	18436
Disbursements (LT)	5847	6252	7022	6389	8129	8650	9475	10446	11914	13318	14716	16167	17311
IMF purchases	0	1754	1233	1623	1021	950	875	750	650	1345	1385	1450	1125
Total Principal Repayments	2991	3131	3714	4162	5096	5530	5940	7002	7597	8629	10156	11386	12999
Principal repayments (LT)	1983	2404	3254	2995	4381	4720	5134	6177	6727	8009	9571	10871	12524
IMF repurchases	1008	727	460	334	715	810	806	825	870	620	585	515	475
Short-term debt	0	0	0	833	0	0	0	0	0	0	0	0	0
Total Net Flows	2856	4875	4541	3850	4054	4070	4410	4194	4966	6034	5945	6230	5437
Net flows (LT)	3864	3848	3768	3394	3748	3930	4341	4269	5186	5309	5145	5295	4787
IMF Net Flows	-1008	1027	773	1289	306	140	69	-75	-220	725	800	935	650
Total Interest Payments	3492	3721	3829	3308	3573	3818	4000	4400	4570	4806	4991	5214	5517
Interest payments (LT)	3012	3194	3226	2846	2941	3221	3500	3885	3945	4221	4441	4679	5002
IMF charges	184	134	203	271	232	197	101	115	225	185	150	135	115
Shor-term debt	296	393	400	191	400	400	400	400	400	400	400	400	400
Total Net Transfers*	281	1265	-297	542	491	266	429	-185	418	1250	978	1040	-55
Net transfers (LT)	852	645	542	548	806	708	841	385	1242	1088	705	616	-215
IMF net transfers	-1192	893	570	1018	74	-57	-32	-190	-445	540	650	800	535
Short-term debt	621	-282	-1409	-1024	-390	-385	-380	-379	-379	-378	-377	-376	-375
Total Debt Service	6483	6852	7543	7470	8669	9348	9940	11402	12167	13435	15146	16601	18516
Debt service (LT)	4995	5598	6480	5841	7322	7941	8633	10062	10672	12230	14011	15551	17526
IMF debt services	1192	861	663	605	947	1007	907	940	1095	805	735	650	590
Short term debt	296	393	400	1024	400	400	400	400	400	400	400	400	400
Debt outstanding and disbursed (LT)	57556	61275	64401	68907	72630	76434	80425	84194	88631	93139	97510	101680	105417
Official creditors	33418	36535	40080	43158	46045	48675	51702	54610	57713	61006	64300	67591	70484
Multilateral	19665	21784	23979	25899	27495	29378	31567	33740	36037	38429	40881	43317	45607
Concessional	13003	13839	14765	16211	17332	18630	20134	21613	23248	25048	26946	28896	30779
IDA	12521	13312	14203	14547	15108	15670	16225	16755	17364	18054	18722	19349	5196
Other concessional mul	482	527	562	627	749	982	1275	1632	2048	2497	2967	3487	4018
Non-concessional	6662	7945	9214	9688	10163	10748	11433	12127	12789	13382	13935	14421	14829
IBRD	6615	7685	8459	8677	8902	9202	9577	10002	10455	10862	11342	11865	12322
Other non-concessional mul	47	260	755	1111	1461	1926	2440	3216	4225	5611	6885	7847	8798
Bilateral	13753	14751	16101	17259	18550	19297	20135	20871	21676	22577	23419	24274	24876
Concessional	12653	13473	14697	15533	16569	17160	17875	18607	19400	20279	21136	22041	22792
Non-concessional	1100	1278	1404	1726	1981	2138	2260	2264	2276	2299	2284	2233	2085
Private creditors	22587	23252	22776	24256	25043	26067	26903	27673	29057	30424	31829	33088	34373
Bonds	2577	2940	4436	4225	4242	4405	4636	4805	5417	5894	6196	6367	6313
Commercial banks	6434	6940	7067	6589	6314	6114	5669	5119	4979	4809	4599	4279	3869
Suppliers	539	434	426	426	646	957	1507	2193	2986	3830	4868	6176	7635
Other private	7762	6344	4009	5416	6216	6941	7591	8106	8476	8891	9291	9766	10306
NRI deposits	5275	6586	6838	7600	7625	7650	7500	7450	7200	7000	6875	6500	6250
Private non-guaranteed	1551	1488	1545	1493	1542	1692	1820	1911	1861	1709	1381	1001	561
Commitments (LT)	10174	6636	8293	5357	8362	8176	8830	8340	8900	9250	10475	10975	11675
Public and publicly guaranteed	10174	6636	8293	5103	8062	7776	8380	7840	8400	8750	9975	10475	11175
Official creditors	7591	5180	5587	5103	6345	5875	6275	5425	5475	5375	6125	6225	6525
Multilateral	3578	2512	3798	2953	3945	3975	4325	3475	3525	3375	3675	3825	4175
Concessional	1107	1149	1399	1025	1325	1175	1025	1075	1075	1075	1075	1075	1075
IDA	860	943	1379	925	1225	1075	925	975	975	975	975	975	975
Other concessional mul	247	206	20	100	100	100	100	100	100	100	100	100	100
Non-concessional	2471	1363	1749	1478	1870	2100	2300	2400	2450	2300	2600	2750	3100
IBRD	2126	1243	1482	1078	1270	1300	1300	1400	1450	1500	1800	2000	2400
Other non-concessional mul	345	120	267	400	600	800	1000	1000	1000	800	800	750	700
Bilateral	4013	2668	1789	2150	2400	1900	1950	1950	1950	2000	2450	2400	2350
Concessional	3357	2501	1685	1750	1750	1250	1250	1250	1200	1250	1750	1750	1750
Non-concessional	656	167	104	400	650	650	700	700	750	750	700	650	600
Private creditors	2583	1456	2706	0	1717	1901	2105	2415	2925	3375	3850	4250	4650
Bonds	773	586	1644	0	500	600	675	715	825	975	1100	1250	1400
Commercial banks	1596	518	281	0	600	650	700	900	1200	1400	1600	1650	1750

(Contd)

Debt Projections: Pessimistic Case *(Continued)*

	Actuals			Projections									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Suppliers	194	21	5	0	317	301	330	350	400	400	500	600	700
Other private	20	331	776	0	300	350	400	450	500	600	650	750	800
Private non-guaranteed	0	0	0	254	300	400	450	500	500	500	500	500	500
Disbursements (LT)	5847	6252	7022	6389	8129	8650	9475	[illegible]	11914	13318	14716	16167	17311
Public and publicly guaranteed	5607	6038	6713	6135	7829	8250	9025	9946	11414	12818	14216	15667	16811
Official creditors	3575	3559	4400	4402	4372	4424	4795	5156	5649	6168	6641	7067	7361
Multilateral	2106	2226	2758	2408	2404	2808	3204	3555	3891	4271	4678	5031	5276
Concessional	581	818	1022	1280	1104	1358	1604	1805	1991	2171	2328	2431	2426
IDA	566	762	953	1186	937	1075	1251	1383	1505	1650	1778	1831	1801
Other concessional mul	15	56	69	94	167	283	353	422	486	521	550	600	625
Non-concessional	1525	1408	1736	1128	1300	1450	1600	1750	1900	2100	2350	2600	2850
IBRD	1445	1219	1231	852	1000	1100	1200	1300	1400	1500	1700	1900	2000
Other non-concessional mul	80	189	505	276	300	350	400	450	500	600	650	700	850
Bilateral	1469	1333	1642	1994	1968	1616	1591	1601	1758	1897	1963	2036	2085
Concessional	980	1114	1454	1604	1584	1298	1224	1231	1275	1316	1307	1338	1376
Non-concessional	481	219	188	390	384	318	367	370	483	581	656	699	710
Private creditors	2032	2479	2313	1733	3457	3826	4230	4790	5765	6650	7575	8600	9450
Bonds	773	586	1644	0	600	700	875	965	1100	1275	1375	1500	1600
Commercial banks	1159	696	423	104	825	1050	1175	1450	2150	2500	2900	3150	3450
Suppliers	3	8	73	100	532	576	680	875	1015	1125	1400	1750	2000
Other private	97	1189	173	1529	1200	1150	1100	1050	1000	1150	1250	1450	1600
Private non-guaranteed	240	214	309	254	300	400	450	500	500	500	500	500	500
Principal Repayments (LT)	1983	2404	3254	2995	4381	4720	5134	6177	6727	8009	9571	10871	12524
Public and publicly guaranteed	1661	2086	2981	2689	4130	4470	4812	5768	6177	7357	8743	9991	11584
Official creditors	1095	1204	1446	1674	1735	1993	1968	2248	2546	2874	3347	3776	4469
Multilateral	467	609	703	838	1058	1125	1215	1383	1593	1879	2226	2595	2986
Concessional	126	151	180	184	233	260	300	327	355	372	430	480	544
IDA	98	114	141	155	188	210	240	262	285	300	350	400	450
Other concessional mul	28	37	39	29	45	50	60	65	70	72	80	80	94
Non-concessional	341	458	523	654	825	865	915	1056	1238	1507	1796	2115	2442
IBRD	352	472	527	634	775	800	825	875	947	1094	1220	1377	1543
Other non-concessional mul	–11	–14	–4	20	50	65	90	181	292	413	576	737	899
Bilateral	628	595	743	836	677	868	753	865	953	995	1121	1181	1483
Concessional	508	552	666	768	548	707	508	499	482	437	450	432	625
Non-concessional	120	43	77	68	129	161	245	366	471	558	671	749	858
Private creditors	566	882	1535	1015	2395	2477	2844	3520	3630	4483	5395	6216	7115
Bonds	27	282	244	211	583	537	644	796	488	797	1074	1329	1653
Commercial banks	316	355	410	582	1100	1250	1620	2000	2290	2670	3110	3470	3860
Suppliers	98	113	82	100	312	265	130	190	222	281	362	442	542
Other private	125	132	791	122	400	425	450	535	630	735	850	975	1060
Private non-guaranteed	322	318	273	306	251	250	322	409	551	652	828	880	940
Net Flows (LT)	3864	3848	3768	3394	3748	3930	4341	4269	5186	5309	5145	5295	4787
Public and publicly guaranteed	3946	3952	3732	3446	3699	3780	4212	4178	5237	5461	5473	5675	5227
Official creditors	2488	2355	2954	2728	2637	2431	2827	2908	3102	3294	3294	3291	2892
Multilateral	1639	1617	2055	1570	1346	1683	1989	2172	2297	2392	2452	2436	2290
Concessional	455	667	842	1096	871	1098	1304	1478	1636	1799	1898	1951	1882
IDA	468	648	812	1031	749	865	1011	1121	1220	1350	1428	1431	1351
Other concessional mul	–13	19	30	65	122	233	293	357	416	449	470	520	531
Non-concessional	1184	950	1213	474	475	585	685	694	662	593	554	485	408
IBRD	1093	747	704	218	225	300	375	425	453	406	480	523	457
Other non-concessional mul	91	203	509	256	250	285	310	269	208	187	74	–37	–49
Bilateral	841	738	899	1158	1291	748	838	736	805	902	842	855	602
Concessional	480	562	788	836	1036	591	716	732	793	879	857	906	751
Non-concessional	361	176	111	322	255	157	122	4	12	23	–15	–51	–149
Private creditors	1466	1597	778	718	1062	1349	1386	1270	2135	2167	2180	2384	2335
Bonds	746	304	1400	–211	17	163	231	169	612	478	301	171	–53
Commercial banks	843	341	5	–478	–275	–200	–445	–550	–140	–170	–210	–320	–410
Suppliers	–95	–105	–9	0	220	311	550	685	793	844	1038	1308	1458
Other private	–28	1057	–618	1407	800	725	650	515	370	415	400	475	540
Non-resident deposits	5275	6586	6838	7600	7625	7650	7500	7450	7200	7000	6875	6500	6250
Private non-guaranteed	–82	–104	36	–52	49	150	128	91	–51	–152	–328	–380	–440
Interest Payments (LT)	3012	3194	3226	2846	2941	3221	3500	3885	3945	4221	4441	4679	5002
Public and publicly guaranteed	2872	3059	3100	2723	2836	3104	3366	3731	3768	4042	4258	4506	4826
Official creditors	1087	1181	1267	1382	1860	2141	2404	2626	2553	2704	2846	2990	3207
Multilateral	640	737	800	899	1125	1259	1377	1516	1647	1866	2073	2280	2516

(Contd)

Debt Projections. Pessimistic Case *(Continued)*

	Actuals			Projections									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Concessional	103	109	120	126	145	156	163	167	170	174	178	183	189
IDA	90	97	101	109	126	130	133	136	137	141	143	148	152
Other concessional mul	13	12	19	17	19	25	29	31	33	33	34	35	36
Non concessional	537	628	680	773	980	1104	1215	1349	1477	1693	1895	2097	2327
IBRD	529	615	647	709	852	906	941	1017	1087	1257	1389	1530	1722
Other non concessional mul	8	13	33	64	121	151	180	199	233	280	353	417	461
Bilateral	447	444	467	483	735	882	1027	1118	906	838	774	709	691
Concessional	366	339	370	385	485	529	566	536	464	474	485	497	507
Non concessional	81	105	97	98	250	353	461	574	442	364	288	213	185
Private creditors	1785	1878	1833	1341	976	962	962	1105	1215	1337	1411	1516	1619
Bonds	150	207	223	258	386	363	342	335	339	308	281	258	236
Commercial banks (*)	492	543	469	371	415	476	535	683	779	911	994	1100	1198
Suppliers	53	43	31	561	26	42	59	81	98	118	136	158	186
Other private	1090	1085	1110	151	149	82	25	7	0	0	0	0	0
Private non guaranteed	140	135	126	123	105	118	134	153	177	180	183	173	176
Net Transfers (LT)	852	654	542	548	806	708	841	385	1242	1088	705	616	-215
Public and publicly guaranteed	1074	893	632	723	862	676	847	147	1470	1419	1216	1169	401
Official creditors	1393	1174	1687	1346	776	289	422	283	550	589	447	301	-315
Multilateral	999	880	1255	671	221	424	612	657	651	526	379	156	226
Concessional	352	558	722	970	728	942	1141	1311	1466	1625	1720	1767	1693
IDA	378	551	711	922	623	735	878	986	1083	1210	1285	1283	1199
IBRD	-26	-31	-35	-19	19	19	19	19	19	-19	-13	-11	0
Other concessional mul	-26	7	11	48	103	208	264	326	383	416	436	485	495
Non concessional	647	322	533	-299	505	-519	530	655	815	1099	1342	-1612	1919
IBRD	564	132	57	491	627	-606	566	592	634	850	908	-1007	1265
Other non concessional mul	83	190	476	192	129	134	130	70	25	-94	280	455	-510
Bilateral	394	294	432	675	556	135	190	374	101	64	68	146	89
Concessional	114	223	418	451	551	62	149	196	329	404	372	409	244
Non concessional	280	71	14	224	5	196	339	570	430	341	303	263	333
Private creditors	319	281	1055	623	86	387	424	164	920	830	768	868	716
Bonds	596	97	1177	469	369	200	112	166	273	169	20	17	289
Commercial banks	351	-202	-464	-849	690	-676	980	1233	919	1081	1204	1420	1608
Suppliers	148	148	40	561	194	269	492	605	696	726	902	1150	1273
Other private	1118	28	1728	1256	651	643	625	508	370	415	400	475	540
Non resident deposits	5275	6586	6838	7600	7625	7650	7500	7450	7200	7000	6875	6500	6250
Private non guaranteed	222	239	90	175	-56	32	6	62	228	331	511	553	616
Debt Service (LT)	4995	5596	6480	5841	7322	7941	8633	10062	10672	12230	14011	15551	17526
Public and publicly guaranteed	4533	5145	6081	5412	6966	7574	8178	9499	9944	11399	13000	14498	16410
Official creditors	2182	2385	2713	3056	3595	4134	4372	4874	5099	5578	6194	6765	7676
Multilateral	1107	1346	1503	1737	2183	2384	2597	2899	3240	3745	4299	4875	5502
Concessional	229	260	300	310	378	416	463	494	525	546	608	663	733
IDA	188	211	242	264	314	340	373	398	422	441	493	548	602
IBRD	26	31	35	19	19	19	19	19	19	19	13	11	0
Other concessional mul	41	49	58	46	64	75	89	96	103	105	114	115	130
Non concessional	878	1086	1203	1427	1805	1969	2130	2405	2715	3199	3692	4212	4769
IBRD	881	1087	1174	1343	1627	1706	1766	1892	2034	2350	2608	2907	3265
Other non concessional mul	-3	1	29	84	171	216	270	380	525	694	930	1155	1362
Bilateral	1075	1039	1210	1319	1412	1750	1780	1975	1859	1833	1895	1890	2174
Concessional	874	891	1036	1153	1033	1236	1074	1035	946	911	935	929	1131
Non concessional	201	148	174	166	379	514	706	940	913	922	959	962	1043
Private creditors	2351	2760	3368	2356	3371	3439	3806	4626	4845	5820	6807	7732	8734
Bonds	177	489	467	469	969	900	987	1131	827	1106	1355	1587	1889
Commercial banks	808	898	887	953	1515	1726	2155	2683	3069	3581	4104	4570	5058
Suppliers	151	156	113	661	338	307	188	270	319	399	498	600	727
Other private	1215	1217	1901	273	549	507	475	542	630	735	850	975	1060
Non resident deposits													
Private non guaranteed	462	453	399	429	356	368	456	562	728	831	1011	1053	1116
Principal Ratios (Per cent)													
Total debt service (TDS)/ Exports of G and S (XGS)	27	26	29	28	29	29	27	28	26	26	26	25	25
Interest payments (INT)/ Exports of G and S (XGS)	14	14	15	12	12	12	11	11	10	9	8	8	8
Current A/c balance (CAB)/ Exports of G and S (XGS)	28	29	8	15	17	19	20	21	23	24	26	27	28
Total debt stocks (EDT)/ Exports of G and S (XGS)	261	259	272	283	273	260	244	226	209	194	181	170	159
Short term debt (STD)/ Total debt stocks (EDT)	7	7	5	4	4	4	3	3	3	3	3	3	3
Concessional (COM)/total debt stocks (EDT)	40	40	41	41	42	42	43	44	44	44	45	45	46
Multilateral (MUL)/total debt stocks (EDT)	31	32	33	34	34	35	36	37	37	38	38	39	39

* Total net transfers includes short-term disbursements

BOP Projections: Optimistic Scenario

(US $ million)

	Actuals			Projections									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A Current Account													
Exports fob	16955	18491	18223	18788	21042	23778	26869	30362	35524	41918	50302	60362	72736
Imports cif	24411	26241	20347	22768	26184	30111	35230	41924	48212	54962	62107	70181	80708
Trade balance	-7456	-7750	-2124	-3980	-5141	-6333	-8361	-11562	-12689	-13044	-11805	-9819	-7972
Invisibles													
Receipts	7501	8012	8160	8323	8531	8745	8963	9322	9695	10082	10486	10905	11341
Payments	6882	7990	8171	8294	8459	8629	8801	9241	9703	10188	10698	11233	11794
of which:													
Interest payments	3492	3895	3304	3403	3539	3699	3865	4039	4241	4474	4742	5027	5329
Invisibles (net)	619	23	-11	30	72	116	162	80	-9	-106	-212	-328	-453
Current Account Balance	-6837	-7727	-2135	-3951	-5069	-6217	-8199	-11481	-12697	-13150	-12018	-10147	-8425
B Capital Account													
External assistance (net)	2526	2450	3014	3166	3325	3391	3545	3668	3927	4323	4882	5383	5740
Disbursements	3620	3655	4450	4717	5000	5200	5408	5624	5962	6439	7083	7649	8108
Amortisation	-1094	-1205	-1436	-1551	-1675	-1809	-1863	-1956	-2035	-2116	-2201	-2267	-2369
Commercial borrowings (net)	1466	418	730	788	851	857	859	945	1134	1343	1389	1405	1293
Disbursements	2032	1300	2696	2912	3145	3333	3533	3781	4083	4410	4762	5048	5301
Amortisation	-566	-882	-1966	-2123	-2293	-2477	-2675	-2835	-2949	-3067	-3373	-3643	-4007
NRI deposits (net)	2403	1260	-454	-477	-524	500	540	583	630	705	790	885	991
Other capital (net)	1370	1675	2152	2260	2373	2491	2616	2851	3136	3450	3864	4250	4590
Total Capital Account	7765	5802	5442	5737	6025	7239	7559	8048	8828	9821	10925	11923	12614
C IMF (net)	-1192	795	570	569	570	580	574	563	539	475	-1057	1247	-1496
IMF purchases	0	1754	1233	1251	1277	1308	1335	1361	1382	1402	0	0	0
IMF repurchases	1192	959	663	683	707	728	761	799	843	927	1057	1247	1496
D Total Capital Account (including IMF)	6573	6597	6012	6306	6595	7819	8133	8610	9367	10297	9868	10676	11118
E Total Current and Capital Account (including IMF)	-264	-1130	3877	2355	1526	1602	-66	-2871	-3330	-2853	-2149	529	2693
F Errors and omissions	-432	-696	0	0	0	0	0	0	0	0	0	0	0
G Reserves and Monetary Gold (+ Decrease/- Increase)	696	1826	-3877	-2355	-1526	-1602	66	2871	3330	2853	2149	529	-2693

Source The balance of payments data except for interest payments and principal repayments are from the Reserve Bank of India, Annual Reports (various issues) The data on interest and amortisation payments are from the World Debt Tables, 1992/93

BOP Projections: Pessimistic Scenario

(US $ million)

	Actuals			Projections									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A Current Account													
Exports fob	16955	18491	18223	18788	21042	23778	27345	31720	36795	42682	49085	55466	62676
Imports cif	24411	26241	20347	22768	26184	29849	34327	40162	46990	54508	63229	71449	80738
Trade balance	-7456	-7750	-2124	-3980	-5141	-6071	-6982	-8442	-10195	-11826	-14145	-15984	-18062
Invisibles													
Receipts	7501	8012	8160	8323	8531	8745	8963	9232	9509	9794	10088	10391	10703
Payments	6882	7990	8171	8294	8501	8756	9062	9425	9990	10590	11331	12238	13217
of which:													
Interest payments	3492	3895	3304	3403	3539	3699	3883	4078	4343	4625	4949	5345	5772
Invisibles (net)	619	23	-11	30	30	-11	-99	-193	-481	-795	-1243	-1847	-2514
Current Account Balance	-6837	-7727	-2135	-3951	-5111	-6083	-7081	-8635	-10676	-12621	-15388	-17830	-20576
B Capital Account													
External assistance (net)	2526	2450	3014	3033	3046	3054	3164	3303	3534	3825	4139	4655	5293
Disbursements	3620	3655	4450	4584	4721	4863	5081	5336	5709	6109	6536	7125	7837
Amortisation	-1094	-1205	-1436	-1551	-1675	-1809	-1917	-2033	-2175	-2284	-2398	-2470	-2544
Commercial borrowings (net)	1466	418	730	654	574	481	499	507	551	632	675	817	980
Disbursements	2032	1300	2696	2777	2888	3003	3199	3423	3714	4048	4432	4876	5363
Amortisation	-566	-882	-1966	-2123	-2314	-2523	-2699	-2915	-3163	-3416	-3758	-4058	-4383
NRI deposits (net)	2403	1260	-454	-477	-524	500	540	583	630	-94	-99	-105	-113
Other capital (net)	1370	1675	2152	2238	2328	2421	2542	2694	2883	3070	3285	3515	3726
Total Capital Account	7765	5802	5442	5447	5423	6455	6745	7088	7597	7433	7999	8882	9887
C IMF (net)	-1192	795	570	569	570	580	574	563	-843	-927	-1057	-1247	-1496
IMF purchases	0	1754	1233	1251	1277	1308	1335	1361	0	0	0	0	0
IMF repurchases	1192	959	663	683	707	728	761	799	843	927	1057	1247	1496
D Total Capital Account (including IMF)	6573	6597	6012	6016	5993	7036	7319	7650	6755	6506	6942	7635	8390
E Total Current and Capital Account (including IMF)	-264	-1130	3877	2065	882	953	238	-985	-3921	-6116	-8445	-10195	-12185
F Errors and omissions	-432	-696	0	0	0	0	0	0	0	0	0	0	0
G Reserves and Monetary Gold (+ Decrease/– Increase)	696	1826	-3877	-2065	-882	-953	-238	985	3921	6116	8445	10195	12185

Source: The balance of payments data except for interest payments and principal repayments are from the Reserve Bank of India, Annual Reports (various issues). The data on interest and amortisation payments are from the World Debt Tables, 1992/93

deficit, the reserves actually get boosted Between 1995 and 1999 the total capital account is unable to finance the current account deficit and hence the reserves get depleted Finally in the last two years the current account deficit gets reduced considerably (primarily because of high export growth) and the total capital account being higher than the current account requirement, reserves again get boosted The contraction of additional or new debt every year is based on the level of current account deficit and the disbursement schedule of commitments of previous years

The total debt stocks (EDT) in the optimistic scenario (OS) of the external debt projections rise from $ 76 6 billion (bn) in 1992/93 to $ 91 9 bn in 1996/97 and to $ 104 5 bn in 2001-02 (refer to the debt projections-optimistic scenario) While the disbursements in this scenario are projected to be rising steadily, the debt service from the year 1995/96 goes up considerably (bunching of repayment obligations to the private creditors, especially the commercial banks refer to the break-up principal repayments) As a result the net transfers become negative from 1996/97 However, during this period, there is relatively large inflow of foreign investment The net transfers with regard to IBRD, bonds, and commercial banks are negative throughout the period By contrast, IDA, concessional bilateral, and other private have positive net transfers over the projected period

Debt outstanding and disbursed (long-term) goes up from $ 68 9 bn in 1992/93 to $ 81 8 bn in 1996/97 and to $ 97 1 bn in 2001-02 On an average, 67 per cent of the DOD is on account of official creditors and the remaining on account of private creditors Of the total debt stocks, the concessional component (multilateral and bilateral) averages around 43 per cent over the projected period Debt owed to multilateral creditors averages around 35 per cent Interestingly the borrowings from the commercial banks, having seen a sustained rise over 80s, are projected to go down throughout the period For instance, the DOD commercial banks is $ 6 5 bn in 1992-93 and then falling to $ 4 6 bn in 1996-97 and to $ 0 3 bn in 2001/02

In the optimistic scenario, the debt service ratio (TDS/XGS) is quite high till 1996/97 It is averaging around 27 5 per cent However, for the period 1997/98 and beyond till 2001/02 the debt service ratio is seen to decline and is averaging 22 4 per cent for this period The current account balance/exports ratio (CAB/XGS) having come down sharply in 1991/92 picks up steadily up to 1996/97 and reaches a peak of 29 per cent For the subsequent period, however, the CAB/XGS ratio declines throughout, and is placed at 10 per cent

TABLE 8 PRINCIPAL DEBT INDICATORS FOR INDIA

	TDS/XGS	TDS/GNP	TDS/EXG	CAD/XGS	EDT/GNP	EDT/EXG
1980	10 9	0 8	15 7	24 68	11 9	225 2
1981	11 5	0 8	16 8	33 66	12 6	251 5
1982	14 5	1 0	18 2	28 12	14 7	268 2
1983	16 2	1 1	21 8	24 77	15 2	311 0
1984	16 7	1 2	22 3	24 28	17 7	336 4
1985	21 5	1 4	35 4	54 41	18 5	458 3
1986	26 0	1 8	41 4	46 82	19 1	439 3
1987	29 4	2 2	47 9	40 14	22 0	469 7
1988	30 3	2 3	46 7	57 23	21 7	432 7
1989	27 6	2 4	40 1	41 12	23 9	395 5
1990	28 3	2 4	38 8	42 59	23 7	381 9
1991	30 6	3 0	41 8	17 73	29 2	402 0

TDS Total debt service (long and short term)
XGS Export of goods and services
GNP Gross national product
EDT Total debt stocks
CAD Current account deficit
Source Computed with the help of Table 1 *International Financial Statistics*, IMF April 1993, and *Economic Survey*, 1992-93, government of India

TABLE 9 EXTERNAL DEBT INDICATORS

	Cumulative Current Account Deficit, 1970-80 as Percentage of 1981 GDP (1)	Cumulative Current Account Deficit, 1981 90 as Percentage of 1991 GDP (2)	Debt GNP Ratio 1985 (3)	Debt-GNP Ratio, 1991 (4)	Debt Export Ratio, 1985 (5)	Debt Export Ratio 1991 (6)
Latin America						
Argentina	2 3	3 4	84 2	49 2	493 2	430 0
Brazil	22 8	24 5	50 3	28 6	362 1	333 7
Mexico	13 8	14 1	55 2	36 9	326 0	224 1
Chile	19 8	18 7	143 3	60 7	434 0	153 5
Venezuela	-7 5	8 0	59 6[a]	65 3	205 6	187 0
Peru	19 3	21 2	85 3	42 8	328 2	479 0
East Asia						
Indonesia	0 6	0 4	41 0	66 4	169 9	225 6
Korea	24 6	14 2	52 5	14 4	142 4	45 2[b]
Malaysia	-2 0	-1 8	71 1	47 6	115 9	54 2
Philippines	18 3	19 4	69 1	70 2	331 6	215 6
Thailand	22 4	15 0	47 6	39 0	171 7	94 8
India	2 7	19 5	19 3	29 2	264 0	294 2

Notes (a) for the year 1988 and (b) for the year 1990
Source Columns (1) and (2) computed from *World Tables 1992* The World Bank and Column 3 through 6 are from *World Debt Tables 1992 93* The World Bank

TABLE 10 COMMERCIAL BORROWINGS—INDIA

	End March			End September	
	1989	1990	1991	1991	1992
(i) Commercial bank loans	6268	6687	6831	6704	6768
(ii) Securitised borrowings (incl IDBIs)	1756	2468	3022	4512	4849
(iii) Loans/securitised borrowings etc with multilateral/bilateral guarantee+IFC (W)	152	180	356	484	654
Total	8176	9335	10209	11700	12271

Source *Economic Survey*, 1992-93

1/02. The total debt stocks/exports ratio (EDT/XGS) is seen to decline all through the projection period From being 283 per cent in 1992/93 the EDT/XGS ratio falls to 232 per cent in 1996/97 and to 124 per cent in 2001/02 The concessional component of total debt stocks, that is, concessional multilateral and bilateral is seen to average 43 per cent over the projected period The multilateral component of total debt stocks, that is, multilateral concessional and non-concessional is averaging around 36 per cent over the projected period

The inflow of foreign direct investment is very small until 1994/95, between $ 200 mn and 400 mn but then picks up from 1995/96 Till the end of the projection period the yearly average inflow of foreign investment is $ 2 0 bn Perhaps, a lot more needs to be done in order to change the mind-set of the foreign investors as far as investing in India is concerned The advantages of investing in India need to be advertised much more aggressively and our track record of honouring all external payment obligations at all times has to be emphatically conveyed Also, financial sector reforms would help attract potential foreign investors

Some mechanism needs to be evolved for reducing or at least not letting the amount of undisbursed debt go up As of fiscal year 1992/93, the total undisbursed debt is of the order of $ 24 5 bn Most of the undisbursed debt is the project tied IBRD loans or IDA credits One such mechanism to control the amount of undisbursed debt is to channelise larger funds from the World Bank through lines of credit in ICICI, IDBI, NABARD and such other financial institutions Since the disbursement of loans and credits to these financial institutions is not linked to project implementation, there would normally be no undisbursed debt as far as these institutions are concerned

The external debt and balance-of-payments projections of the pessimistic scenario (PS) have the following broad assumptions (a) the stabilisation induced recession in the economy lasts till 1993/94, (b) the import growth during this period averages around 13 per cent and the exports grow at 10 per cent, (c) up to the fiscal year 1995/96 both imports and exports witness sustained growth and average 15 and 13 per cent respectively, but due to the recession the current account deficit till 1995/96 is below the level obtaining in 1990/91 Because of lower levels of current account deficits till 1995/96, and higher levels of disbursement of external funds, the reserves actually get boosted From 1996/97 onwards till 1999/2000 the import growth is averaging 17 5 per cent while the exports grow at 14 5 per cent With the invisibles turning negative the current account deficit rises sharply The import growth in the last two years of the projection period is brought down to 13 per cent since the required export growth is not materialising The repayment obligations from 1996/97 rise substantially with bunching of repayments to the IMF and commercial banks The reserves are depleted throughout the period

The total debt stocks (EDT) in the pessimistic scenario (PS) of the external debt projections rise from $ 76 6 bn in 1992/93 to $ 92 3 bn in 1996/97 and to $ 116 6 bn in 2001/02 (refer to the debt projections—pessimistic scenario) Although the disbursements in this scenario are growing steadily, they are barely sufficient to meet the debt service requirements From 1996/97 the debt service requirements shoot up considerably due to the clubbing of repayment obligations to the private creditors (refer to the break up of principal repayments) The net transfers, as a result, become negative for IBRD, non-concessional bilateral, bonds and commercial banks (refer to the break-up of net transfers) By contract, IDA, other concessional multilateral, concessional bilateral, and other private have positive net transfers over the projected period

Debt outstanding and disbursed (long-term) goes up from $ 68 9 bn in 1992/93 to $ 84 1 bn in 1996/97 and to $ 105 4 bn in 2001/02 On an average, 64 per cent of the DOD is on account of official creditors and the remaining on account of private creditors Of the total debt stocks, the concessional component (multilateral and bilateral) averages around 42 per cent over the projected period Debt owed to multilateral creditors averages around 33 per cent By contrast to the optimistic scenario, the borrowings from the commercial banks are seen to be rising throughout the projected period For instance, the commercial banks disbursement is $ 204 mn in 1992/93, $ 1 4 bn in 1996/97 and $ 3 4 bn in 2001/02

In the pessimistic scenario, the debt service ratio (TDS/XGS) is hovering around 28 per cent till 1996-97 However, for the period 1997-98 and beyond till 2001-02 the debt service ratio declines to 25 per cent The current account balance/exports ratio (CAB/XGS) rises steadily all through the projected period From 15 per cent in 1992-93, the CAB/XGS ratio rises to 21 per cent in 1996-97 and to 28 per cent in 2001-02 The total debt stocks/exports ratio (EDT/XGS) is seen to decline over the projected period From being 283 per cent in 1992-93, the EDT/XGS ratio falls to 226 per cent in 1996-97 and to 159 per cent in 2001-02 The concessional component of total debt stocks, i e, concessional multilateral and bilateral is seen to average 42 per cent over the projected period The multilateral component of total debt stocks, i e, multilateral concessional and non-concessional is averaging around 34 per cent over the projected period

In the pessimistic scenario the stabilisation programme currently underway gets delayed and consequently the recession lasts longer. The revival of growth is slow Measures need to be taken to promote domestic investment Credit squeeze needs to be relaxed so as to raise the supply of investable funds The prospects of attracting large FDI flows is rather bleak in this scenario A comprehensive and sustained effort is required for changing the perceptions of foreign investors Equity flows are required to replace debt flows since this scenario suggests large contraction of external debt by mid- and late-90s

The required export growth after 1996-97 is to be in the region of 20-22 per cent in order to sustain the emerging debt situation, and if this does not materialise, as is the case in the pessimistic scenario then some form of import control would become necessary Besides, private creditor debt cannot be raised in large amounts for the period beyond 1996-97 since financing persistent and large current account deficits through them would eventually lead to an unsustainable debt situation In case of such an outcome, either non debt creating flows, such as foreign direct investment can help alleviate the burden or curbing the import demand

Notes

1 Low income countries are those in which 1991 GNP per capita was no more than $ 635
2 Middle-income countries are those in which 1991 GNP per capita was more than $ 635 and less than $ 7 910
3 *World Debt Tables 1992 93* Vol 1, p 155
4 *World Debt Tables 1992 93* Vol 2, p 194
5 World Bank, *World Debt Tables 1992 93*, Vol 2 p 194 Data include non resident Indian deposits for March 1980 March 1992 These deposits amounted to approximately US $ 9 2 billion as of March 1992 as compared to US $ 12 8 billion as of March 1991 The debt on account of NRI deposits is included in the category of 'private creditors"
6 *Economic Survey* 1992-93, p 118
7 With a view to have greater consistency and transparency in the external debt statistics of India, the RBI along with the ministry of finance set up a task force and a policy group on the external debt statistics of India The group submitted its report on March 31, 1992 The policy group/task force has drawn extensively on a report of an international working group on external debt statistics This group comprised of the World Bank, International Monetary Fund, Organisation for Economic Co operation and Development and the Bank for International Settlements
8 Short term debt include all debt with a maturity period of less than one year Includes NRI deposits up to one year maturity
9 World Bank, *World Debt Tables* 1992-93, Vol 2, p 194

Public Enterprises and Private Purposes

Ramaswamy R Iyer

I HAVE read with considerable interest Sudip Chaudhuri's article 'Public Enterprises and Private Purposes' (*EPW*, May 28) At the outset (particularly in view of the criticisms I am going to make later in this note) let me establish my credentials as a friend and not a foe of public enterprises (PEs) As Secretary of the Economic Administration Reforms Commission (the Jha Commission) I played a not unimportant role in the preparation of its reports including four on PEs (three of which have been cited in the references at the end of Chaudhuri's article) I also made a systematic attempt in my book *A Grammar of Public Enterprises Exercises in Clarification* (Rawat Publications, Jaipur, 1991, under the auspices of the Centre for Policy Research, New Delhi) to analyse and dispel the persistent confusions, errors and fallacies that characterise much of the thinking and writing about PEs (Chaudhuri, who too has tried to discuss some wrong assumptions about PEs, has probably not seen my book)

I am broadly in agreement with Chaudhuri s proposition that PEs have not received the right kind of support from the government (The fact that PEs have in the past had relatively easy access to capital funds from the government budget does not imply 'the right kind of support') I am also in agreement with the thesis that PEs have been used for private purposes This was so particularly from the mid-70s onwards when a process of subversion of all institutions began, and as a part of that process PEs came to be regarded as channels through which money could be collected (for whatever purposes), and also as instruments through which certain political purposes could be served As a corollary, appointments to the top posts in 'important' PEs began to be governed by considerations other than those of the requirements of the job While those tendencies perhaps abated somewhat later on, it cannot be said that they have disappeared, in fact some of them have become common form and have lost the power to shock

In spite of that general agreement in broad terms, I find myself not wholly comfortable with Chaudhuri's diagnosis and prescriptions, for two reasons

First, 'the lack of adequate governmental support' and 'the use of PEs for private purposes' may be true, but not universally they have affected some PEs more than others And I would be somewhat chary of recommending a larger planning role for the government in relation to PEs In my view, the central problem that has both constrained and distorted the performance of PEs in this country is an unhealthily close, dysfunctional relationship between them and the government—the absence of a proper *operational distance* between them It is this which has prevented PEs from functioning in a businesslike, enterprise-like manner, with all the speed, flexibility, decisiveness and innovativeness that imply This is the crucial difference between PE managers and those in the private sector, and not any inherent difference in ability or efficiency and this explains why PE managers are in demand in the private sector whenever large new projects are undertaken in the latter, and why, when they move over, they do very well This is a larger explanation which subsumes the thesis of 'use for private purposes' If a proper operational distance had been maintained from the beginning, such use would have been very difficult it is the closeness of the relationship which has facilitated such distortions (Of course now that those distortions have set in they themselves would become the reason for resisting the idea of 'distancing') As for 'adequate support', that would be nice for PEs to have, but it is less important than the freedom to function

That is a very compressed account of a complex problem with several aspects and dimensions I cannot elaborate on that theme here I can only invite attention to my book (referred to earlier) in which it has been dealt with at length

My second difficulty is that some of the illustrations that Chaudhuri uses to support his thesis show an imperfect understanding of the matters involved and an uncritical acceptance of some explanations which have been current, particularly in relation to certain developments in the fertiliser sector in the 60s and 70s For instance, he seems to be under the impression that most of the problems of the public sector fertiliser projects undertaken in the 60s and early 70s were due to the lack of adequate governmental support for the Fertiliser Corporation of India (FCI) and its Planning and Development Division (P and D) I know that such a view has been argued by some, but the reality was far more complex If a whole series of fertiliser projects ran into horrendous time and cost overruns and serious commissioning and operating problems, this was due to a combination of several factors

(i) An ambitious attempt on the part of the FCI to take on several projects at the same time or in quick succession, with hardly any experience in project planning or management

(ii) A strong (doubtless well-intentioned and patriotic) desire to do this on its own without external management support P and D and in particular K R Chakravorty were vehement advocates of such a view

(iii) The poor quality of project preparation in those years Major investment decisions were taken on the basis of sketchy and slipshod feasibility reports

(iv) The absence of adequate managerial talent FCI/P and D had many excellent engineers but relatively few good managers

(v) Unbusinesslike approach and methods There was no unified overall responsibility for project management, no proper control and review systems and no sense of urgency or of the value of time

(vi) The severe foreign exchange constraint (and the difficulty of getting project aid funds for public sector projects in those years) led to the allocation of foreign exchange by the government from diverse sources (like a patchwork quilt), making it very difficult if not impossible to tap the best or even second-best sources of know-how, engineering, contracting and equipment This was compounded by the difficulty of integrating equipment from multiple sources

(vii) Rupee resource constraints (and too many projects) led to sub-optimal budgetary allocations, leading to delays and cost increases

(viii) There was a multiplicity of objectives The timely and successful completion of fertiliser projects was not the only or even primary objective either of the government or of the FCI They were simultaneously concerned with developing indigenous know-how and engineering capabilities, learning management by doing, buying plant and equipment from indigenous sources (BHEL, BHPV, etc), which were themselves in the process of learning and developing, locating plants in difficult areas for the purpose of balanced regional or backward area development, trying out catalysts developed by P and D (their claims in this regard at that stage were rather exaggerated), generating employment (which meant employing far larger numbers than

necessary), experimenting with unproven technologies (e g, coal-based fertiliser projects at Talcher and Ramagundam) and so on The surprise is not that many projects failed but that some had even a modest degree of success

If we contrast this with the handful of relatively successful non-FCI projects—IFFCO's Kandla/Kalol Project, Madras Fertilisers, Bhatinda/Panipat, etc—we can immediately see the crucial difference In each of these cases, quick, successful project completion was the prime if not the sole objective, foreign exchange was available from one or two good sources, facilitating good technology and equipment choices, proven technologies were adopted (in the case of IFFCO, a smoothly running plant in the US was duplicated in every respect), and there were tight project management arrangements with a clear responsibility for timely completion (This was not merely a case of turnkey contracts or foreign managers Madras Fertilisers was under Amoco's management in the initial years, but IFFCO had an outstanding MD in Paul Pothen, in addition to some modest help from an American co-operative group and Bhatinda/Panipat had Engineers India as their Indian prime consultants working closely with Toyo Engineering)

Perhaps the kind of pioneering effort undertaken by FCI was necessary at one stage but there is hardly any doubt that it could have been better planned and managed and proved less costly to the country The effort at self-reliance and indigenous development could have been combined with a greater concern for good management, moderated by a realistic understanding of what was practicable within a given time-frame, and governed by a hierarchy of priorities among objectives In any case, the point that I am trying to make is that the theory that lack of support from the government was the main cause of all the troubles is wide of the mark A variety of factors were responsible, and FCI/P and D themselves, with their strong and sometimes politicised advocacy of doing everything on their own and their failure to appreciate the importance of good management, must bear a part of the responsibility It is even possible to argue that the government tended to place excessive reliance on the P and D's claimed capabilities

Chaudhuri readily accepts the thesis that it was hostility to the FCI/P and D that led to the reorganisation of the FCI This is again a myth which has somehow gained currency I knew the FCI very well in those years, and while it had many excellent people (with several of whom I formed friendships that have lasted down the years), it was a disaster as an organisation It was

impossible to imagine a more inefficient, lethargic, unbusinesslike, lackadaisical organisation. The ministry of chemicals and fertilisers despaired of being able to reform the FCI and make it more efficient. Initially, the finance ministry was in favour of strengthening without splitting, but eventually it came round to the view that splitting was inescapable. When Chaudhuri says: "Thanks ultimately to the support of some senior bureaucrats and technocrats, some of whom later joined organisations like Bechtel and the World Bank, FCI was actually split into several companies in 1978", I do not know whom he has in mind, nor why he supposes that those bureaucrats and technocrats were driven by suspect motivations. Why could they not have been genuinely convinced that a splitting was necessary? And what have their subsequent careers (assuming that Chaudhuri's remark is factually correct) to do with this? (Chaudhuri is perhaps echoing some articles which appeared in those years in which the whole issue was misleadingly presented as a conflict between bureaucrats and technocrats, and the then Secretary (C and F) was vilified.) Well, I was one of the bureaucrats involved, I could even be described as 'senior' (I was Joint Secretary and Financial Adviser, Ministry of C and F in 1976-78) and I did not join either Bechtel or the World Bank later; and all I can say is that there was a prolonged debate on the reorganisation of the FCI. Whether we now consider the decision right or wrong, it was taken with the best of intentions for what then appeared to be persuasive reasons. May I add that far from being hostile to the FCI I had grown attached to it with all its faults and would have preferred to see it retained as one unit and reformed; but I had to accept reluctantly that though this was a theoretical possibility, it would be an enormously difficult undertaking with uncertain prospects of success. Looking back on the decision now with the wisdom of hindsight, I am convinced that it was the right thing to do. At least Rashtriya Chemicals and Fertilisers and National Fertilisers (their Nangal unit) have prospered; this would have been very unlikely if they had continued under the umbrella of the erstwhile FCI. The mistake lay not in the splitting of the FCI but in the fact that having isolated the problem plants under the (residual) FCI and HFC, the government failed to tackle their problems, and allowed the two companies to become more and more sick. (The explanation for this was not malevolence, but partly the general bureaucratic sloth and indifference, and partly the intractable nature of the problems.)

The article argues that the delinking of P and D from the production units was wrong. That is a plausible point of view. On the other hand, there was a strong view even among those who had some sympathy for P and D that there should be a *contractual* relationship between the project owners on the one hand and the consultants/engineers/project managers on the other, and that this was not possible so long as those services were provided by an in-house division. Precisely the same thing was done in the steel sector, and for similar reasons: the CEDB of Hindustan Steel became what is now known as MECON. MECON has grown and prospered. Engineers India was a separate company right from the beginning and it has been one of our successful PEs. If P and D (now PDIL) has not been able to do well, the reasons must be found elsewhere and not in the fact that it was separated from the FCI.

Another questionable remark is that "there are indications to believe such allegations", i e, the allegation that the government went in for 1,350 TPD capacity ammonia plants to "basically side-track P and D". I am amazed at the confidence with which such an assertion is made. Chaudhuri should have shared those 'indications' with his readers. I know that the then Secretary (C and F) agonised for a long period over the choice between continuing with 900 TPD capacity plants and making the change to 1,350 TPD, and came up with different answers on different days during informal discussions; ultimately he settled for the 1,350 TPD capacity. Of the many considerations that went into that decision, side-tracking P and D was not one. Certainly the choice was a debatable one. There was support for both options at the time: it was possible to argue either case. In retrospect it may now seem to some that we would have been better off if we had settled for 900 TPD; but the question is whether the decision was a *defensible* one at the time. I believe it was. Allegations of improper motivation had no basis.

Having taken the decision in favour of 1,350 TPD, it was also decided (on the basis of the recommendations of two committees) that a certain methodology would be followed for the selection of the prime consultant for the first two plants; that the technology would be standardised for the ensuing six to eight plants, so that while much of the equipment would be imported for the first two plants, indigenous equipment manufacturers would be able to supply an increasing proportion of the equipment for the succeeding plants; that P and D would be associated with the foreign prime consultant right from the start so as to enable them to play a major role in the plants after the first two; and so on. Unfortunately those ideas, and in particular that of standardisation, ceased to be of any consequence after the change of government in 1980 and the increasing ascendancy of Snam Progetti. I need not go into that well known story.

Let me turn to other matters. The article says: "There is, however, hardly any forum where an investment project is evaluated from the point of view of the public sector as a whole." That is not quite true. The Public Investment Board (PIB) which was set up in 1973 is serviced by (among other agencies) the Project Appraisals Division of the Planning Commission and (unless there has been a change since my time) the PAD submits an *economic appraisal from the point of view of the national economy*. In addition to this, the strong past insistence on 'the indigenous angle' and the stringent control over imports took care of the interests of all public and even private sector manufacturers who could supply the equipment needs of a project. It is in fact possible to argue that we tended to overdo this.

In Note 10 to the article, a reference is made to the point that privatisation is often recommended on the ground that it will eliminate political and bureaucratic interference. This argument may seem specious but it cannot be dismissed lightly. I myself believe that the performance of PEs can be improved without privatisation, and that a good part of the reform will have to be undertaken in the government at both the political and bureaucratic levels. At a recent seminar in Hyderabad, I outlined a series of measures that need to be taken, and concluded by observing that if those measures were not found possible, there would be no alternative to privatisation. A British participant told me that he disagreed with all my propositions except the last one: his point was that reform was not possible and that privatisation was the only way out. That is a counsel of despair but I cannot say that it has no validity. The most plausible argument in favour of privatisation is that it would at least remove one area from the ambit of exercise of patronage and corruption by the powers that be. Unfortunately, the same forces which prevent reform and 'distancing' will also resist privatisation. Frankly I do not know the answer to that conundrum.

One final comment. I must enter a caveat on the reference to V Krishnamurthy. I think it is improper to refer to the registration of a case by the CBI as if that establishes guilt. If Krishnamurthy has been guilty of improprieties, it is for the courts to say so. Meanwhile, may I say that he was indeed one of our ablest managers? His contributions to BHEL, Maruti Udyog and SAIL need to be remembered, whatever the outcome of the cases now in progress.

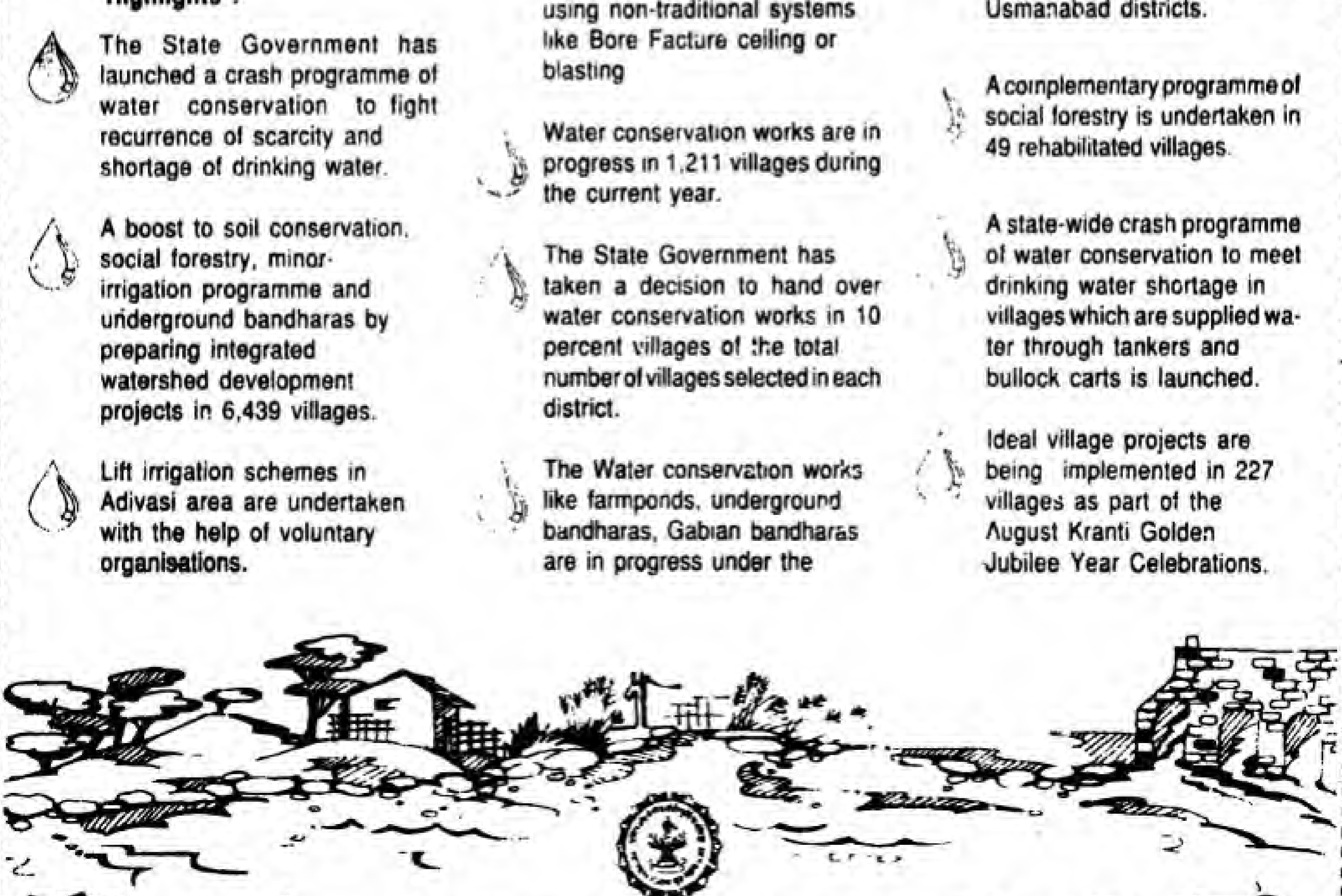
Freedom from Drought and Thirst

Water conservation to fight scarcity - Steps taken by the Govt. of Maharashtra.

Shri Sharad Pawar
Chief Minister, Maharashtra

Highlights :

- The State Government has launched a crash programme of water conservation to fight recurrence of scarcity and shortage of drinking water.
- A boost to soil conservation, social forestry, minor-irrigation programme and underground bandharas by preparing integrated watershed development projects in 6,439 villages.
- Lift irrigation schemes in Adivasi area are undertaken with the help of voluntary organisations.
- A campaign of tree plantation, as a first step towards waste land development.
- A special programme is undertaken for strengthening of drinking water sources through Ground Water Survey machinery in 452 villages by using non-traditional systems like Bore Facture ceiling or blasting
- Water conservation works are in progress in 1,211 villages during the current year.
- The State Government has taken a decision to hand over water conservation works in 10 percent villages of the total number of villages selected in each district.
- The Water conservation works like farmponds, underground bandharas, Gabian bandharas are in progress under the watershed development programme. Grant-in-aid is given to the extent of 80 per cent.
- Special programme of raising ground water level is undertaken in the earthquake affected areas in Latur and Usmanabad districts.
- A complementary programme of social forestry is undertaken in 49 rehabilitated villages.
- A state-wide crash programme of water conservation to meet drinking water shortage in villages which are supplied water through tankers and bullock carts is launched.
- Ideal village projects are being implemented in 227 villages as part of the August Kranti Golden Jubilee Year Celebrations.



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Poor Pay the Price

The eagerness of the minister of agriculture, and indeed of the government in general, to promote crop exports, including exports of foodgrain, betrays disregard of the likely decline in food availability for the poorest and the most vulnerable groups in the population 2261

Technology: The Choices

The emerging global scenario offers little scope for countries like India to break out of the technological monopoly/control of the advanced countries and their MNCs, but the potential nevertheless exists for evolving alternative technological paradigms based on contemporary advanced knowledge which widen the choice beyond that between accepting a junior partner role and embarking on an autarkic reinventing-the-wheel path M-102

Learning Curve

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Success Story

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How Replicable?

South Korea s transformation from one of the poorest countries in the world 40 years ago is rooted in special historical factors which predate its current export-oriented, liberal policy regime 2275

LETTERS TO EDITOR

A Correction

MY review of Jagdish Bhagwati's book *India in Transition* ('In Praise of Reform', *EPW*, May 14) contains an error which needs to be corrected, even though it does not invalidate my argument

In the course of his indictment of India's adherence to central planning and physical controls, Bhagwati had castigated the writings of Lange and Lerner for asserting that centralised planning would work better than a decentralised market system He cited a "seminal" paper by Hayek, entitled 'Economics and Knowledge' which showed the "illogicality" of their position I had pointed out that the Lange-Lerner system was conceived as a decentralised mechanism possessing the virtues of the market and that in any case it was not relevant to a discussion of the Indian control regime In a lengthy end-note attached to this discussion, I had (correctly) pointed out that 'Economics and Knowledge' did not deal at all with the Lange-Lerner mechanism, and that "it was first read at the London Economic Club in November 1936, while Lange's essay was published in 1938 and Lerner's *Economics of Control* in 1944 The mistake which must have been spotted by many readers, was to cite the versions of the Lange Lerner model that were published in book form The original versions in fact appeared in companion papers in the October 1936 issue of the *Review of Economic Studies* where Lerner sharply criticised some aspects of Lange's original formulation Since the *RES* was published from Hayek's own institution the London School of Economics, and since Lerner was at that time also on the LSE faculty it is quite likely that Hayek was aware of the model when he delivered the lecture on 'Economics and Knowledge' However, the fact remains that this paper did not mention Lange and Lerner or the "socialist calculation debate" in which Hayek was already an active participant It was only in his later writings that he took up cudgels against their mechanism, developing an idea that he had expressed in 1936 in a different context

All this does not affect the main point I was making, that the Lange-Lerner model cannot be regarded as an exemplar of centralised planning and physical controls, and dragging it into a discussion of Indian Planning was quite unnecessary in the first place Inaccurate citations in footnotes by both the author and this reviewer further muddied the water on this particular issue

Aditya Bhattacharjea

Delhi

Extension Effort for Watershed Development

WATERSHED development is considered to be the appropriate strategy for dealing with the problem of drought and dry land agriculture on a long-term basis To verify the thesis in an empirical manner, I undertook a survey of eight watershed development projects in Shirur and Baramati talukas of Pune district which are drought prone areas The study led to the interesting conclusion that watershed development by itself would not be adequate

The facts show that watershed development does lead to improvement of water-table and moisture conditions but this does not necessarily result in increase in net returns and employment nor does it improve the financial position of the farmer Watersheds merely increase the potential of farm operations

A missing link between the improved water-table conditions and benefits to the farmers seems to be the lack of evolution of an optimal cropping pattern after watershed development If the cropping pattern continues on the traditional lines, the benefits from improvement in moisture conditions as a result of watershed development would not accrue

A number of measures should, therefore, be taken after watershed development to improve agricultural extension services for introduction of new dry land farming techniques and conscious effort for the economic use of water in the post-watershed development period These supplementary measures should be identified as priority areas

There is also a need to strengthen the financial infrastructure The lack of adequate financial resources does come in the way of change in cropping pattern and diversification of the crops in watershed areas and improvement in the employment of farmers Thus investment for watershed development should be combined with provision of current finance for improvement in agricultural techniques and crop diversification

Without the complementary measures listed above, watershed development will not deliver the goods

P R Dubhashi

Goa

ECONOMIC AND POLITICAL WEEKLY

Current Account Convertibility

WITH a series of measures already effected to liberalise exchange controls and with the operation of the market-determined exchange rate system since March 1993, the announcement by the Reserve Bank that, effective from August 20, the rupee became fully convertible on current account and that India accepted the status and obligations of Article VIII with the IMF was very much a formality. It is obviously the continuation of the process of globalisation and integrating the Indian economy with the world economy, which the government and the RBI have set before themselves as their objective. However, even conventional wisdom, much of it emanating from the IMF, emphasises certain pre-conditions for the introduction and successful maintenance of convertibility. Domestic price stability without administered price controls, appropriate macro-economic policies, particularly monetary stabilisation and fiscal consolidation, a realistic exchange rate for the currency and adequate foreign exchange reserves are considered major prerequisites.

The government will claim that these pre-conditions have been met, but this is not entirely convincing. The inflation rate has certainly been higher than that of the country's trading partners. With a massive revenue deficit financed by government borrowing, it cannot be said that fiscal consolidation is in sight either. Monetary stability has also been disturbed by the flow of foreign exchange from portfolio investment in the share market by foreign institutional investors (FIIs), Euro issues in the form of global depository receipts (GDRs) and Euro-convertible bonds by Indian corporate bodies and the low level of import surpluses as a result of the recession in Indian industry (under all these heads, some of the inflow may represent a reverse flow of earlier capital flight). The bulging foreign exchange reserves, nearing $ 18 billion, are cause for much self-congratulation in the government, but these reserves are not the outcome of an enduring growth of export-import volumes and large foreign direct investment (FDI) reflecting rising levels of domestic economic activity.

In sum, the abundance of foreign exchange assets notwithstanding, it cannot be gainsaid that the fundamentals are not right for the country to be pushed into current account convertibility and embracing Article VIII status with the IMF. The government has nevertheless taken the step because there are a variety of compulsions which developing countries like India are subject to, particularly because the IMF is using its clout to achieve its global aims irrespective of the repercussions on the social and economic circumstances of individual countries. Initially the pace of acceptance of Article VIII obligations was slow with considerable caution exercised even by industrial countries, the bulk of whom did not opt for Article VIII status until the early 1960s. Many of the successful east Asian countries like South Korea, Indonesia and Thailand accepted the obligations only during 1988-90. For about 22 years between 1970 and 1992, there were only about three countries a year accepting the special status. But in 1993, the number rose to eight, bringing the tally of countries sporting Article VIII status to 82. And in 1994 already 10 countries have embraced Article VIII, India being the 92nd country out of 178 IMF members. Even poor and vulnerable countries such as Nepal, Bangladesh, Pakistan and Sri Lanka as also many African countries have been made to accept these obligations. All these countries have been subjected to the severe conditionalities attached to the IMF's enhanced structural adjustment facilities (EASF) meant for the poorest countries.

India's case falls substantially under the same category. With the stabilisation and structural adjustment programmes initiated under IMF and World Bank direction, the Indian government has opted for a liberal policy regime in every respect. On matters relating to exchange controls, radical changes have already been effected. The government had thus already come very close to current account convertibility before the finance minister announced in his 1994-95 budget speech that India would move formally towards convertibility on current account. In fact even in regard to the capital account, the economy has been opened up significantly with automatic facilities for inward and outward remittances of both capital and current income relating to companies' foreign borrowings, foreign direct investment and, above all, portfolio investment in the Indian share market. Exporters and NRIs are also allowed to retain foreign currency accounts. The remaining restrictions on remittances relating to interest income earned on non-resident non-repatriable deposits, as also investment income by non-resident Indians (NRIs) or overseas corporate bodies (in phases) have now been removed.

The removal of bureaucratic controls implicit in the exchange control regime which served no particular social purpose is no doubt welcome. But the decision to seek Article VIII status is a different matter altogether. There is a degree of irreversibility about it and many options otherwise available to the country get foreclosed. For instance, in the face of continuing rise in foreign exchange reserves, the RBI may not be able to keep supporting the foreign exchange market and some appreciation of the rupee may ensue. In the circumstances, exporters may have to be compensated selectively with export incentives, but Article VIII status prohibits such action except for a brief and temporary period and only with the permission of the IMF. Above all, the acquisition of large reserves through expensive and possibly volatile capital receipts should not lead us to believe that the country has achieved a strong balance of payments position. Sustained export growth of a reasonable magnitude of, say, 15 per cent per annum in dollar terms is yet to be reached. The required infrastructural facilities are not in place and will require quite a few years to be created. If in the meantime overall domestic demand does pick up, export growth might well be affected. There are also the large external debt service obligations to be reckoned with.

The argument that accepting Article VIII obligations inspires confidence in the international community that the country will pursue 'sound' economic policies and eschew restrictions on payments and transfers for current international transactions is not convincing. Confidence is more a matter of how fundamental aspects of the balance of payments are tackled. Many countries like South Korea, Indonesia and Thailand attracted substantial foreign investment before they had accepted Article VIII obligations. On the other hand, premature surrendering of the leverage available for special exigencies can prove a grave handicap which will be only partially mitigated by the availability of the IMF's financing schemes for such eventualities.

POLITICS

Unsustainable Postures

THE fortnight-old boycott of parliament has been ended by what has been generally perceived as the backtracking of the opposition on the basis of some 'face-saving' concessions made by the government. The boycott was preceded by a week of sustained obstruction of the business in both the houses, followed by walk-outs every day. The retreat of the opposition was perhaps unavoidable as it had reached a dead-end more than the ruling party. Cynics may add that the financial losses incurred by the opposition MPs, and some of the opposition parties which impose a levy on the parliamentary allowances of their MPs, were also proving to be a strain. Basically, the discomfiture of the opposition due to the climb-down represents the wages of unthinking resort to unsustainable aggressive posturings. Boycott of parliament by itself is a self-disarming exercise for the boycotters. In the absence of the opposition the ruling party can carry on with its business, perhaps more conveniently, if only with some embarrassment, while the opposition deprives itself of a very important strategic arena for harassing the government. The boycott can be fruitful only when the opposition is reasonably hopeful of pushing the government into a corner by forcing the dissolution of the house or compelling the government to concede its principal demands by militant mass actions. The opposition in the Indian parliament at the moment is incapable of either. The leaders of most of the major opposition parties are on record that an early poll will not be acceptable to the people and that their own parties are not really prepared to face it. Indeed, it is the prime minister who has started an intimidation campaign with threats of an early poll.

Moreover, the heterogeneous composition, with sharp differences among the different parties and new fissures in the Janata Dal, cannot really qualify the opposition to launch and develop effective mass actions. Indeed a large part of the opposition cannot but feel uncomfortable in the company of the largest opposition party, the BJP, even in the limited 'unity in action'. It must be feeling even more dismayed by the second front opened by the BJP at Hubli on August 15.

One can also draw lessons from some historical precedents. In ancient Rome in 121 BC, democratic and egalitarian forces led by Gaius Gracchus withdrew from the Senate and seized the Aventine, the most southerly of the seven hills of Rome and prepared to face the Roman Establishment's armed onslaughts. Though Gracchus' forces were in the event defeated and most brutally massacred, the impact of this struggle subsequently led to the development of a broad revolutionary movement among the peasantry and the city poor all over Italy.

The second 'Aventine', two thousand years later, was an unmitigated fiasco. After the reformist Socialist deputy Matteoti had been murdered by fascist thugs following his courageous exposure of Mussolini's rigging of the parliamentary elections of April 1924, various political parties in the opposition decided to withdraw from parliament in protest, in a move subsequently designated as the 'Aventine'. These parties were far from united either in their objectives or their methods of struggle. Antonio Gramsci, then the leader of the Italian communists, proposed follow-up action by militant moves, including a general strike, which was turned down by the other 'Aventine' parties. "For months afterwards", according to an account, "the Aventine's activity was to consist of little more than abstract affirmation of principles and a monotonous chain of lamentations". While Gramsci's militant proposals have subsequently been criticised by some writers as unwarranted 'extremism', the inaction of the other parties was indeed revolting. Disgusted with their allies, the PCI deputies returned to parliament in November 1924 under humiliating conditions. They were later followed by the other parties. Some of them faced physical assaults by the fascist deputies. This chapter soon ended with Gramsci's arrest, notwithstanding his parliamentary immunity, and the subsequent outlawing of the PCI.

It is of course not intended here to draw a parallel between the Indian situation today and the Italian politics following Mussolini's coming to power. Neither is the Congress(I) a fascist party, nor does India face a threat of fascist takeover today. The point merely is that boycott of parliament is a very weighty question which cannot be treated lightly.

The question of adequate consideration of the boycott tactics apart, the opposition parties made a simple error in assessing the mood of the people. By contrast to the Bofors furore which paved the way for the Rajiv Gandhi government's ouster and the installation of the V P Singh government, the bank scam, its enormous scale notwithstanding, seems to have left the masses unmoved. Whether it is due to their failure to grasp the enormity of the crimes or a general indifference to the basic question of morality in public affairs remains to be ascertained. But this public apathy is a matter of great concern for the health of the Indian democracy. In this context, an even more fundamental question for the Indian polity today is for the Left parties to decide for themselves if they intend to play a leading and transformatory role in Indian politics or be content with functioning as a parliamentary party of the garden variety. This question arises because during the whole critical period, the Left/Communist parties have not distinguished themselves in any way from the others except perhaps for the repeated conciliatory gestures made by the two communist parties. There was no effort to take the issue to the people, except for some isolated and token gestures.

MAHARASHTRA

Too Much at Stake

THE gunning down of BJP corporator Ramdas Nayak in Bombay in broad daylight has focused public attention once again on the deep-rooted and growing links between the criminal underworld and the political leadership. The incident occurred on a heavily trafficked thoroughfare in the western suburb of Bandra, a section of which is being proposed as the financial centre of the future. While Nayak's assailants are still at large, there appears to be little doubt that it was a planned affair, probably executed by hired killers. Nayak's murder is in this respect no different from the other killings of party men over the last couple of years. In Nayak's case two things were different. One, he had the reputation of being a sort of clean-up man forever drawing attention to the garbage, as one speaker at the condolence meeting put it, whether on the roads or in public life, and a political image with as yet little to tarnish it; and secondly, his murder came at a time when public attention had already been drawn to corruption in high places, occurring as it did the day following the disclosures of a senior police official's court declaration alleging the chief minister's interference in police work concerning known big criminals. These factors combinedly resulted in the BJP, whose Bombay unit chief Nayak had been recently elected, using the occasion to reassert its three-pronged campaign—against corruption in high places, terrorism with international (Pakistani) connections and the nexus between corrupt politicians and criminals. While certainly all this constituted itself into an attack on the Maharashtra chief minister and his government's inability to govern, and therefore a demand for his resignation, the issues raised are far too substantial to be dismissed as opposition ploys.

There is little ground to dispute the contention that the criminal underworld, whether it is in smuggling or small time goondaism, could not have flourished as it has without the overt and covert protection afforded it by politicians. These elements have been used by politicians for a range of operations such as extorting funds ostensibly for the party, for enforcing the numerous bandhs, for mobilising crowds for public meetings, during election campaigns both to keep away certain groups as well as to facilitate the movement of others, and, as is becoming well known, to instigate mob violence. This has inevitably led to a legitimisation of violence in all spheres.

It is not without significance that the number of TADA cases in the state is among the highest anywhere, because the act provides an easy avenue for the police to terrorise people, especially minorities, even

while the big criminals continue to conduct business unfettered. While the chief minister has denied that there have been excesses by the police who appear to have had a free hand in selectively detaining people illegally after the bomb blasts of December 1992, there are pointers which indicate otherwise.

The protection that has been afforded to the underworld dons has resulted in a network which has played its role in every one of the public acts of violence. Following the death of Nayak for instance, there was much discussion about whether the AK-46 and AK-47 rifles which were used in the attack were part of the consignment of arms which had been smuggled into the country in connection with the bomb blasts or at some other point. Clearly it is the existence of the smuggling network originally for gold, electronic goods and later for drugs, etc, which made it possible for the bomb material and arms to be brought in then, as now. A much quoted report after the blasts was about how the policemen on duty at a particular post along the sea coast had stated they had seen the transfer of the consignment of smuggled arms from the sea but had dismissed it as being 'the usual smuggling activity'. While not every policeman in Bombay or the state had direct orders from political bigwigs to ignore or condone illegal activities, the ethos of turning a blind eye to questionable actions and events has become well-entrenched. And it is this substratum which has now made it possible for petty builders, industrialists or big time mafia dons and politicians to hire professional killers to deal with situations of all kinds—whether it is the awarding of a building contract, land deals, trade union troubles, or garden variety political confrontation. It is significant that the chief minister has taken his time over responding to the centre's directive to constitute a special squad to inquire into Nayak's murder. There is after all too much at stake.

ASSAM

Understanding Bodo Nationalism

MANY factors have contributed to the Bodo nationalistic assertion. It is necessary to understand them if one has to make some sense of the persistence of violence against non-Bodos in the Bodoland Autonomous Council (BAC) area. To see the violence as merely a calculated move to drive out non-Bodos and ensure that the Bodos would form a majority in the BAC area would be not merely a mechanical reading of a complex situation but would also be ignoring the hard demographic realities. The fact that the Bodo leadership has made several compromises does not affect the relevance of these factors which, to no one's surprise, have provided grist to the more extreme and quasi-separatist Bodo Security Force (BdSF).

Broadly speaking, these factors are: apprehension over loss of land (in many cases an accomplished fact); the distancing from Assamese nationalistic assertion which was seen with some justice as aggressively absorptive of smaller and materially less resourceful nationalities; the seemingly contradictory ambitions of the incipient middle class which is seeking what is its due in the Indian pie even while pursuing a (notional) dream of sovereignty and independence; the deep-seated fear of and animosity against the 'aliens' who, as the ABSU memorandum of January 1, 1984 shows, include not merely 'foreign nationals' but also 'non-tribal immigrants'; the antagonism towards migrant settlements coming up illegally in areas officially designated as tribal belts and blocks and such proximate living leading to further problems.

Every one of these apprehensions and grievances has contributed to the Bodo nationalistic assertion in a relatively moderate form; and the failure to attend to these grievances has directly contributed to the emergence of more extreme forms seeking a quasi-sovereign status for the Bodos.

A most disturbing fall out of the riots is the near-complete communal divide. Almost every Bodo leader has traced the origins of the riots to the combing operations launched in the wake of the killing of seven policemen on July 13 in which, it is alleged, the police incited minority youth to attack Bodo settlements. In contrast, the minority leaders are equally united in viewing the incidents as yet another pogrom against Muslims, though the minority leaders opposed to the Congress also see the hand of the government.

Apart from the ingrained flaws in Bodo nationalist aspirations which went beyond seeking to rectify injustices over land, the extremely opportunistic handling of these grievances and later the Bodoland agitation itself has also contributed to the present tensions. Though neither the Congress nor the AGP can claim a clean record on the handling of the Bodo problem, the greater culpability undoubtedly is of the Congress, under whose initiative the Bodo Accord was signed.

And yet, a curious feature of the Accord is that it is being implemented by a structure in which none of the signatories has any position. In the latest round of 'tripartite talks' in Delhi on June 13 on the implementation of the Accord, even ABSU, which carried on the agitation and whose leaders signed the Accord, was excluded.

The persistence of violence in the BAC area and the intensified virulence with open communal dimensions lay bare the flaws of the Accord and the opportunism on all sides that lay behind that hastily improvised deal. For, one of the key issues yet to be solved is the very area of the BAC. An Accord is signed; and an Act called the Bodoland Autonomous Council Act is passed by the state assembly and duly receives the president's assent. All the while the BAC area, "defined" as the "Bodoland Autonomous Council Areas in the Act", going little beyond the vague description in the Bodo Accord—"contiguous geographical areas between river Sankosh and Mazbat/river Pasnoi"—remains undefined.

The political fall out of the riots is likely to be rather unpleasant for the Congress. The communal polarisation has also touched the party; and there are indications of an "agonising reappraisal" by legislators from the minority community. The political beneficiary will be the AGP which has already made inroads into the so-called vote bank of the Congress. Rather tellingly for the minorities, during the rule of the AGP which came to power on a platform of detecting and deporting illegal aliens, there was hardly any complaint of harassment by the minorities.

A most ominous aspect of the riots is the repeated reference to the Inter-Services Intelligence (ISI) of Pakistan. The ISI is certainly active in the region; one would be surprised if it was not. However, this crying ISI even at proven failures of routine administration is likely to turn out to be a case of crying wolf too often.

Having said this, one has also to take note of possible future alliances. One of the achievements of Hiteswar Saikia, especially after the recent riots, is that the disparate opposition is united at least on this one point of holding Saikia and his handling of the Bodo problem responsible for the current violence. The political spectrum encompassing the CPI(M) and the AGP and forces beyond does appear lacking in coherence and by definition unstable. But stranger alliances have come together dictated by necessity. Is that the shape of things to come?

HUMAN RIGHTS

Caught in a Maze

ALTHOUGH the latest Amnesty International memorandum to the government of India following its January visit to Bombay this year does not add anything substantial to the findings published by various Indian human rights groups on the Bombay communal riots of December 1992/January 1993, it exposes one aspect of the aftermath which seldom finds a place in the national media—the police atrocities on innocent citizens in the wake of the Bombay blasts of March 12, 1993.

The despatch of the memorandum to New Delhi is timely. Bombarded daily by news of the arrests of suspects in the Bombay blasts, their trial, speculations about their conspiracies, their ties with Pakistan, etc, etc, the entire nation appears to have completely forgotten the events that preceded the blasts—the communal riots of December and January, which took a toll of 1,718 lives (according to Justice Shrikrishna Commission). It was a massacre of a wider

proportion, suggesting a conspiracy to selectively kill members of the minority community (often with the active connivance and participation of the police), than the mindless killing of more than 300 people by the Bombay blasts. This is of course not to underplay the gravity of the latter tragedy and the loss in terms of human lives. But if the state, the judiciary and the media are supposed to be fair and objective, one expects them to treat the organisation of the Bombay communal riots as an equally reprehensible conspiracy as that of the Bombay blasts. If alleged accomplices and providers of hideouts of those held guilty of the Bombay blasts can be arrested and put on trial, one wonders why self-confessed communal rioters like the Shiv Sena leaders and activists (who publicly bragged about their role in the Bombay riots) are let off.

Although the Amnesty memorandum does not go into this bias betrayed by the Indian government in its treatment of the conspiratorial nature of the two massacres in Bombay, it highlights the partisan and communal nature of the police administration by detailing cases of its misuse of power, and particularly TADA, against members of the minority community. According to the Amnesty's findings, a large number of people are routinely held in Bombay police stations without a proper record of their arrest or detention. Some detainees, the Amnesty team found, were women and children held as 'hostages' for several days to force the surrender of suspects in the March 1993 Bombay blasts.

The memorandum documents four specific examples of reported extrajudicial killings and 'disappearance' of Muslims by police during the riots. In response to these allegations, the Indian government has been claiming that it is investigating these cases. But even after two years, no police officers have been charged or brought to justice. In fact, the existence of the Justice Shrikrishna Commission is being used by the Bombay police and state officials as an "excuse not to proceed against individual policemen against whom there is evidence that they committed excesses".

The Amnesty memorandum has recommended, among other things, the establishment of a system of comprehensive police custody records to which outsiders should have access; an independent mechanism to scrutinise police behaviour in all Maharashtra police stations; review of the alleged abuse of the TADA; and immediate steps to prosecute police officers responsible for killing people deliberately and illegally during the December 1992/January 1993 riots. Quite predictably, the Indian government has dismissed the recommendations. Describing the government's response as "complacent", Amnesty International has observed that by rejecting the recommendations, the Indian government has "dismissed the need to tackle key problems such as wide-scale unacknowledged detentions, the routine use of torture or ill-treatment, and the broad police powers for using lethal force". As a result, it fears that the "serious human rights violations which occurred during the Bombay riots could happen again tomorrow".

Amnesty's fears are well-founded. But then it should remember that just as after all these years its first 'official research visit' to an Indian state—Maharashtra, in the present case—has been made possible because of pressures from Washington and the EEC on the Indian government, the only chance of its recommendations being accepted by New Delhi also lies in the capacity of these powers to twist the arms of the Indian government. A government, which till the other day was denouncing Amnesty's reports as part of a western-inspired conspiracy against its supposedly unimpeachable record on human rights, suddenly in the new era of 'economic liberalisation' decides to welcome Amnesty and allow it a peep into its cupboard of skeletons in Bombay. Is it just coincidental? It is common knowledge (as widely reported in the press) that the US and the EEC trade partners had been insisting on New Delhi's better behaviour in the area of human rights—as in economy and trade relations—in the new framework of structural readjustment. The term they use is 'transparency'—which is the euphemism for better access by western experts to the record of performance by the Indian state in the area of human rights, just as they insist on supervision of its performance in economy and trade relations.

Indian citizens are caught up in the maze of the old colonial legacy of submission to, and dependence on, the western dominating powers. Many among them face the bleak prospects of submitting to retrenchment and unemployment brought about by the 'new economic order', and still many, in places like Kashmir, the north-east, and communally sensitive, riot-torn areas depend on the arrival of western fact-finding missions (like the Amnesty) whom they welcome hoping that their reports about human rights violations by the Indian police would persuade their parent governments—the western states which underwrite India's development projects and ambitious defence plans—to put some pressure on New Delhi to stop the terrorism of its police and paramilitary forces.

HAITI

Harvest of Catastrophe

Frederic F Clairmont writes:

NOW that Uncle Sam and his ventriloquist dummies in the UN Security Council have decided to give the rabbit punch to Haiti it would be appropriate to recall the words of major-general Smedley Darlington Butler (1881-1940). Written with great power and poignancy, the virtue of the old leatherneck is that his language is stripped of bullshit, hypocrisy and sanctimoniousness. How refreshing compared to the garbage of a Clinton and his rantings on democracy:

> I spent thirty-three years and four months in active service as a member of our country's most agile military force—the United States Marine Corps. I served in all commissioned ranks: from a second lieutenant to major-general. And during that period I spent most of my time being a high-class muscle man for Big Business, for Wall Street, and for the bankers. In short, I was a racketeer for capitalism.
>
> Thus I helped make Mexico and especially Tampico safe for American oil interests in 1914. I helped make Haiti and Cuba a decent place for the National City Bank boys to collect revenues in. I helped purify Nicaragua for the international banking house of Brown Brothers in 1909-1912. I brought light to the Dominican Republic for American sugar interests in 1916. I helped make Honduras 'right' for American fruit companies in 1913. In China, in 1927, I helped see to it that Standard Oil went its way unmolested.
>
> During those years I had, as the boys in the back room would say, a swell racket. I was rewarded with honours, medals, promotions. Looking back on it, I feel I might have given Al Capone a few points. The best he could do was to operate his racket in three city districts. We Marines operated on three continents. (S D Butler, *War is a Racket: An Autobiography*, Round Table Press, New York, 1935.)

Smedley Darlington Butler was a professional killer in the service of Big Capital. Or better still, a high powered state terrorist. But one who spoke the truth towards the end of his life, and he deserves to be honoured for the position he finally took.

At least he had no need to bellow about 'human rights' and the need to make 'the world safe for democracy' as Woodrow Wilson was doing. In short, he had no need for the refurbished racist rationalisations of Woodrow Wilson's secretary of state, Robert Lansing, who gives us a precious insight into the dynamics of US imperialism. A view which no doubt would be shared privately by Clinton and his CIA and Pentagon cronies:

> The experience of Liberia and Haiti show that the African race are devoid of any capacity for political organisation and lack a genius for government. Unquestionably, there is an inherent tendency to revert to savagery and to cast aside the shackles of civilisation which are irksome to their physical nature. (Ulysses B Weatherly, *Haiti: An Experiment in Pragmatism*. New York, 1926. Quoted in Hans Schmidt, *The United States Occupation of Haiti: 1915-1934*, Rutgers University Press, 1971.)

Any more questions?

Somani Iron and Steels

SOMANI IRON AND STEEL, which is engaged in the manufacture of steel ingots, steel castings, forging steel and utensil grade steel, is entering the capital market with a public-cum-rights issue on September 5 The issue is to part finance the company's plans for augmenting its manufacturing facilities for producing various grades of steel like low carbon, high carbon, low alloy, high alloy, stainless steel, etc, from the present 50,000 mt to 3,00,000 mt per annum through modernisation and expansion It is also installing a 60 tonne UHP electric arc furnace with eccentric bottom tapping and water cooled shell, along with other arrangements which will be supplied by GEC Alsthom (India) and will have a matching size ladle refining furnace and 50 mvs furnace transformer to enable fast melting Further the company plans to put up VD/VOD, a continuous casting plant and a 400 cubic metre capacity PSA plant in order to reduce power consumption Commercial production of the company's new products namely, billets of mild steel, carbon construction steel, high/medium and low carbon wire rod steel, spring steel, industrial quality stainless steel and other grades of steel and stainless steel is expected to commence in November this year The company's issue which will consist of 25,00,000 equity shares of Rs 10 each at a premium of Rs 20 per share on rights basis in the ratio of five shares for every one held and 36,50,000 equity shares at the same premium for the Indian public will be lead managed by HMG Financial Services Company

Ludgate Pressman

A 50 50 joint venture promoted by the Ludgate Group of UK and Pressman Advertising and Marketing, Ludgate Pressman has commenced operations in the UK, US and India One of the UK's top specialist financial and corporate communications consultants, the Ludgate group is backed by CINVen, one of UK's leading venture capital organisations The group ranks among the fastest growing financial communications consultants in the UK registering a growth of 85 per cent last year and achieving an income of over six million pound sterling The other promoter, namely, Pressman Advertising and Marketing ranks as India's leading financial advertising agency and is associated with a total of Rs 33 5 billion raised through public issues, accounting for nearly 27 per cent of the total amount raised through such issues in 1993-94, in addition to being associated with rights issues involving Rs 20 6 billion Ludgate Pressman plans to provide corporate and financial communications, advertising and PR services to Indian companies in the international marketplace as also to international companies in India Ludgate Pressman also offers marketing programmes in GDR issues by Indian companies in addition to working closely with the merchant bankers, with the objective of stimulating investment interest for the GDRs from each market Further, all international media, press and analyst activities will be co-ordinated from the company's offices at London and New York and the company will offer investor relations programmes which involve establishment of a data base monitoring institutional contacts and covering all major shareholders and potential or target institutions

TTK Prestige

A TTK group company, TTK Prestige is diversifying and expanding its range of kitchenware After pioneering pressure cookers in the country, the company now plans to manufacture non-stick cookware, kitchen weighing scales, cast aluminium ware and kitchen implements For the first time in India, the company will manufacture the silver stone coated range of deluxe non-stick cookware and a premium range of Teflon coated non stick cookware under licensing from Du Pont, USA In addition to setting up a plant equipped with the latest facilities at Hosur for the manu facture of 'tawas' saute pans, sauce pans and frying pans the company is also modernising its existing facilities To part finance these projects the company is entering the capital market with a public issue of equity shares which will be offered at a premium of Rs 80 per share towards the end of September

Moti Electric Industries

An existing company engaged in the manufacture of different specifications of pvc cables, XLPE cables and aluminium alloy conductors which are used mainly by the state electricity boards, railways, mining industry, etc, Moti Electric Industries has now undertaken an expansion project envisaging increasing its manufacturing capacities at a total outlay of Rs 4 9 crore The project is to be funded through a public issue of 22,00,000 equity shares of Rs 10 each at a premium of Rs 10 per share The issue, which will open for subscription in the 2nd/3rd week of September, will be lead managed by Gaurav Capital and Financial Services and PNB Capital Markets

Mark Omega Organic

Mark Omega Organic Industries which is engaged in the manufacture of benzaldehyde (an intermediate which is used by drugs perumery, dyes and pesticides industries), benzyl alcohol (used in photography as well as in solvent and perfumery and pharmaceutical industries), benzoic acid (used as a preservative) and hydrochloric acid (used in general chemicals), is entering the capital market on September 1 with a public issue of 56,30,000 equity shares of Rs 10 each at par The company proposes to expand its existing facilities by adding facilities for the manufacture of 700 mt of benzaldehyde, 800 mt of benzyl alcohol, 60 mt of benzoic acid and 3 000 mt of hydrochloric acid The plant, which is within 150 kms radius of the industrial cities of Bombay, Poona, Mahad Chiplun and Nava Sheva Port, has easy access for procurement of raw materials and transportation of finished goods to industrial consumers and will enjoy backward area benefits The project which is being set up at a total cost of Rs 7 9 crore is expected to commence commercial production by October this year and is to be part financed through a public issue which will be lead managed by Union Bank of India

Adithya Aquaculture

Adithya Aquaculture, an Adithya group company, is setting up a grow out farm and a shrimp hatchery with an annual installed capacity of 100 million seeds at Eeduru village in the Nellore district of Andhra Pradesh Technical know-how is being acquired from Asian Aquaculture Corporation of the Philippines which is also investing $ 50,000 in the equity of the project and will provide technicians from the Philippines for the running of the shrimp farm and hatchery The first harvests are expected in December this year and the company plans to market its products through another company of the Adithya group, namely, Adithya Exports which is also investing Rs 30 lakh in the company's equity capital To part finance its project the company is entering the capital market on August 31 with a public issue of 34,14,000 equity shares of Rs 10 each at par

CURRENT STATISTICS

***EPW* Research Foundation**

A vigorous south-west monsoon so far notwithstanding, price expectations in respect of 'food articles' remain buoyant; a rise of 3.7 per cent in the group's price index over the past month and of 13.4 per cent in the fiscal year so far stands out. This is also reflected in the sharp rise in the three cost of living indices. All this is happening at a time when stocks of foodgrains with government agencies have reached a record level of 31.89 million tonnes. Simultaneously, offtake of foodgrains from the public distribution system has been declining. The current fiscal year so far has seen a marked sluggishness in the output of agriculture-based industries. Monetary expansion continues to be high; so also the addition to foreign exchange reserves which have crossed $ 17.7 billion.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Aug 6, 1994	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
All Commodities	100.0	270.4	1.0	9.9	7.6	4.7	5.5	10.8	7.0	13.6	12.1
Primary Articles	32.3	282.5	2.4	12.1	4.4	9.1	8.5	11.5	3.0	15.3	17.1
Food Articles	17.4	318.0	3.7	10.0	4.2	13.4	7.7	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	288.5	0.6	18.4	2.0	3.0	8.6	24.9	–1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	279.1	-0.1	9.8	18.8	0.4	3.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	262.0	0.5	8.7	7.5	3.1	4.3	9.9	7.9	12.6	8.9
Food Products	10.1	271.7	–0.3	8.9	8.4	7.8	11.2	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	301.0	2.4	9.6	5.5	11.5	8.8	7.0	5.8	17.1	16.9
All Commodities (Average Basis)* (April-August 6, 1994)	100.0	265.6	–	9.7	8.0	11.0	7.0	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Industrial Workers (1982=100)	277*	1.8	10.8	5.9	3.7	2.9	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	224*	0.9	8.7	6.7	0.9	0.5	–	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1189^	1.2	12.5	-1.0	1.2	0.4	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	July 22, 1994	Variation: Over Month	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92
Money Supply (M3)	461966	5781 (1.3)	28400 (6.6)	21342 (5.8)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	88989	–1700 (–1.9)	6791 (8.3)	4859 (7.1)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	365802	4458 (1.2)	16962 (4.9)	12511 (4.2)	51601 (17.4)	41471 (16.3)	43392 (20.5)
Net Bank Credit to Govt	219535	2479 (1.1)	15749 (7.7)	19808 (11.2)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	240267	3512 (1.5)	3064 (1.3)	2091 (0.9)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Reserve Money (July 29, 94)	148521	–2709 (-1.8)	9899(7.1)	11147 (10.1)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre (July 29, 94)	96531	-3684 (-3.7)	–252 (–0.3)	16119 (16.7)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks (Aug 5, 94)							
Deposits	333694	4833 (1.5)	19880 (6.3)	14636 (5.4)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	166905	387 (0.2)	3283 (2.0)	983 (0.6)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food Advances	154987	740 (0.5)	2272 (1.5)	–1533 (-1.1)	7476 (5.1)	24317 (20.1)	9127 (8.2)
Investments	146090	1092 (0.8)	13697 (10.3)	7142 (6.8)	26737 (25.3)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	April 1994	Average for Fiscal Year So Far: 1994-95	Average for Fiscal Year So Far: 1993-94	Variation (Per Cent): Fiscal Year Averages: 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	225.0	225.0 (8.0)	208.3 (–0.4)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	207.2	207.2 (0.5)	206.1 (1.4)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	217.0	217.0 (9.7)	197.8 (–2.0)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	292.3	297.3 (5.7)	281.4 (6.4)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Aug 26, 1994*	Month Ago	Year Ago	1994-95 So Far: Trough	1994-95 So Far: Peak	1993-94: Trough	1993-94: Peak	End of Fiscal Year: 1993-94	1992-93	1991-92
BSE Sensitive Index	4431	4108	2671	3600	4508	2037	4286	3779	2281	4285
(1978-79=100)	(65.9)		(–8.2)					(65.7)	(–46.8)	(266.9)
National Index	2097	1953	1251	1765	2122	934	2055	1830	1021	1968
(1983-84=100)	(67.6)		(–3.5)					(79.2)	(–48.1)	(234.1)

* for August 25

Foreign Trade	June 1994	Cumulative for Fiscal Year So Far: 1994-95	Cumulative for Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	5623	17610 (8.3)	16257 (41.4)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1792	5614 (8.3)	5182 (41.4)	22173 (20.4)	18421 (3.1)	17866 (–1.5)	18143 (9.1)
Imports: Rs crore	5910	18231 (5.8)	17225 (7.8)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)
US $ mn	1884	5812 (5.8)	5491 (7.8)	23212 (6.8)	21726 (11.9)	19411 (–19.4)	24073 (13.2)
Non-POL US $ mn	–	–	–	17559 (14.6)	15319 (9.1)	14047 (–22.2)	18045 (3.1)
Balance of Trade: Rs crore	–287	–621	–969	–3259	–9572	–3809	–10640
US $ mn	–92	–198	–309	–1039	–3305	–1545	–5930

Foreign Exchange Reserves	Aug 12, 1994	Aug 13, 1993	Mar 31, 1994	Variation Over: Month Ago	Year Ago	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Rs crore	55480	22373	47626	2444	33107	7854	2177	27430	5385	10223	–1383
US $ mn	17729	7120	15176	775	10609	2553	668	8724	731	3383	–1137

Agriculture

Monsoon Rainfall (June 1, 1994 to July 6, 1994) 35 Met Divisions	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Normal/Higher (No of Div)	28	26	9	20	29	30	–	–	–	–
Deficient/Scant/Nil	7	9	26	15	6	5	–	–	–	–

Production (Agricultural Year)	1993-94 (Expected)	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85
Total Foodgrains (mn tns)	180.5	180.0	168.4	176.4	171.0	169.9	140.4	143.4	150.4	145.5
Kharif (mn tns)	97.7	100.5	91.6	99.4	101.0	95.6	74.6	80.2	85.2	84.5
Rabi (mn tns)	82.8	79.5	76.8	77.0	70.0	74.3	65.8	63.2	65.2	61.0
Oilseeds (mn tns)	22.0	20.3	18.6	18.6	16.9	18.0	12.7	11.3	10.8	13.0
Raw cotton (lakh bales)	118.0	116.0	97.0	98.0	114.0	87.0	64.0	69.0	87.0	85.0
Raw jute and mesta (lakh bales)	83 0	90.0	103.0	92.0	83.0	79.0	67.8	87.0	126.5	78.0
Sugarcane (mn tns)	230.0	230.8	254.0	241.0	225.6	203.0	196.7	186 1	170.7	170.3

Procurement of Foodgrains (mn ts)	Up to June									
	1994-95*	1993-94	1992-93	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Total (incl others) (April-March)	13.3	14.2	7.3	27.1	18.9	17.8	24.3	20.4	14.1	15.1
Rice (October-September)	@	14.1	12.9	@	13.1	10.2	12 7	11.8	7.7	6.9
Wheat (April-March)	11.8	12.8	6.4	12.8	6.4	7.8	7.8	11 1	9.0	6.5

* up to July 4, 1994, @ 1993-94 marketing year still continues

Offtake of Foodgrains (mn tns) (April-March)	May 1994	May 1993	Cumulative for Fiscal Year So Far							
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Total	0.9	1.0	1.8	2.0	15.0	17.1	19.2	16 1	15.8	18.0
Rice	0.6	0.7	1.1	1.4	9.0	9.4	10.1	7.9	8.4	9.1
Wheat	0.3	0.3	0.7	0.6	6.0	7.7	9.1	8.2	7.3	8.7

Food Stocks with Govt Agencies (mn tns) (April-March) as at end of period	May 94	May 93	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Total (incl others)	31.9	26.6	22 2	14.7	12.2	17.3	11.6	7.4	9.4
Rice	15.0	11.2	14.7	11.0	9.8	11.2	7 9	4.7	5.9
Wheat	16.7	14.7	7.3	3.0	2.4	5.8	3 6	2.7	3.3

Industrial Production

Agro-Based Industries	May 1994	Variation Over Month	Variation Over Year	Cumulative for Fiscal Year So Far 1994-95	Cumulative for Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
Sugar (lakh tns)	1.3	–5.1	–1.0	7.6	12.3	101	126	133	120
		(–79.7)	(–43.5)	(–39.2)		(–20.0)	(–5.3)	(10 8)	(9 1)
Tea (mn kgs)	61.8	–16.2	0.6	139.8	120.5	754	721	743	705
		(–20.8)	(1.0)	(16.0)		(4.5)	(–3.0)	(5 4)	(0.7)
Vanaspati (000 tns) @	72.8	–10.3	–8.1	–	738.9	–	896	840	850
		(–12.4)	(–10.0)	(–)		(–)	(6.7)	(–1.8)	(–9.5)
Cotton/Blended Yarn (mn kgs)	170.2	0.6	–0.7	339.8	340.6	2061	1833	1684	2882
		(0.4)	(–0.4)	(–0.2)		(12.4)	(8.8)	(–41.6)	(–86.6)
Cotton/Blended Fabrics (mn mtrs)	153.0	–14.0	–8.4	320.0	328.9	1918	1888	2317	2548
		(–8.4)	(–5.2)	(–2.7)		(1.6)	(–18.5)	(–9.1)	(–2.3)
Jute Goods (000 tns)	94.2*	–6.4	–10.4	94.2	104.6	1202	1096	1278	1430
		(–6.4)	(–9.1)	(–9.1)		(9.7)	(–14.2)	(–10.6)	(9.7)
Chemicals									
Caustic Soda (000 tns)	91.7	2.0	3.0	181.4	172.0	1055	1063	1036	992
		(2.2)	(3.4)	(5.5)		(–0.7)	(2.6)	(4.4)	(7 2)
Soda Ash (000 tns)	129.4	5.5	18.1	253.3	213.2	1524	1384	1409	1385
		(4.4)	(16.3)	(18.8)		(10 2)	(–1.8)	(1 7)	(0.6)
Non-Ferrous Metals									
Aluminium (tns)	35664	1512	1571	69816	70526	465487	484230	514200	448900
		(4.4)	(4.6)	(–1.0)		(–3.9)	(–5.8)	(14.5)	(4.4)
Copper Cathode (tns)	3750	–51	–400	7611	8601	45275	45600	40600	40647
		(–1.3)	(–9.6)	(–11.5)		(–0.7)	(12.3)	(–0.1)	(–1 3)
Lead (tns)	1678	–358	408	3714	2279	24524	28650	31700	27400
		(–17.6)	(32.1)	(63.0)		(–36.5)	(21.9)	(15.7)	(28.0)
Zinc (tns)	11607	3346	1089	19868	20488	146126	126748	102000	73100
		(40.5)	(10.5)	(–3.0)		(15.3)	(24.3)	(39 5)	(8.9)

@ data pertains to January 1994, * data pertains to April 1994

Notes: (i) Su pt numeral denotes month to which figure relates, e.g. superscript [illegible] stands for July. (ii) Figures in brackets are percentage variations over the comparable previous period. (iii) – means not available.

HINDALCO

Diversification Plan

BELONGING to the Aditya Birla Group, Hindalco has further improved its performance in 1993 94 Despite the depressed economic conditions in the domestic and foreign markets the company managed to achieve a 6 8 per cent rise in operating profit and a 14 5 per cent rise in net profit, albeit on marginally lower net sales The company's operating profit margin improved from 30 8 per cent in 1991 92 to 38 9 per cent in 1993 94 while its net profit margin stands at 17 6 per cent (up from 13 5 per cent in 1991-92)

Though production of aluminium during the year fell from 1 63,485 mt in the previous year to 1 55 761 mt, that of alumina rose to 3,15 723 mt as against 3,05,300 mt produced in 1992 93 Rolled products produced were also higher at 30,740 mt as against 29,619 mt and the new cold rolling mill was commissioned during the year The mill is expected to enable production of a broad range of more specialised, high technology and high value products thus resulting in higher margins as also the ability to tap new domestic and export markets Production of extrusions also improved from 9,799 mt to 9 807 mt The Renusagar power plant meanwhile generated 2 665 million units of electricity as compared to 2 740 million units in the previous year despite the partial shutdown during the early part of the year and power output during the second half of 1993 94 touched an all time high A high degree of market orientation and a stable long term relationship with its customers has helped the company to reduce inventory levels to a mere six days production Though exports fell due to the subdued international markets during 1993 94 the company received two prestigious awards instituted by CAPEXIL and EEPC for outstanding achievements in exports for 1992 93 (when exports more than trebled) and with effect from April 1 1993 the company's exporting status was upgraded to that of a trading house

Meanwhile, encouraged by the response to its first $ 72 million GDR issue in July 1993 the company recently made another GDR issue aggregating $ 100 million in July 1994 The second issue was made to part finance the company's modernisation, expansion and diversification plans It is currently implementing an expansion project to increase its semi-fabricated products (smelting) capacity by 40,000 tpa taking total capacity to 2,10,000 tpa Further, in addition to the expansion of the alumina production capacity during the year from 3,00,000 tpa to 3,50,000 tpa, the company is again undertaking expansion to a level of 4,50,000 tpa in order to ensure that alumina production keeps pace with the proposed increase in smelting capacity In order to meet the increased requirements of power following the hike in smelting and alumina capacities the company is setting up two power generating units having a total capacity of about 150 mw at its Renusagar power plant Moreover, to improve its product quality and mix the company is undertaking a comprehensive upgradation of the existing hot and cold mills and extrusion facilities It is also installing a vertical ingot and billet casting facility in order to provide feedstock of the required quality for the rolling mills and extrusion presses

Its diversification plan envisages undertaking down-stream high value added products such as aluminium foil for which a 5,000 tpa plant is to be set up

KALYANI STEELS

Seamless Pipe Project

Kalyani Steels, which is engaged in the production of mild steel/carbon/alloy steel ingots/billets seamless pipes (carbon/alloy) castings (iron and aluminium) and chemicals, achieved an 84 6 per cent rise in operating profit in 1993 94 on a 5 4 per cent rise in net sales The sharp rise in operating profit, however, was nullified by the steep rise in interest charges (up 50 per cent) and depreciation provision (up 82 per cent) leading to a mere 3 8 per cent rise in net profit During the year production of mild steel/carbon/alloy steel ingots/billets was higher at 61,714 mt as against 58 886 mt produced in the previous year while sale improved from 55 113 mt to 59 982 mt over the same period Further, imported raw material consumed by the company was down to 34 per cent from 46 per cent last year

The company's seamless pipe project at Baramati has meanwhile almost been completed and is soon expected to commence commercial production Construction of the factory building and installation of hot and cold mills have been completed and trial production of hot finished tubes as well as cold pilgered tubes and cold drawn tubes has started Response to the company's products has also been reported to be good

Meanwhile the warrants issued by the company along with the non-convertible debentures issued in September 1992 were converted into 10,27,164 equity shares in November 1993 Further, to finance the cost of capital expenditure on modernisation and rationalisation of its steel plant, normal capital expenditure, investment proposals and funding long-term working capital requirements, the company offered 90,85,000 equity shares at a premium of Rs 50 per share on rights basis thus leading to a rise in equity capital to Rs 23 97 crore (after allotment in April 1994)

RALLIS INDIA

Higher Profit

Rallis India, after shedding its engineering interests in 1991 92, has made a comeback by notching profits in the following two years as against a net loss in 1991-92 The company s net sales during 1993 94 increased by 24 8 per cent over the previous year while operating profit rose by 10 8 per cent over the same period Despite turnover and capital expenditure being higher over the previous year there was a lower rise in interest charges due to tight control on working capital and a judicious mix of commercial paper, dollar denominated export credit, soft line credit from financial institutions and the general fall in lending rates This helped the company post a 18 6 per cent higher net profit over the previous year Encouraged by its performance the company raised its dividend rate from 40 per cent last year to 45 per cent

Despite adverse climatic conditions the company s agrochemicals division further consolidated its leading position in the market It commissioned additional capacities for pesticides during the year and also diversified its product range thus enabling it to re-enter several international markets Sale of solid pesticides during the year rose from 11,847 mt in the previous year to 15,037 mt while that of liquid pesticides fell from 6,392 kl ltrs to 5,627 kl ltrs, entailing a sale realisation of Rs 1 66 crore as against a turnover of Rs 1 57 crore in the previous period The fertiliser division's activity grew yielding higher turnover and profits This was made possible by the decontrol of phosphatic and potassic fertilisers which enabled the company to import substantial amounts of fertiliser and market them along with indigenous nitrogenous and complex fertilisers Production of mixed fertilisers during the year was higher at 5,499 mt as against 1,066 mt produced last year and sale rose from 1,95,182 mt to 3,97,369 mt (including that purchased for resale) The

(Rs lakh)

Financial Indicators	Hindalco March 1994	Hindalco March 1993	Kalyani Steels March 1994	Kalyani Steels March 1993	Rallis India March 1994	Rallis India March 1993	Indian Organic March 1994	Indian Organic March 1993	German Remedies March 1994	German Remedies March 1993
Income/appropriations										
1 Net sales	74950	7552	11051	10481	50434	40439	22456	18204	8872	7802
2 Value of production	75488	74768	11221	10722	5115	42279	23555	18473	9187	7421
3 *Total income*	82122	79938	12626	11608	5238	43109	2459	19207	9345	7638
4 Raw materials/stores and spares consumed	25336	27041	7802	6798	12792	11854	13363	10646	3731	3450
5 Other manufacturing expenses	17500	16745	2524	2132	28394	21091	3779	2874	443	248
6 Remuneration to employees	4980	4354	676	642	2795	2717	2191	1967	1543	1340
7 Other expenses	5195	4531	-3692	-844	4430	3862	2202	1590	2051	1763
8 *Operating profit*	29111	27267	5316	2880	3973	3585	2924	2130	1577	837
9 Interest	4804	5324	3741	2489	1609	1573	1751	1826	456	598
10 *Gross profit*	22159	2294	1647	1288	1952	1658	3710	526	1171	247
11 Depreciation	2686	3699	721	396	394	355	960	1393	180	165
12 *Profit before tax*	19473	19275	923	889	1558	1303	2750	-867	991	82
13 Tax provision	6250	7725	0	0	250	200	5	4	384	3
14 *Profit after tax*	13223	11550	923	889	1308	1103	2745	-871	607	79
15 Dividends	1886	1551	548	455	539	479	345	0	114	33
16 Retained profit	11337	9999	375	434	769	624	2400	-871	493	46
Liabilities/assets										
17 Paid-up capital	4337	3877	1479	917	1198	1198	3192	2306	824	653
18 Reserves and surplus	162259	136127	13234	4519	4441	3673	7774	3577	2122	856
19 Long-term loans	26527	28696	19981	23264	4967	3870	7748	8442	1918	2148
20 Short-term loans	3547	5000	6269	3937	3831	2987	3235	5153	457	1325
21 Of which bank borrowings	2326	4637	3469	375	2197	1983	2457	2828	454	1255
22 Gross fixed assets	197014	186748	30007	18069	7802	6180	21467	21424	3691	3415
23 Accumulated depreciation	78077	68515	2803	2093	2757	2425	10169	9914	1397	1236
24 Inventories	14271	14436	3179	2422	8856	7819	5735	5512	2303	1811
25 Total assets/liabilities	205879	183419	47090	36860	24062	21592	272778	23194	7378	6468
Miscellaneous items										
26 Excise duty	17219	22033	880	561	955	776	6415	6587	1303	1234
27 Gross value added	24978	29187	4941	4555	5717	5468	9950	4314	3144	2019
28 Total foreign exchange income	4718	7786	32	15	5573	5030	930	528	75	113
29 Total foreign exchange outgo	3064	3132	4204	5967	5386	3707	3513	2504	1277	2369
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	36.4	41.2	23.5	28.4	209.6	187.3	82.3	78.5	120.2	120.6
31 Sales to total net assets (%)	38.1	43.5	27.0	32.1	349.3	344.8	102.3	93.5	1667	156.6
32 Gross value added to gross fixed assets (%)	12.7	15.6	16.5	25.2	73.3	88.5	46.4	20.1	85.2	59.1
33 Return on investment (gross profit to total assets) (%)	10.8	125	3.5	3.5	8.1	7.7	13.6	2.3	15.9	3.8
34 Gross profit to sales (gross margin) (%)	29.6	30.4	14.9	12.3	3.9	4.1	16.5	2.9	13.2	3.2
35 Operating profit to sales (%)	38.8	36.1	48.1	275	7.9	8.9	13.0	11.7	17.8	10.7
36 Profit before tax to sales (%)	26.0	25.5	8.4	8.5	3.1	3.2	12.2	-4.8	11.2	1.1
37 Tax provision to profit before tax (%)	32.1	40.1	0.0	0.0	16.0	15.3	0.2	-0.5	38.7	3.7
38 Profit after tax to net worth (return on equity) (%)	7.9	8.2	6.3	16.4	23.2	22.6	25.0	-14.8	20.6	5.2
39 Dividend (%)	45.0	40.0	40.0	50.0	45.0	40.0	12.0	0.0	16.0	5.0
40 Earning per share (Rs)	30.49	29.79	6.24	9.69	10.92	9.21	8.60	-3.78	7.37	1.21
41 Book value per share (Rs)	206.11	144.16	99.48	59.28	47.07	40.66	34.35	25.51	35.75	23.11
42 P/E ratio (based on latest and corresponding last year's price)	37.7	22.2	7.6	17.5	38.4	32.6	9.6	-16.7	52.9	90.9
43 Debt-equity ratio (adjusted for revaluation) (%)	29.7	51.3	135.8	428.0	88.1	79.4	70.7	143.5	65.1	142.3
44 Short-term bank borrowings to inventories (%)	16.3	32.1	109.1	15.5	24.8	25.4	42.8	51.3	19.7	69.3
45 Sundry creditors to sundry debtors (%)	92.1	69.0	58.0	62.1	144.9	174.9	85.8	52.5	25.2	41.0
46 Total remuneration to employees to gross value added (%)	19.9	14.9	13.7	14.1	48.9	49.7	22.0	45.6	49.1	66.4
47 Total remuneration to employees to value of production (%)	6.6	5.8	6.0	6.0	5.4	6.4	9.3	10.6	16.8	18.1
48 Gross fixed assets formation (%)	14.3	118.7	66.1	124.0	26.2	9.3	0.2	—	8.1	8.2
49 Growth in inventories (%)	-1.1	28.5	31.3	0.6	13.3	30.9	4.0	—	27.2	-24.4

pharmaceutical division of the company, which undertook a major re-structuring, achieved a turnaround during the year. Though this was achieved through reduction in inventories at the cost of sales (sale of tablets and capsules was lower at 6,803 lakh nos as against 7,081 lakh nos sold last year), profitability improved, thus paving the way for further drastic action to ensure long-term viability. The fine chemicals division maintained sale of imported materials while improving its gelatine operations. The company has undertaken an expansion programme for increasing the gelatine facility's capacity by 60 per cent in order to meet the rising domestic demand and to enter the export markets. Further progress has been made on the vegetable tanning project which is based on indigenous technology sponsored by the company at the Central Leather Institute. The results of the test-market of the vegetable tanning extract, an environment-friendly product, have reportedly been encouraging.

On the export front, the company achieved a 11 per cent rise in exports despite recessionary trends in Europe and Japan which are its major markets. It expects higher exports in the coming years as prospects in the new export markets for garments and marine products, which the company recently entered, are bright.

Meanwhile with a view to entering the real estate development business, Rallis India plans to renovate and develop several underutilised properties of its own in the metro cities in order to convert them into performing assets.

GERMAN REMEDIES

New Products

After a dismal performance in 1992-93, German Remedies (GR) has managed to significantly improve its performance in 1993-94. While net sales increased by 13.7 per cent over the previous year, operating profit was up 88.4 per cent and net profit was almost seven times higher than in the previous year. Consequently the company's operating profit margin which languished at 10.7 per cent in the last two years, i e, 1991-92 and 1992-93, spurted to 17.8 per cent and net profit which stood at around 1 per cent zoomed up to 6.8 per cent. Following the sharp rise in profitability the company has increased the dividend rate from a mere 5 per cent last year to 16 per cent in 1993-94.

Production of tablets and capsules, liquids (orals and injectibles) and chemicals was higher during the year. The import content of raw material consumed has been brought down from 53.9 per cent to 50.7 per cent. The company claims that its improved preformance was due to improvement in product sales mix, and tighter control exercised on revenue and capital expenditure as also the strengthening of marketing activities through the complete reorganisation of sales and marketing setup. Exports, however, suffered due to the absence of major exports to CIS.

During 1993-94, 10,83,027 15 per cent secured redeemable partly convertible debentures of Rs 100 each, which were issued in the previous year on rights basis, were partly converted into 10,83,027 equity shares of Rs 10 each at a premium of Rs 45 per share on December 1, 1993. Further the company also issued 6,34,866 equity shares of Rs 10 each at a premium of Rs 45 each to its foreign collaborators in order to enable the latter to maintain their shareholding stake. Following the issue of equity, the company's capital base has risen from Rs 6.5 crore to Rs 8.2 crore.

Meanwhile the company's new antibiotics plant at Goa commenced commercial production and will contribute to the 1994-95 turnover. GR plans to continue launching new products in the domestic market and in line with this strategy it has commenced marketing several oncology products of Asta Medica AG in the domestic market since November 1993 besides producing and marketing new products like the JONAC range of anti-inflammatory drugs and various generic products.

INDIAN ORGANIC

Back in Black

Indian Organic Chemicals (IOC) has managed to come back into the black after posting a net loss of Rs 8.7 crore in 1992-93. While the company's net sales rose by 23.4 per cent in 1993-94, operating profit rose by 37.3 per cent. Sale of its properties/poly condensation unit yielding a net profit of around Rs 29 crore which further enhanced profitability during the year. Higher profitability (even after deducting a net non-operating profit of Rs 25.4 crore for the year, net profit stands at Rs 2.1 crore) enabled the company to declare a dividend of 12 per cent during the year on a higher equity base after skipping dividend last year.

Production and sale of alcohol-based chemicals during 1993-94 was lower at the chemicals division following severe competition in the market. Further, a sharp rise in the price of basic raw material, namely, industrial alcohol and a drop in sale prices due to competition from exports put pressure on the division's margins. Consequently, production and sale of these chemicals fell from 15,540 mt and 15,147 mt, respectively, to 14,603 mt and 14,300 mt. The company's 'Futura' synthetics division saw an improved performance with production and sale of polyester chips improving from 10,598 mt and 11,273 mt, respectively, to 14,433 mt and 13,682 mt during the year under review. Production and sale of polyester filament/partially oriented yarn however could not be improved over the previous year's level mainly due to the strike in the plant from November 1992 to May 1993, the two transport strikes during August and September 1993 and the texturisers' strike in March this year. The 'Sonata' software division, which was appointed by Microsoft Corporation as its distributors in India for its entire range of products, meanwhile maintained its leadership position in the market and offered additional value added products such as high resolution fonts, colour separation software, document management solution, etc, to the printing and publishing industry in addition to 'Prakashak'.

The chemicals division of the company received the ISO 9002 accreditation thus making the company the first heavy organic chemical manufacturing unit in the country to do so. The modifications to the phenylglycine plant, based on the limited foreign technology acquired, was expected to be completed in July this year and commercial production was expected to commence soon after. The division is now marketing pesticides formulations and other agro products like bio-fertilisers and 'jalshakti' and this is expected to contribute substantially to the current year's sales. The synthetics division also completed revamping of its spinning line to maximise spinning capacity and has established facilities for solid state polymerisation with foreign technical know-how. Further, Futura Polymers, the company's 100 per cent EOU joint venture project set up with Pepsi-Cola International of the US commenced exports in April this year. The project, which has been set up with a contribution of Rs 18.7 crore from IOC alone, is expected to produce 24,000 mtpa of bottle grade polymer chips at its full capacity which will be attained before the end of the calendar year. The company's foreign currency loans will fall by about Rs 12.7 crore after it received approval from financial institutions for sale of equipment and machinery constituting its POY plant. The software division commenced marketing operations in the US through Offshore Digital Service Inc, and it has established a long-term contract with an existing client following the improved volume of business for software projects in Europe.

Food Exports and Food Requirement

J M

The intention of the minister of agriculture, and indeed of the government in general, to focus on increasing crop exports, including exports of foodgrain, involves operating with a disregard for the likely decline in food availability for the poorest and the most vulnerable groups in the population.

ON a number of occasions in recent times, the union minister for agriculture, Balram Jhakar, has declared bright prospects of foodgrain exports from India and dismissed fears of any consequent food shortage at home. For example, according to the *Financial Express* of July 5, he is reported to have told a PTI interview that "he was confident the country could export foodgrain to earn foreign exchange and did not agree with the view in some quarters that India needed to produce 230 millions of foodgrain by the end of the century to feed its own population". According to him "the current production of 180 plus million tonnes is sufficient for even the projected population of one billion by 2000 AD" and that "the estimate of 230 million tonnes was based on a presumed pattern which did not take account of the varied consumption culture which included meat, nuts, pulses, etc".

What is most striking about such statements is not so much their Marie Antoinette-like quality, as much as the break they represent from the pronouncements of Jakhar's predecessors. The latter, if anything, usually over-estimated future requirements in order to justify higher outlays for agriculture. And the differences here testifies to a subtle change in the nature of ministerial responses, probably flowing from the altered incentive structure under the new economic regime.

Evidently, the message has been driven home in ministries as diverse as power, telecommunications, drugs and pharmaceuticals, coal, petroleum and chemicals, etc, that large increases in the capital expenditure under departmental control are no longer possible. Therefore, the pecuniary benefits (to those involved in decision-making) that could hitherto be derived from such expenditures have to be obtained by other means. There is a clear method emerging in the alarcity with which minister after minister is jumping in to welcome foreign investment, even while they all simultaneously guard their turf by insisting that *they* conduct the negotiations and make the necessary concessions. As in the 'bad old days', when ideology had little to do with the jockeying for plan funds, the new-found love for attracting private capital has less to do with any ideological shift and is more a means of achieving the old objective of parallel private enrichment under an altered set of constraints.

The main criticism of the old regime was that the so-called 'soft budget constraint' allowed expenditures to mount well beyond levels justified by current taxes and future project returns, thus enabling costs to be padded for both populist reasons and for private gain. Today private investment, supposedly more efficient, is being wooed essentially because public funds are scarce and because, with enough discretion retained, this allows government decision-makers to serve their earlier goals (on both the public and private agenda) in a situation of a supposedly 'hard budget constraint'. It is almost certain that the resulting discretionary tax concessions and sovereign guarantees which are being offered in the name of attracting private investment have even worse implications, both fiscal and economic, than those of the earlier regime. Rent seeking continues, but at a greater economic cost, especially because per force decision-makers now have no real option but to seek their private returns upfront. And because in today's environment such concessions are easier to grant to foreign investment proposals, these are more attractive than domestic private investment.

In this context, ministries such as Balram Jakhar's are at a disadvantage compared to those presiding over sectors where mega-projects are on offer from large corporations based in recession-ridden developed countries. True, there is scope for foreign investment in areas like horticulture, aquaculture and food processing, but such investment really requires concessions not from the centre but from the states, and in pushing for these the ministry of agriculture cannot realistically be accused of chasing any private agenda.

On the other hand, with almost all commentators agreeing that 'reforms' so far have bypassed agriculture, this ministry, probably more than any other, stands accused of having done precious little for its sector. Moreover, the fiscal strategy of cutting subsidies on fertiliser, power and irrigation, although still in a state of limbo, has antagonised farmers. Despite the aggressively positive propaganda on the part of officially-controlled media, rural folk continue to be uneasy about the possible implications of GATT. In this rather difficult situation, two possibilities were open to shape a concrete response.

The first option would involve a massive decentralisation of funds available for agriculture and rural development along with a renewed emphasis on land reforms The principal argument in favour of this strategy is that this would almost certainly result in a better return to public funds expended. Also, in such a scenario, units of local self-government could be devolved funds, including those currently going into explicit and implicit subsidies, while increasing user costs to economic levels. This would confront communities with truer costs and benefits of different options and, although subsidies could still continue if the local authority so chose to spend devolved funds, the chances are that waste would be reduced and new more economically beneficial opportunities would be identified. However, this would seriously weaken the patronage linkages underlying the present political system. For the party currently in power, this would also carry the danger that a rural populace that is already less than enthusiastic about the present economic and political arrangements, might with relative economic independence destabilise the present order. For this reason alone, this option stood no chance, as is already evident in the fact that almost every Congress-led state administration (with the honourable exception of Madhya Pradesh) is dragging its feet on the new panchayat legislation. Moreover, this runs contrary to current ideological predilections for at least two reasons: it would not reduce government expenditure on rural areas so that fiscal adjustment would require more taxation; and it would stress community rather than private effort while at the same time weakening the actual control of the 'reformers' at the centre.

The second option is the one more likely to be pursued in the present context, because it does not disturb the political status quo, retains the centralisation of economic and financial power inherent in this pattern of 'reform', and is also consistent with the reigning theology of emphasis on 'free' markets. This strategy involves the liberalisation of internal and—especially—external trade in agricultural commodities, in the expectation that rising output prices will act as incentive to farm investment and lead to increased growth rates of output, while simultaneously improving real incomes in the countryside. Enhanced agricultural exports play a critical role in this strategy,

and the assumption usually made is that such exports will come out of increasing aggregate production, so that both the issues of food security and distributional considerations arising from the shift in relative prices can be dealt with. The focus on agricultural exports is particularly attractive for the government given the recent data on exports which suggest that protectionism and recession in developed countries remain formidable obstacles to the substantial expansion of Indian manufactured exports.

This background explains the motivation behind the government's—and the agriculture ministry's—desire to establish that increased volumes of agricultural exports are not only likely to lead to greater rural and national prosperity, but will also involve no shortage of domestic per capita availability relative to requirement. Two issues are involved here: the expectation that price incentives will be adequate to ensure additional farm investment *and* output even in the context of declining expenditure on rural infrastructure; and the estimation of 'adequate' domestic foodgrain requirement which will allow the release of an exportable surplus. It is the latter which is currently being given greater weight in policy pronouncements. And, as has become the official custom, the basic policy thrust is reinforced by the report of a specially appointed committee, which provides arguments and empirical estimates which broadly support the desired conclusion. In this case, the relevant report is that of an inter-ministerial working group, with representation from the ministries of agriculture, food, civil supplies and health, and also from the Planning Commission, the National Sample Survey Organisation and the National Institute of Nutrition (hereafter working group), set up specifically to review domestic foodgrain requirements by the year 2000. One important conclusion in this report is that "total per capita availability of energy, proteins and fat from indigenous production now exceeds the nutritional requirements of the entire population".

Such a significant conclusion can neither be dismissed out of court nor accepted at face value, without a more detailed consideration of the definitions of nutritional requirement employed and the basis of the empirical estimates. Clearly, a statement in general terms is meaningless and has little value. In order to arrive at an appraisal of the present and likely future nutritional status of India's population, it is necessary first to define a 'requirement norm', then to obtain estimates of actual nutritional intake by different groups in the population, and finally to assess over time and across groups the extent to which the norm requirements are met through actual intake. In all of these exercises, there are problems not only in defining the nutritional norm but also in measuring the actual intake, given the multiplicity of data sources and differences in sampling procedures followed.

Nutrition: Requirements and Intake

The nutritional norm commonly employed in India is anchored upon the Recommended Daily Allowances (RDA) of the Indian Council of Medical Research (ICMR), which is an average requirement taking into account the age, sex and activity distribution of the Indian population and assuming the nutrition needs of normal, healthy individuals in each group. The normative daily calorie requirements on this basis are 2,400 kilo calories (KCal) for rural areas and 2,100 for urban areas, and this is also the norm used by Indian poverty studies and adopted by the WGFR. Such a norm is necessarily imprecise because actual requirements can vary considerably from individual to individual, but it is useful as a rough bench-mark when supplemented by demographic and clinical indicators on life expectancy, infant mortality, stunting, wasting, the body-mass index, etc.

There are diverse data sources for actual intake. These include the Food Balances (FB) derived from CSO data, which estimate net food availability in the country after adding up production, net imports (after exports) and known additions to stocks for any year. From this the per capita availability of different foodstuffs is calculated and the average calorie consumption in the country is obtained, using appropriate conversion factors. In contrast to this approach are the disaggregated, survey-based estimates of the NSS and the National Nutrition Monitoring Bureau (NNMB). The NSS surveys are based on large samples, covering all Indian states. The NNMB surveys, though covering smaller samples, are more intensive, and focus more directly on actual dietary intakes, compared to NSS calorie intake estimates which are obtained as part of a larger exercise to measure consumer expenditure patterns as a whole. The main difference between the FB and the survey estimates is that while the former can only give estimates of the national average intake, the latter, particularly the NSS, permit a disaggregation by different groups in the population.

The FB data, on which the working group has relied, suggest that average per capita daily energy availability remained roughly constant between the early 1960s and the mid-1970s, at between 2,000 and 2,100 KCal, with about 70 per cent of this coming from foodgrain. However, it grew steadily thereafter to around 2,400 KCal currently, with almost two-thirds of the increase being accounted for by foods other than foodgrain. On the other hand, as per NSS estimates, average energy intake in rural areas was 2,266 KCal in 1972, 2,383 KCal in 1977-78, 2,230 KCal in 1983 and 2,257 KCal in 1987-88; the corresponding figures for urban areas being 2,107, 2,382, 2,099 and 2,129 KCal. Thus, the NSS data show no clear trend over time, and are substantially larger than FB estimates for earlier years while being lower in the late 1980s. A similar pattern of marginal calorie decline, although with somewhat lower intake estimates, can be observed from the NNMB data. Thus, if data from the surveys are accepted there is no evidence of any significant improvement in average nutritional intake to warrant the working group's optimistic assessment derived from the FB data.

Some of the discrepancy can be accounted for by the nature of the survey data. The surveys of NSS and NNMB, made at the household level, exclude sections like migrant labourers, destitutes and the homeless. They tend therefore to under-enumerate the very poor, and, for the NSS such under-enumeration is known to exist also for the very rich. This matters because for foodgrain (which provides the bulk of average calorie intake in India) the difference in consumption between middle and upper income groups is small but consumption disparities are quite pronounced when it comes to the poorest sections of the population. To the extent that these poorest groups are under-enumerated, there is an element of overestimation of foodgrain consumption in the NSS surveys. Similarly, when it comes to items such as milk, eggs and sugar (which are the fastest growing food items according to FB) the difference between the poor and middle groups is relatively small compared to the disparity with the rich so that under-enumeration of the rich leads to an under-estimation of such consumption.

Such under-enumeration can explain the deviations between FB and survey estimates even if the former are generally valid. Thus, given the weight of foodgrain in overall consumption, the surveys would tend to overestimate calorie intake but this bias w0uld tend to be reversed as consumption of milk, etc, grows more rapidly, as indeed has occurred according to the FB data. Moreover, unlike the survey estimates, the FB estimates, which clearly indicate an improvement in the average nutritional status during the 1980s, are also consistent with the fact that most clinical indicators (including the proportion of underweight children and the Body Mass index for adults) suggest a definite improvement between 1975-79 and 1988-90 (*cf* NNMB *Nutritional Assessment and Analysis in India*). Thus, the working group may be right in preferring the FB intake averages to the survey-based ones.

What is debatable, however, is its implicit confidence that because the average nutritional intake according to FB data is larger than RDA norms, the nutritional situation overall is satisfactory. In fact, despite a reduction in the underweight prevalence

among children from 71 per cent in 1975-79 to 63 per cent in 1988-90. India had the second highest incidence of this clinical measure of malnutrition among all the countries surveyed in the recently published United Nations *Second Report on the World Nutrition Situation 1993* And special NSS tabulations prepared for the Expert Group on Estimation of Proportion and Number of Poor show that more than 60 per cent of Indians consumed less calories than the RDA norms in 1983 and 1987-88, a proportion which is double the official estimate of the incidence of poverty

NSS data provide a disaggregated picture of calorie consumption by different expenditure classes in both rural and urban India over time These figures can be assessed in unadjusted form, or adjusted by blowing up by common factors so as to give the same itemwise average intakes as given by FB The unadjusted NSS figures suggest a fall in calorie intake particularly for richer groups while adjusted data show some rise particularly for the poorer groups But the notable point here is that, especially for the bottom 80 per cent of the population the changes in either direction are small and no clear trend can be discerned One important fact which emerges however is that the average energy intake of the bottom 40 per cent of the population is considerably below the RDA norms of 2 400 KCal for rural areas and 2 100 KCal for urban areas, and only the top 20 per cent are unambiguously above these norms

The NNMB study quoted above has pointed out that the levelling off of cereals and calorie consumption is a cause of concern as current levels are too low to translate into nutritional adequacy' The virtual stagnation in calorie intakes among lower income sections comes despite the fact that poverty levels measured by total expenditure on food and non-food are falling This may have to do with the fact that the poor groups are now forced to divert a larger portion of their wages for buying items like fuel, which were once 'freely available from, say, common property resources

Demand for Foodgrain

Although the main task set for the working group (according to its terms of reference) was to "suggest realistic requirement of different food crops by 2000 AD", it restricted itself only to the determination of normative foodgrain requirements based on the energy-protein needs of the average population One weakness of such an approach—that nutritional adequacy norms derived from the population average can be highly misleading as a bench-mark for the nutritional status of the population at risk when there are large inequalities in food consumption—has already been commented upon Another deficiency, which is perhaps more important from the point of view of policy, is that such projections of normative requirements can hardly claim to represent 'realistic requirements' for the future, especially given that actual foodgrain consumption has exceeded these stated 'norms' in all except seven out of the last 40 years

The basic problem is that actual consumer demand is driven, not by nutritional norms, but by tastes, incomes and prices As a result, some people can fall below the norm because they cannot afford the basket of foods defining the norm, others, who can afford the norm basket, may still consume below the norm because at prevailing prices their tastes lead them to choose nutritionally inadequate diets, and yet others may have tastes which lead them to consume amounts of food grossly in excess of their nutritional requirements In general, the actual demand for foodgrain in any country is unlikely to be determined either entirely or even primarily, by nutritional requirements Countries which can enforce strict food rationing based on dietary requirements and availability may come close to limiting actual demand to nutritional needs as many countries did indeed manage during World War II, but in a free market economy 'normative requirements of the type calculated by the working group are extremely poor indicators of actual market demand

The most important policy implication of this is that if supplies are limited to the calculated normative requirements' but households are left to choose their consumption freely in the market, the likely excess of actual demand over the normatively determined supply would push up food prices and squeeze the consumption of those groups least able to protect their food consumption in the face of food price inflation Acute distress is possible even if the total availability of food is adequate to meet average norms of nutritional requirement if the poor lose entitlements' as a result of incomes failing to adjust to food prices

Thus, the 'normative requirements projected by the working group are valid as an indication of likely demand only on the explicit assumption that the excess consumption of the rich can and will be held back and diverted to the poor through effective rationing Such a view, that foodgrain production would be enough to meet domestic requirements if only it were distributed properly, is one which was articulated by certain economists during earlier periods when India had to meet food shortages through imports The report echoes this position when it notes that "undernutrition is essentially a problem of inadequate access of the poor to food and not that of inadequacy of indigenous production" However, the point is that the steps required to set in place a comprehensive rationing scheme effective enough to ensure adequate access of the poor and underprivileged groups were found to be both infeasible and undesirable even in those earlier times of acute shortage It is certainly highly unlikely that they would be considered seriously today Indeed, despite the observation quoted above the working group's essential concern is that "foodgrain production will remain stagnant at current level if a strong market pull is not exercised", and it sees exports as the way out

The question then is what is the likely difference between domestic production and consumption, given plausible increases in national income and assumptions about domestic prices which are both realistic and politically feasible? The methodology employed by the working group is singularly inappropriate to answer this question The appropriate methodology, used by most economists for projecting future demand, is to first model the past demand as a function of incomes and prices and then to use this model to project future demand on the basis of assumptions regarding likely trends in incomes and prices A key parameter in such exercises is the income elasticity of demand, which is the percentage increase in per capita demand likely to be associated with every 1 per cent increase in per capita income There are a number of studies which have attempted to estimate India's foodgrain demand, and these show a fairly surprising degree of consensus in placing this elasticity at around 0 4 What this means is that if population continues to grow at 2 per cent per annum, per capita GDP growth is restored to the 3 per cent per annum achieved in the 80s, and if relative prices remain unchanged, the demand for foodgrain would grow at 3 2 per cent per annum Using the same bench-mark figures as used by the working group as base, this yields a demand in year 2000 of 219 million tonnes at physiological level, or 225 million tonnes at production level This is much lower than some other projections (of up to 263 million tonnes made recently in G S Bhalla (ed), *Economic Liberalisation and Indian Agriculture* 1994) but considerably larger than the working group's projection of the requirement (at production level) of only 179 million tonnes in year 2000

One important implication of this concerns the likely surplus available for export The working group estimates of foodgrain requirements suggest that there is already a surplus over production of almost 20 million tonnes and this will increase over time if production increases faster than population On the other hand, the demand projection based on an income elasticity of 0 4 implies that there will be no exportable surplus, and indeed a deficit of around 3 million tonnes, in 2000 AD even assuming that foodgrain production grows at the high 1980-90 rate of 3 per cent per annum

It might, however, be argued that no particular sanctity attaches to the value of 0.4 for the income elasticity which is based on rather old research, and that changes in tastes and prices are likely to cause foodgrain demand to grow somewhat slower in the future. Indeed, the World Bank has also recommended diversification of agricultural production and opening up of agriculture to international trade while projecting foodgrain demand in year 2000 to be 205 million tonnes (*1991 Country Economic Memorandum, Volume II*). This estimate, which is about half-way between that of the working group and that obtained using an income elasticity of 0.4, implies an exportable surplus of around 17 million tonnes if foodgrain production continues along past trends. It was obtained on the basis of an assumed growth of GDP of 4 per cent per annum and an implicit income elasticity of only about 0.2. This lower elasticity assumption is based on the research of R Radhakrishna of Centre for Economic and Social Studies, Hyderabad who using National Sample Survey (NSS) data has found that changes in foodgrain demand over time are not captured adequately by prices and incomes alone but must incorporate shifts in tastes away from foodgrain.

It has already been noted above that in some ways the FB data fits better with other known facts. Moreover, the adjusted NSS cereal consumption figures give a picture where over time per capita cereal consumption has been rising for the poor groups and remaining constant for the rich—a pattern quite consistent with the cross-section relationship. Regressing these adjusted NSS figures against per capita GDP and relative prices gives income elasticities ranging from 0.6 for the poorest 40 per cent of the rural population to zero for the richest 20 per cent in rural areas, with urban groups having intermediate values ranging from 0.5 to 0.15. The weighted average elasticity for the entire population works out to 0.35 which is also the value obtained when the elasticity is calculated directly from per capita FB figures and GDP data for the period 1980-93. Using this elasticity along with the assumption of a 3 per cent growth of per capita incomes gives a foodgrain demand of 222 million tonnes in year 2000.

This calculation suggests that the nation would be just about self-sufficient (without any sizeable export surplus) if foodgrain output grows at 3 per cent per annum and food prices are not allowed to rise faster than the average price level. Further calculations using the decile specific elasticities to project the distribution of this average consumption shows that even though the poor would be the main consumers of additional production, the bottom 40 per cent of the population would continue to have calorie consumption a 10 to 15 per cent below the required nutritional norms. In other words, unlike the working group on foodgrain requirement which projects high exportable surpluses of foodgrain with adequate nutrition for the domestic population, the likely picture in year 2000 is one where undernutrition would continue to afflict roughly half the population and yet there may not be much by way of an exportable surplus.

However, export surpluses can be squeezed out if domestic food prices are allowed to rise much faster than the average level, as is happening now. It is by now clear that the government plans to liberalise international trade in foodgrain allowing domestic prices to reach international levels. Currently, Indian prices are roughly 10 per cent less than international prices for wheat, 30 per cent less for rice and about 10 per cent more for coarse cereals and pulses. Moreover, the recently concluded GATT agreement is likely to push up the international relative price of wheat and coarse grains by about 5 per cent while bringing down rice prices by a similar amount (A S Brandao and W Martin, *Implications of Agricultural Trade Liberalisation for Developing Countries*, World Bank, 1993). In the net, therefore, liberalisation of agricultural trade in the post-GATT scenario may involve a rise in the domestic relative prices of foodgrain by about 15 to 20 per cent. The effect of such a price rise (as measured by calculated price elasticities or the percentage decline in food consumption per percentage increase in relative price) would be to squeeze the consumption of the poor while leaving that of the rich relatively unaffected. In this case, export surpluses of about 10 to 15 million tonnes may be possible in 2000 AD but at the cost of the poor consuming significantly less than even the inadequate amounts they do today. It should be noted that while the effect of exporting food upon domestic price and availability is direct and therefore more obvious, similar results would occur even if other non-food cash crop exports were encouraged, insofar as these imply acreage shifts away from food rather than substantially increasing total supply.

It therefore appears that the stated desire of the minister of agriculture, and indeed of this government in general, to focus upon increasing crop exports—including the exports of foodgrain—involves operating with a disregard for the likely decline in food availability for the poorest and most vulnerable groups in the population. But in its emphasis on price incentives and generally deregulated markets—as indeed, in the lack of concern for the impact upon poorer groups—this strategy is consistent with the other elements of the economic 'reform' package of the present government.

UN Human Rights Rapporteurs Censure India

A G Noorani

The reports of the two Special Rapporteurs of the UN's Economic and Social Council on 'extra-judicial executions' and on 'torture and other inhuman treatment' as well as Amnesty International's report on 'disappearances' present exposures of outrages perpetrated by the Indian security forces. Here is ample material for the National Human Rights Commission to work on, if it is serious about its mandate.

SPOKESMEN of the government of India have been eloquent about India's transparency on the human rights situation. It has not appeared in our press, but the government turned down a request by the Special Rapporteur on 'extra-judicial, summary and arbitrary executions', Bacr Waly Ndiaye, appointed by the UN's Economic and Social Council, to visit India. The Rapporteur's Report dated December 7, 1993 is the eleventh since the Council established the mandate on May 7, 1982. Paras 327 to 342 of the report concern India.

Ndiaye wrote (para 334): "In the light of these allegations and, in particular, of the fact that similar reports had come before the Special Rapporteur over a number of years, the Special Rapporteur conveyed to the government of India his interest in carrying out a visit to that country with a view to being in a better position to evaluate the situation and, consequently, proposing constructive recommendations that may help prevent the recurrence of such violations. With reference to the particular problem of deaths in custody due to ill-treatment, it was suggested that such a visit could be carried out jointly with the Special Rapporteur on the question of torture."

What was the response? Para 339 records: "The Special Rapporteur was informed by the government of India that it was preferable to let the newly established human rights mechanism deal with allegations of violations of the right to life." As has been noted earlier (*EPW*, August 6, 1994, 'Kashmir and a Farcical Human Rights Commission') the HRC headed by Justice Ranganath Misra is a farce when it deals with Kashmir, no doubt for 'patriotic' reasons. It has yet to do justice to its mandate in respect of Punjab. We shall watch its performance. Insofar as it has bestirred itself on TADA, it deserves praise. The HRC bids fair to be a critic within the framework of 'the national consensus' as ordained by the Establishment—do 'good' on TADA and thus acquire 'credibility' to support the government on Kashmir.

The Special Rapporteur recorded his disappointment in the concluding para (392) in these telling terms: "The Special Rapporteur remains concerned at allegations of violations of the right to life *that continue before him*. He will continue to monitor the situation closely. As concerns the possibility of a visit to India, the Special Rapporteur informed the representatives of the government of India that he did not intend to carry out tasks which fall within the competence and responsibility of national institutions charged with the investigation of human rights violations but *to seek first-hand information* which would provide him with a better understanding of the situation and the problems faced by the authorities with respect to the right to life" (emphasis added). Tersely put, the government of India did not want an independent international official to acquire 'first-hand information' about its record on the right to life. In fact a joint visit by two Special Rapporteurs was requested and refused, but not a word of it in the press.

India's record is a none too flattering one, as Ndiaye noted (para 327): "Since the middle of 1992, the number of deaths in police and military custody have reportedly risen sharply. In many cases, the detainees were reported to have died after torture, shortly after their arrest. As in past years, torture was said to be widespread throughout India to extract confessions or information. Allegedly the victims even included policemen. The Special Rapporteur was informed that, in March 1993, the occurrence of killings of detainees had been admitted by a senior Kashmiri official."

The Special Rapporteur on 'Torture and other cruel, inhuman or degrading treatment or punishment', Nigel S Rodley, gave his report for the year 1993 on January 9, 1994. Paras 261 to 316 of the report deal with India. Para 262 reads: "Information was also received according to which rape by the police is common throughout the country. The victims are generally poor women and those from vulnerable low-caste and minority groups who are taken into custody as suspects, or as hostages for relatives wanted in criminal or political cases or in order to extort payment to secure their release."

Predictably, in Kashmir the outrage has been perpetrated with impunity: "a pattern of human rights violations committed by members of the security forces in the course of their operations in Jammu and Kashmir. These include reports of brutal torture and rape by members of security forces, often in retaliation for attacks by Kashmiri militant groups on them... It was further reported that *the use of rape is common in Kashmir as a weapon against women suspected of being sympathetic to or related to alleged militants*... The authorities have rarely investigated charges of rape by security forces and those which were investigated did not result in criminal prosecutions" (emphasis added).

Finally, there is a report dated December 22, 1993 by the Working Group on Enforced or Involuntary Disappearances. Its previous four reports covered India as does the latest one. Of a total of 213 cases transmitted by the working group to the government, the latter sent 'specific responses' only on 66 and 'clarified' 19 others, that is 85 cases out of 213. Apparently New Delhi did not respond at all in respect of the other 128 cases. Of the 19 cases 'clarified', the bodies of 13 were identified. The others were identified as persons in prison (3), released (2) and at liberty (1).

Against this background, the report of Amnesty International published on December 15, 1993 on the same subject acquires added relevance. It is entitled 'An Unnatural Fate: 'Disappearances' and Impunity in the Indian States of Jammu and Kashmir and Punjab'. It specifies as many as 208 cases in its appendices, but not one specific inaccuracy has been pointed out by the government of India whose response has been a sweeping denial. It should be mentioned that the report also discusses *in detail* "human rights abuses perpetrated by armed opposition groups" and 'condemns' them. It is a meticulously documented exposure of outrages perpetrated by the security forces in the two sensitive states. Will the National Human Rights Commission take up those cases with the respective state governments. Here is ample material for it to work on.

NEW DELHI

A Government Running Out of Options

B M

The prime minister's August 15 speech, with its sabre-rattling directed at Pakistan and its cataloguing of populist schemes which nobody takes seriously any more, was a clear expression of how this government and its economic reform programme are nearing the end of their tether.

UNLIKE the statesman-like address of the head of the state, president S D Sharma, on the eve of Independence Day, the speech of Narasimha Rao, the prime minister, on August 15 from the ramparts of the Red Fort to a captive audience was that of a politician burdened by the uncertainties of the coming elections to 10 state assemblies and eventually to the Lok Sabha early in 1996. He could be seen to be not riding the high horse and pretending to be unassailable as he did at the Congress rally a few weeks earlier staged to celebrate three years of the government headed by him. He was, on the contrary, very much on the defensive in his speech on August 15. During the intervening weeks between the Congress rally and Independence Day, he was put squarely in the dock by all the opposition parties uniting on the issue of growing corruption and the accountability of the government when a wishy-washy 'Action Taken Report' was presented to parliament on the securities scam. The president, significantly, had found it necessary to urge all political parties and the government to observe the principle of accountability to the people of India which had become an issue of vital national concern because of the deadlock in parliament over the government's attempt to sidetrack its responsibility for the gigantic fraud perpetrated with the involvement, directly or indirectly, of government officials and ministers. The prime minister simply skirted this major issue.

How far the president's public advice influenced the government's decision later to agree to revise its Action Taken Report is difficult to guess. The prime minister had not given any hint of flexibility on the united demand of the opposition parties, in spite of their many differences, for the withdrawal of the government's ATR. It is, however, tempting to think that the government was forced, in the face of the firm stand of the opposition parties, dissent within the ruling party and the sage advice of the president to give up its rigid stand and make possible the return of parliament to normal functioning.

The prime minister on August 15 also chose to go for what can only be characterised as a long chauvinistic tirade against Pakistan. What exactly inspired him to do that too is difficult to guess. But the moral force of India's position on relations with its immediate neighbour was certainly undermined when he tried to match the jingoistic position of Pakistan and talked of recovering for India what is called 'Pakistan occupied Kashmir'. When this was combined with emphatic promises of increasing the military power of India, the reputation of India as a peaceful, democratic country seeking friendship with its neighbours was hardly enhanced. It was certainly not in the spirit of the Simla accord which has for long been the basic frame of India's policy towards Pakistan. The determination to hold on to Kashmir with military means and at all costs, which Rao articulated, cannot give solace to the people of Kashmir who are engaged in a bitter struggle for their autonomy and democratic rights. The prime minister's announcement of preparations for holding elections in Kashmir was indeed provocative for the Kashmiris in their prevailing circumstances. The idea that Narasimha Rao can pull off a repeat of the elections in Punjab to restore peace and order in Kashmir should not be taken seriously and, in the absence of a genuinely democratic approach to the people of Kashmir, can actually aggravate India's Kashmir problem.

The second part of the prime minister's speech was a listless presentation of a catalogue of some populist measures which, after the experience of what little official schemes launched in the past to generate employment, etc, have actually delivered, no longer carry conviction. The performance of the government on this score in the last three years has been dismal. Rao indulged in a lot of rhetoric, for instance, on eliminating child labour. But it is well known that child labour has been attempted to be covered up rather than ended because of the government's social and economic priorities, especially its focus on promoting exports with cheap labour. Mere reaffirmation of populist intentions and schemes by the government cannot any longer be expected to yield political-electoral dividends. Combined with government's inefficiencies, populist promises actually acquire a grotesque aspect. Thus Narasimha Rao had to admit that the corporate fund of Rs 500 crore for the benefit of minorities which had been announced by him on August 15 last year could not be set up so far because of legal hurdles. The sentiments of minorities, in particular the large Muslim minority in the country, can hardly be assuaged by such measures when they find themselves the objects of gross discrimination and repression. The way TADA has been abused has indeed become a matter of grave concern for the Muslim minority. When again Rao is applauded in the media for 'stealing' the Ram temple platform, the apprehensions of the Muslims, who have not yet overcome the shock of demolition of Babri masjid with the government's connivance, are bound further to increase.

Worse was Rao's brazen defence on Independence Day of the policy of depending on foreign capital for developing modern industry and infrastructure for the growth of the economy. Rao actually claimed that the entry of foreign capital on a large scale would release public authority in India from responsibility for the modernisation of the economy. The Indian state, he suggested, would need to take up only schemes for provision of such facilities as education and health once foreign capital came to India in a big way. He went so far as to suggest that even the Indian upper and middle classes would then be absolved of any responsibility and burden involved in making investments in the modernisation of the economy. This was indeed his justification for providing guarantees to foreign investors as done in the case of the controversial Enron power project in Maharashtra to which he made a special reference as an achievement of government policy. Other projects to follow can obviously expect similar treatment. What Rao was offering was the tantalising prospect of no effort on the part of the upper classes in India for the satisfaction of their inflated expectations. There was not a single word, no reference at all, to independent enterprise in the public or the private sector in modern industry and infrastructure. What the prime minister propounded was a philosophy of domination of the Indian economy by foreign interests. This too was in marked contrast to what the president said when he cautioned "against the ingress of alien acquisitive social mores" and emphasised "the need to build a strong, self-reliant India".

While making a virtue of the compulsion to depend upon foreign capital to undertake, under sovereign protection and guarantee of profits, the prime minister claimed that these projects would after all be situated in India. But they will be the property of foreigners and not of India or Indians. Even in the case

of joint ventures, foreign business interests insist on and have been given the right of majority holding and full management and technological control. It is not surprising that Indian industry remains stagnant and investment by Indians in industry is sluggish under the political-policy dispensation of the Rao government.

The latest quick estimates of the Central Statistical Organisation show that industrial production in India grew in 1993-94 by only 3 per cent. The very idea that Indian industry can return to the growth path, in response to the government's economic reforms programme, seems now to have been given up. Industrial production is just not picking up. The capital goods industry in 1993-94 actually recorded a negative growth rate of 5.3 per cent after the negative growth of 0.1 per cent in the previous year. The fall in production of consumer non-durables during the year as compared to 1992-93 was as much as 3.4 per cent. The growth rate of the manufacturing sector was only 2.2 per cent after the 2.1 per cent growth in 1992-93. There was a rise of 14.6 per cent only in the case of consumer durables, mainly the result of generous fiscal incentives. Electricity production, from already established capacities, and the cement and fertiliser industries performed relatively well in 1993-94 so that industrial production as a whole was able to record a growth rate of 3 per cent. Significantly, the performance of Indian industry presents a stark contrast to the build-up of foreign exchange reserves which have crossed $ 17 billion. The finance ministry and the Reserve Bank are now actually concerned over the burgeoning exchange reserves when economic growth continues to be weak and uncertain. Finance minister Manmohan Singh's response has been to permit large-scale import of articles of current consumption, especially consumer durables of interest to the upper and middle classes and to encourage spending of foreign exchange on foreign excursions, education and medical treatment abroad for affluent Indians. The enlargement of the scope for convertibility of the rupee on current account has logically followed.

The questions of 'structural problems' in the way of economic growth, especially industrial growth, still figures in discussions in official circles. But structural constraints must not become alibis for shortcomings in the performance of Indian industry even as the government shirks meaningful structural reforms, among them curbs on monopolistic practices, speculative trading in commodities and stocks and shares and discouragement of Indian R and D and professional management in industrial enterprises. All that the structrual adjustment programme of the government in the last three years has produced is the marked scaling down of investment in industry and agriculture, both in the public and private sectors. Investment and capital formation is being left to foreign capital inflows. Official policy, with liberalisation and globalisation as its cutting edge, is indeed tending to emasculate the domestic impulses of economic growth. The so-called structural adjustment programme of the Rao government has become too much the preserve of a handful of disoriented and corrupt politicians with an extremely narrow vision to be an authentic design for industrialisation and modernisation of the Indian economy.

The mainstream political parties, both the ruling party and the opposition parties, have been too anxious to maintain what is glibly called political stability and have failed to give close enough attention to the opening up of the Indian economy and society to foreign domination. This has been so despite growing social turmoil and sluggish rates of domestic savings, investment and capital formation. It is not possible, however, to escape the consequences of the emerging economic structure. The ruling establishment, on its part, seeks to harmonise the conflict of interests in society by turning to foreign interests to play the leading role in the economy and its growth. It thus tends increasingly to come into conflict with the interests of the mass of the people and assume authoritarian ways of governance. This has been emphasised by the prime minister's August 15 performance.

An artificial majority in parliament contrived by dubious means—the latest move in this direction is to invest Subramaniam Swamy with cabinet rank to supervise the commerce ministry in implementing the GATT treaty—does not make for political stability or efficient administration. And with assembly elections due shortly to be held and time drawing closer for the Lok Sabha elections, the government cannot but find its policy options severely restricted. It is bound to function more and more brazenly as a coterie serving foreign and Indian vested interests. The avid 'salesmen' of Indian labour and natural resources to foreign business interests and the votaries of strategic alliances with the developed countries, in particular the US, are unquestionably fascinated by their friends in high places in the US and elsewhere—for instance, the 22 American multinational corporations who have combined to form what has been called an Indian Interest Group—who, it is being assumed, will show benevolence towards similar interest groups in India. Narasimha Rao is applauded in these circles as the only basis of political stability. But the people must press for a chance to register afresh their political preferences as early as possible

Sundaram Finance Limited

21 Patullos Road, Madras 600 002.

Speech Delivered by
Shri T S Santhanam,
Chairman,

at the Forty-first Annual General Meeting of
Sundaram Finance Limited
held on 18th August 1994, at Madras.

Ladies and Gentlemen,

I have great pleasure in welcoming you all to the Fortyfirst Annual General Meeting of your Company The Directors' Report and the Audited Accounts for the year ended 31st March, 1994 have been with you for sometime and, with your permission, I shall take them as read

WORKING RESULTS

The year under review witnessed a combined growth of 35% in hire-purchase and leasing business in a difficult market Total receivables crossed the Rs 1000 cr mark, making your Company the first company in the private sector to reach this significant milestone

In the area of deposit mobilisation, your Company registered another impressive performance by mobilising fresh deposits to the tune of Rs 118 cr, an increase of 87% over the previous year's figure Net accretion of deposits was Rs 89 cr as against Rs 37 cr previously Total public deposits as at March 31, 1994 exceeded Rs 350 cr and have crossed the Rs 400 cr mark in just 4 months of the current year I wish to express our grateful thanks to our depositors for the faith and confidence in our Company and also to reassure them of our resolve to maintain the highest standards of safety, liquidity and service in handling their funds In this context I would like to mention that it has become necessary for us to review and restructure our fixed deposit scheme to bring it in line with market conditions, and also to bring about a better balance in our deposit mix

The gross profit figure at Rs 85 16 cr also represents a healthy increase of 36% over the previous year Profit after tax at Rs 26 65 cr represents a more or less similar growth pattern enabling the Directors to recommend the highest ever dividend of 45% The tax provision of Rs 21cr for the year under review makes your Company once again the highest tax payer among private sector finance companies in the country All legally - permissible avenues of tax planning are, of course, being explored by your Company with a view to optimising tax liability consistent with its business profile In this connection, I would like to say that leasing as a form of tax shelter should not be carried beyond a point since it entails deferred tax obligations

ECONOMIC SCENARIO

The Indian economy has reached a critical stage in the reform process initiated three years ago by the present Government There has been a pronounced increase in foreign investment inflows and a greater degree of efficiency and competitiveness in the economy. The balance of payments situation is well under control, foreign exchange reserves are at an embarrassingly high level and still rising The current monsoon, since its timely onset ten weeks ago, has been quite vigorous in many parts of the country indications are that the monsoon season would once again end up favourably in most parts of the country - for the seventh year in succession

Against this back-drop it is expected that there would be a perceptible increase in agricultural and industrial production during the current year leading to an overall growth rate of around 5% — significantly higher than the average during the last three years Consequently, the prospects of the road transport industry, which continues to be the main focus of your Company's financing operations, should be better this year

However, two issues of concern are the high - and unabating - rate of inflation in the economy and the liquidity overhang in the banking and monetary sectors It is my earnest hope that the steps taken by the Government to contain inflation would succeed in the next few months, and that, with a more broad-based industrial recovery, the surplus funds in the banking system would get worked off I also wish that more of the foreign investment coming into the country flows into productive sectors rather than into the softer segments of the economy. The basic

objective should be to improve the country's competitive efficiency and bring about a sustained increase in the country's export capabilities so essential for servicing the high level of external debt and maintaining overall growth at the levels projected in the Eighth Plan.

RBI DIRECTIVES TO NBFCs

The Reserve Bank, in the light of the Dr Shah Working Group's recommendations, has issued a set of guidelines for the prudential management of the business of Non-Banking Financial Companies (NBFCs); these are to be effective by March 1995. The guidelines prescribe norms with particular reference to accounting standards, income recognition and asset classification and provisioning. They also seek to lay down capital adequacy ratios more or less on the lines prescribed for banks and ratios governing credit concentration. Some of these guidelines may require fine-tuning. However, I welcome the broad thrust of these guidelines as they are aimed at the orderly growth of NBFCs and protection of the interests of depositors. Your Company is already in a position to fulfill all the norms and standards laid down. Most well-managed and established NBFCs would also perhaps be able to do so within the prescribed time-frame.

In the ultimate analysis, NBFCs would need to develop and maintain a high degree of self-discipline and self-regulation in their activities and, above all, function, as your Company does, within the Reserve Bank's credit and monetary policy framework. Possibly because of misgivings on this score, proposals are afoot to bring NBFCs also within the ambit of the new Board for Financial Supervision set up by the Reserve Bank. I do hope this Board relies more on off-site supervision. In any case, ensuring compliance with the directives and guidelines laid down and proper co-ordination with the other regulatory authorities concerned are both extremely important. At the same time, the investing public also needs to be wary of the several new products and practices that are being developed in the name of financial innovation and dynamism without due regard to their long-term interests.

ROAD TRANSPORT INDUSTRY

The automobile industry gradually emerged out of the recessionary conditions which it had faced over the last two years. The passenger car and light commercial vehicle segments have fared distinctly better and this trend is likely to continue. The offtake of medium and heavy commercial vehicles is also expected to be significantly better this year.

However, the road transport industry deserves a better deal from the Government. A perspective plan aimed at the orderly growth and development of this sector needs to be urgently drawn up. Major issues to be addressed within this policy framework would include:

- Stepping up allocation of funds to this sector, including the building and maintenance of roads. Currently this is around 35% of the revenue earned by the Government from various levies like excise, commercial tax, road tax, permit charges etc. Comparable figures in developed countries are: USA (95%), Japan (127%), Germany (80%).
- Improvement of roadways, both in terms of widening and proper surfacing and construction of more multi-laned highways. Plan allocation for road improvement has dropped from 6.7 % of the total outlay in the First Five Year Plan to below 3% in the Eighth Five Year Plan. This trend needs to be reversed.
- Classifying the road transport sector as an industry and stepping up training facilities, not only for upgrading driving skills but also other necessary techno-managerial inputs.
- Strengthening of highway patrols and communication facilities: the problem of insecurity on roads is assuming serious proportions in some areas and needs to be effectively tackled.
- Encouraging privatisation of passenger transport and also private sector participation in road development.

BUSINESS PROSPECTS

Your Company has written business of Rs.175 cr in leasing and hire-purchase in the first four months of the current financial year as against Rs.145 cr previously. With the anticipated acceleration in economic growth, business prospects should be better this year, though with the entry of banks into hire-purchase and leasing business directly, competition is likely to further intensify. Your Company is confident of meeting competition and maintaining its growth record through appropriate tactical plans and long-term strategies.

LONG-TERM (BOND) RATING

I am happy to announce that CRISIL, the first Rating Agency set up in the country, have very recently accorded their highest Triple-A rating to your Company for bond issues i.e., borrowings from the market on a long-term basis. Your Company is the only finance company to get this prestigious rating which should facilitate raising medium/long-term funds at appreciably lower cost; and a reduction in funding costs should strengthen your Company's competitive ability.

DIVERSIFICATION

The Committee on reforms in the insurance sector appointed under the Chairmanship of Shri R N Malhotra, has since submitted its report. This, inter alia, emphasises the need for de-regulation and privatisation in order to create a more competitive and financially strong insurance industry. Your Company awaits Government's response to the Committee's recommendations, before drawing up specific plans for diversification into general insurance business.

SUBSIDIARIES

The subsidiary companies, India Equipment Leasing Ltd. and Sundaram Finance Services Limited have performed satisfactorily during the year under review and earned a gross profit of Rs. 425 lakhs and Rs. 137 lakhs respectively. Sundaram Finance Services Ltd. has become an OTCEI member and has since set up Sundaram Finance Securities Ltd. as a subsidiary; the latter has become a member of the Madras Stock Exchange and has recently commenced operations.

These two outfits and the equity research capabilities being developed should lend synergy to your Company's capital market operations. These, as distinct from asset-building activities, are more risk-prone and call for a great degree of skill and expertise. Your Company, in line with its basic business philosophy, would like to develop these capabilities in-house to the required extent before venturing to offer capital market related products to the public. All the more so because stock markets, as the events of 1992 have shown, can be extremely volatile causing steep erosion in net asset values in many cases.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and on my own behalf, I take this opportunity to thank our other customers, bankers, financial institutions and share holders for the co-operation and assistance extended to your Company. I look forward to their continued support. I also place on record my appreciation of the good work done by all members of the staff both in the field and in the office.

Note: This does not purport to be the proceedings of the Annual General Meeting of the Company.

KARNATAKA

Politics of Reservation

Ambrose Pinto

The July 25 notification of the Karnataka government is an illustration of how, yet again, the dominant castes in the state hold sway in state politics

THE third backward classes commission of Karnataka constituted on March 9, 1988 headed by Justice O Chinnappa Reddy submitted its report on April 7, 1990 The two politically powerful communities of vokkaligas and lingayats were kept out of reservation by the commission It is not for the first time that these two communities have been kept out of the reservation purview

Karnataka has a long history of reservation The concept of 'other backward classes' is not new in the state The Millers committee perhaps the first backward classes committee appointed in the country by the Maharaja of Mysore in 1918 was to check the preponderance of the brahmin community in public services The Maharaja being a great visionary wanted the other communities in the state to be adequately represented The Millers committee while submitting its report considered all non-brahmins as backward

When attempts were made to extend benefits to the OBCs (other backward classes) in the post-independent era the high court in 1958 quashed reservation based on a single indicator of caste In striking down the order the court discovered that the beneficiaries of the scheme in the pre independent era were not the socially and educationally backward classes as envisaged in Article 15(4) The court felt that there was no intelligible principle in classification by the Millers committee and communities with high percentage of literacy were included in the OBC list The court struck down the states classification as arbitrary The Mysore government then appointed the Nagan Gowda Committee on January 9 1960 to suggest criteria for backwardness The committee evolved three criteria to classify backward classes "(i) The social position which the community or caste occupies in society (ii) The general educational backwardness of the community on the basis of the high school standard of education (iii) Representation the community has in government service"

Based on these criteria lingayats and bhunts section of the vokkaligas were excluded from reservation benefits The remaining vokkaligas were on the list Yet at the stage of implementation the state government was unwilling to allow lingayats along with bhunts to be omitted from the OBC list

Then came the first backward classes commission in 1975 under the chairmanship of Havanur The findings of this commission were not very different from the Nagan Gowda committee report as far as lingayats and vokkaligas were concerned To quote from its report "The committee is of the opinion that the entire Lingayat Community is socially forward All sections of Vokkaligas excluding Bhunts are socially backward Bhunts are socially forward" There was such an uproar by the lingayat community against the report that the government found itself under political pressure not to implement it

Exactly 10 years later in 1985 the government of Karnataka appointed the second backward classes commission under the chairmanship of Venkataswamy In its recommendations the second backward classes commission went a step forward and excluded the vokkaligas from the OBC tag Both the groups were considered overwhelmingly forward The competition between both the groups of lingayats and vokkaligas for the backward class tag was so acute the report observed "an unhappy and disquietening situation in Karnataka wherein the two premier caste community-classes of Karnataka, the Lingayats and Vokkaligas each claiming that the other is not a socially and educationally backward class and each keen to be included in the list of socially and educationally backward classes" There was such a public outcry against the report, that the then chief minister of Karnataka Ramakrishna Hegde did not dare to hurt the sentiments of both the dominant caste groups with a view to consolidate the Janata Party rule in the state The government order of 1986 provided for 68 per cent reservation and covered 92 per cent of the population including the socially and politically powerful lingayats and vokkaligas

A third backward classes commission was then constituted in 1988 under the chairmanship of O Chinnappa Reddy The Chinnappa Reddy commission which submitted its report in 1990 affirmed the results of the Venkataswamy commission as far as lingayats and vokkaliga communities were concerned The observations of the third backward classes commission on lingayats are pertinent here

> 28 58 per cent members of the Lok Sabha elected from the state of Karnataka, 27 93 per cent members of the legislative assembly and 32 88 per cent of the members of the Legislative Council are Lingayats 46 3 per cent of the surplus land holders in the state belong to this community 15 68 per cent of the total number of seats in Professional Colleges and Post graduate institutions were secured by the members of the community as against their population of 15 34 per cent In regard to entry into the services they were able to secure 17 71 per cent of the posts in the recruitment prior to 1986 and 16 68 per cent of the posts in the recruitment immediately after 1986 From these figures only one conclusion is possible and that is that the Lingayat community cannot be classified as a socially and economically backward class

Examining the vokkaligas as a community the Chinnappa Reddy Commission observes

> Vokkaligas are the next predominate caste in Karnataka 17 86 per cent of the members of the Loka Sabha 18 02 per cent of the members of the Karnataka Legislative Assembly and 17 86 per cent of the members of the Karnataka Legislative Council are Vokkaligas 13 9 per cent of the surplus land holders are from this community In the matter of admission to professional colleges and Post graduate institutions they were able to secure 11 63 per cent of the seats while in the matter of recruitment of services they were able to secure 11 99 per cent of the posts before 1986 and 12 92 per

TABLE FOUR CATEGORIES OF RESERVATION IN KARNATAKA

Government Order of April 20 1994			Cabinet Decision of July 23 1994		
Category	Percentage	No of Castes	Category	Percentage	No of Castes
Most backward	5	83	Most backward	7	93 castes
More backward	28	14			14 castes
			Backward A	20	Muslims
			B	6	Setty Buddhists and SC converts to Christianity
Backward	12	15 include rural Vokkaligas Lingayats	Backward A B	Vokkaligas, 8 Lingayats 11	15 castes
Occupational group	5	-	Occupational group	5	
Total percentage for OBCs	50	112		57	126 castes
SC and STs	23	-		23	
Total reservation	73	-		80	

cent of the posts after 1986 Their performance all round has been more than satisfactory

Vokkaligas cannot be classified as backward

The percentage of vokkaliga population is 10 80 per cent in the state Yet at the stage of implementation of the report no state government worth the name could exclude the lingayats and vokkaligas from the benefits of reservation With the power these two communities have come to acquire to make or unmake a government, the state has always yielded to their interests Hence when Chinnappa Reddy Commission submitted its report which was hailed as a scientific document it was not expected at least by those who were aware of the political scenario of Karnataka that the report would ever be implemented *in toto* As expected, the then chief minister Veerendra Patil, a powerful lingayat leader instead of implementing the report constituted a cabinet subcommittee to study the recommendations Before the subcommittee could submit its report, Veerendra Patil was out of power Bangarappa who took over the reins instead of permitting the committee to perform its task reconstituted another subcommittee When Veerappa Moily took over, the subcommittee was reconstituted for the third time None of the chief ministers wanted to take on the wrath of the two dominant communities

Finally on April 10, 1994 when the state government announced its resolve to implement the report as modified by the subcommittee the purpose seemed more to appease the dominant groups rather than empower the socio economically weaker groups The Chinnappa Reddy Commission had suggested the scaling down of reservation to 38 per cent from the existing 50 per cent The Moily government found itself quite weak to act on the report Given the Congress dissidents' demand for their pound of flesh and the simmering discontent of the vokkaligas and lingayats within the party the chief minister could not afford to implement the report The inclusion of rural vokkaligas and lingayats who were made to share 12 per cent reservation was a device to appease them in spite of the recommendation of the commission to the contrary But that did not satisfy the dominant groups With their large representation in the legislature and the politics of the state both the communities were able to bring enormous pressure on the leadership of the state The cabinet finally had to yield

Backtracking

On July 23 the state government modified its earlier government order of April 20, 1994 and increased the quota for backward classes from 50 per cent to 57 per cent besides bringing the entire vokkaliga and lingayat communities under the ambit of reservation The inclusion of the two dominant groups militates against the principle of compensatory discrimination When the dominant groups make a demand for reservation, the genuine OBCs do not get their due

The April 20, 1994 government order had a number of positive features The quota for the SCs was enhanced from 15 per cent to 18 per cent and for STs from 3 per cent to 5 per cent The chief minister had explained the increased quota for SCs and STs on the ground of their increased numbers Not that there were many takers for the CM's explanation The SCs and STs in recent years and months have been moving away from the Congress fold The Dalit Sangarshan Samithi the most organised dalit organisation, was with the Janata Dal Recently a big chunk of them have joined the Bahujan Samaj Party There are very few dalit organisations that support the Congress Those who are with the Congress are moving away To stop the trend further, the SCs and STs have been provided with increased quota Will the enhancement of reservation return them to the Congress fold? With the present attitude of using the dalits as pawns by the politicians and an awareness of it among dalits it is unlikely this will happen

Another positive element in the April G O was the state government's acceptance of the 'creamy layer' norm of the Mandal Supreme Court judgment and of Chinnappa Reddy Commission

> There will be no reservation if either parent of backward class candidate was a class one or two officer in government or earns pay equivalent to a class two officer in the private sector either parent is a professional or income tax or sales tax assessee or either parent owns more than eight hectares of rainfed land

However the suggestion of the commission to exclude children of graduate parents did not find favour with the cabinet The government felt that the graduates could be unemployed and hence needed protection However, the creamy layer norm did not apply to SCs and STs Moily in his second order modified this too The most backward category was not subject to creamy layer The concept was further amended to exclude doctors, lawyers chartered accountants income tax consultants, dental surgeons, engineers and architects who are not assessee under income tax wealth tax and sales tax for all categories

For the first time occupational groups regardless of caste were brought under the purview of reservation in accordance with the recommendation of the Chinnappa Reddy Commission These include agricultural labour, marginal farmers with holdings of less than one hectare dry land, handloom weavers working for wages, construction workers, automobile drivers, conductors, cleaners, auto and cycle rickshaw drivers employers in factories excluding supervisory and managerial staff and workers on daily wages in various menial occupations The occupational groups were not altered by the modified G O

In fact the cabinet on April 20, 1994 had endorsed the decision of the cabinet subcommittee to include 32 castes which the commission had left out In the July cabinet decision the cabinet decided to do away with the urban-rural divide in respect of vokkaligas and lingayats in the backward category Besides the lingayats have got as much benefit as the vokkaliga community in the modified list In an obvious bid to appease as many sections as possible the government brought in the gollas from category two to category one In spite of the government's decision to revise the policy, the vokkaligas were not satisfied Their fear was that the numerically strong lingayats would cover more benefits in the category in which the two had been clubbed The cabinet approved the proposal to split the vokkaligas and lingayats

The increase of quota from 73 per cent (50 per cent for OBCs and 23 per cent for SCs and STs) to 80 per cent was done overriding the opinion of the law department In fact the state has already appointed a permanent backward classes commission in accordance with Supreme Court decision A decision of the type Moily took to hike reservation should not have been taken without reference to the permanent backward classes commission which was appointed by the Karnataka government by its order dated April 26, 1994 The major change in the modification of the government order appears to be the result of political pressure rather than social compulsion The modifications made by the state cabinet while accepting the recommendations of the Chinnappa Reddy Commission in April had already diluted the original spirit of undoing the injustice done to the socially and educationally disadvantaged sections of society The further modifications of the July 23 decision of the cabinet was not doubt to negate the basic philosophy of the reservation policy

Moily had dubbed the 1986 reservation policy of Ramakrishna Hegde then chief minister which had provided 50 per cent reservation for OBCs and covered at 92 per cent of the population, as a fraud But the Moily government's intention is to appease as many sections as possible Yet it is not very clear what the decision the high court where a petition questioning 73 per cent reservation is pending and the Supreme Court will take The government of Karnataka has assured the Supreme Court that it would not implement its July 25 notification On August 2 the state government froze the process of admissions to professional colleges following its undertaking to the Supreme Court On a critical examination of the reservation issue one thing is clear that those who have power—political and economic—eat up much of the benefits It is only the dominant groups that can exercise pressure on account of their social and organisational abilities The weaker groups do not have sufficient social skills to organise themselves The result is that the really weaker groups do not benefit from compensatory discrimination Karnataka is a case in point Even among the SCs/STs it is the 'creamy layer' that has benefited the most from state's action Given the vast population of SCs and STs and continued atrocities on them if the government is serious about their empowerment the 'creamy layer' principle could have been applied to them too In a country where such a magnitude of poverty exists, there is no point in not applying the principle of 'creamy layer' for all OBC groups if the government believes in empowering the weaker groups.

Urban Water Supply in Rajasthan

Problems and Prospects

M S Rathore
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The growing problems in providing adequate drinking water to urban populations is a consequence of the lack of long-term planning and inefficient management of urban water usage

INCREASING urbanisation is an universal phenomenon and Rajasthan is no exception Urban population in Rajasthan increased at the rate of 3 08 per cent per annum as compared to the overall population growth of 2 56 per cent between 1951 and 1981 The annual growth rate during the last decade, i e, 1981-91 was 3 44 per cent This coupled with lack of appropriate policies for developmental planning has led to the deterioration of physical environment and quality of life on account of the widening gap between the demand and supply of essential services and infrastructure Supply of safe drinking water in urban areas is one of the most strident problems among the social consumption items and hence needs top priority The increasing shortages in urban water supplies was not only because of the faster growth in urban population but also due to the inefficient management and usage of water apart from the modern urban life-styles It is in this context important to examine various aspects of urban water supply (i e, demand, supply, shortages, finances, management, etc) in order to formulate appropriate policies

Keeping this in view, a seminar was organised to discuss the problems of five major cities of Rajasthan, namely, Ajmer, Bharatpur, Jaipur, Jodhpur and Udaipur Three resource persons from each city representing government, academics and NGOs were identified to highlight the issues of urban water supply These issues include (a) the present status of the city water supply along with the historical account of growth of the city, (b) technical interventions in augmenting supply, problems faced and solutions proposed, and (c) how these problems can be resolved though various policies related to pricing, subsidies, technology, institutions, etc

The Director, IDS(J) while inaugurating the workshop outlined the water management and development programme which is aimed at preparing a policy document on water use in the state The topic of the workshop apart from being a part of the research programme has great importance as the problems of urban water supply are unique to each city/town of the state The experts who participated in the workshop were drawn from different disciplines to offer different perspectives which may be mutually supportive and help in arriving at concrete and specific proposals for easing the problem

The deliberations started with the inaugural session pointing out some very pertinent issues in the field of urban water supply in Rajasthan These issues were (i) lower per capita water availability in the state than other states in the country (ii) regional variation in the supply and distribution of water across the state, (iii) the present policy of centralised water supply system leading to extensive wastage because of the lack of participation of the people in various government schemes, (iv) highly subsidised drinking water supply to cities overlooking the costs, leading to heavy losses to the PHED It was suggested that the present problems can be solved by involving and educating people, conjunctive use of surface and ground water to meet the increasing demand, formulating appropriate price policy, etc

The Project Co-ordinator outlined the details of the water management research programme at IDS The broad issues of the research are augmenting the supply of water, conserving the available supply, efficient use of the available supply, equitable distribution of water, and reducing the environmental damage

An overview paper titled 'Managing Basic Amenities A Study of Urban Residential Water in Rajasthan', focused on a shift towards demand management of water resources rather than depending on the conventional supply management The main conclusions of this paper, which is based on the data for 201 towns in Rajasthan, were (i) The share of municipal water demand is 5 per cent while the demand for irrigation and industry ranges between 88 to 94 per cent and 1 to 6 per cent respectively Of the municipal water demand 44 per cent is of urban residential demand (ii) The gap between the demand and supply of water is around 58 per cent This gap is not solely due to supply constraints as the districtwise analysis shows that excess capacities do exist in the state (iii) The revenues from water do not even cover the working expenses The price inelastic nature of water demand indicate the possibility of raising resources without impairing the quality of life (iv) Capacity utilisation and distribution of service connections would result in higher per capita consumption of water due to the absence of effective distributional systems (v) As the size of household increases the per capita consumption tend to decline The per capita consumption levels appear to be lower in high rainfall regions when compared to low rainfall regions Another overview paper titled 'Urban Water Supply Issues and Approaches', highlighted two main issues for discussion, i e, first water pricing and secondly the resource constraint in implementing water augmenting schemes Regarding the pricing of water the present pricing system of slabs is not appropriate for two reasons, firstly, it covers only 40 per cent of the total expenditure on operation and maintenance of urban water supply schemes, secondly, it is not progressive in real terms, i e, neither effective in curbing the demand nor equitable It also fails in controlling the inefficient use of water A new tariff structure based on the ability to pay and some cost considerations has to be evolved It was pointed out that the state always face financial crisis hence sufficient funds are not made available to cope with the increasing urban water demand, and, therefore, mostly contingency plans are made to tackle the immediate problems The growing size of cities and depleting water supply are always a challenge before the PHED

City Specific Issues

Four papers were presented on Jaipur City water supply All the papers dealt with the historical aspects of Jaipur water supply schemes which dates back to 1727 AD, when water was supplied from big public wells 'jhalaras' constructed in each of nine 'chowaries' Besides, there were traditional sources of drinking water, especially to facilitate the poorer sections Since then the city water supply schemes have undergone numerous changes These changes were mostly of the nature of diversion from irrigation to drinking, upgradation and expansion of the existing supply systems and construction of new schemes to meet the increasing demands of the growing population In doing so the supply sources have changed from local water bodies to distant irrigation projects Presently the scheme has the capacity to supply 193 million litres per day (MLD) as against the demand for 254 HLD And the demand—supply gap is expected to increase in the coming years and the anticipated water shortage in the year 2031 is about 88 per cent

The withdrawal of ground water resources has led to the decline of ground water table and deterioration of ground water quality in many parts of the city Though, the intervention policies of the state helped in providing clean and healthy drinking water, they have been detrimental in some ways For instance, the community managed water sources have gone into disuse Open wells have either dried up due to depletion of ground water or have sunk for want of maintenance The community initiative and self reliance have been lost and instead there has been a total dependence upon the government Further, there is a clash of

interests in the use of ground water in the areas nearby Jaipur. The agriculturists resist any further tapping of ground water since it adversely affects their existing system and their demand for water.

It was pointed out that water charges do not even cover the working expenses for the supply of water. In fact, in 1990-91 it covered only 61.74 per cent of the total annual maintenance expenditure. In a specific reference to the economic and technical problems in the management and distribution of water in Jaipur the following points were noted: (i) Too much dependence on ground water and poor recharge due to insufficient rains leading to increase in the depth of water table; (ii) High production losses owing to technical reasons and lack of maintenance; (iii) Leakages in the distribution system and low cost recovery; and (iv) Low emphasis on deployment of advanced technology.

The long-term solution is to transport water from Bisalpur project or Banas project and improve efficiency in distribution. Several suggestions were made and discussed for improving the water supply situation including the drawing up of a water recycling plan, use of modern technology, a proper sewage system, etc.

Udaipur city is located in the Aravalli Hills and the topographic advantages are fully used by creating artificial lakes and tanks. These water bodies are the main source of city water supply. The rainfall in the region is much higher than the rest of Rajasthan. Water harvested in these artificial lakes and ponds used to be sufficient to meet the city water requirements in the past. But due to mounting population pressure, at the annual rate of 2.84 per cent over 1981-91 and 3.63 over the period 1971-91, increase in size of city, setting up of new big industries in and around the city, unplanned land use pattern, mismanagement of traditional water sources, etc, the gap between the supply and demand for water is widening. It was mentioned that as against the daily demand of 184.6 lakh gallons the supply is of 65 lakh gallons from the two lakes, viz, Pichola and Fatehsagar. Part supply is also met from ground sources, such as open wells, tube-wells, etc. The projections for the future demand for water for the year 2021 will be 230 MLD. Experts were of the view that the present supply sources would not be able to meet this demand and hence there is need for timely action to augment the supply. Efforts made in this direction have not materialised for more than one reason. Above all, the problem of pollution of these traditional water bodies is increasingly felt. Attention was also drawn to the high distribution losses in the supply system and inadequate pressure in the lines. Mention was made of the large number of handpumps installed by the government and most of them are out of use. The small traditional sources, such as 'baories', which used to meet the significant part of demand are in bad shape just for want of attention. People's participation in maintenance of supply sources are not forthcoming. Strong plea was made by the NGO participants to look into the emerging rural-urban conflict because of a particular city water supply scheme, which is evident examples even in other parts of Rajasthan. There is urgent need for drawing a master plan for the city in the absence of which there is unplanned expansion of city and slum areas. Moreover, municipal corporation keeps dumping the city sewage and garbage into the water bodies leading to water pollution. Technically, the surface structure of Udaipur region is rocky with faults/cracks and there are many small and big valleys which can be used for ground water recharge and storage. This can be achieved by construction of anicuts across the valleys. Also the Zhawar Kotra mine area is a good potential source of water presently unutilised. As the silting of lakes has become a major problem, it was suggested that catchment area treatment plans have to be made for all the existing water bodies and be implemented without further delay. Also some of the water bodies be exclusively reserved for drinking water and the quality of water be maintained at all costs.

Bharatpur has a typical, physical and hydrogeological features. It is situated in the alluvial basin of the river Yamuna at the meeting point of two slopes from north and southern parts of the region forming depression with a saucer like topography and has thus been prone to flooding during heavy rains. The slope gradient towards Yamuna is not adequate enough to allow the surplus water flow into the Banganga and Gambhir rivers. Natural drainage of Bharatpur district lies towards south thus water stagnates in and around Bharatpur town in lakes, moats, canals and huge pools causing severe floods. The ground water is saline for various geo-hydrological reasons. Therefore, for drinking water the total dependence is on traditional surface water harnessing systems or the upper level aquifers, i e, up to 15 metres depth. The population of the city increased at the rate of 4.07 per cent over 1981-91 and 4.12 per cent over 1971-91.

Though the city of Bharatpur is older than Jaipur, the modern water supply schemes came into operation only recently, i e, 1960s. Prior to that the people of Bharatpur were depending on the moat which used to recharge city wells. These sources of water were maintained and managed properly through judicious water harvesting systems. The system used to work so perfectly and advanced that all the river systems were inter-linked to face any eventuality of diverting waters from any of the river system at the time of short or surplus water flows. Every river had, therefore, is an independent as well as interlinked system. However, this system stands defunct today due to the negligence on one hand and the waters of these rivers have been intercepted upstream of Bharatpur on the other.

As far as the distributional problems are concerned it was pointed out that the use of boosters is resulting in uneven supply and low pressure in the pipes. Though this problem of boosters was solved to some extent through imposing power cut during the supply hours, but appropriate measures need to be taken to tackle this problem. As regards the quality aspects of water it was pointed out that the present practice of mixing of brackish water with sweet water is not a proper way. Instead, the ground water should be treated properly before supplying it. Besides creating a storage on river Banganga and damming the river Gambhir the proposed scheme of lifting water from Chambal for drinking purposes should be cleared immediately, it was felt. Firm steps should be taken to get Rajasthan's legitimate share in Ganga and Yamuna waters.

Several suggestions were made for improving the city water supply including the creation of a storage on river Banganga near village Todana in district Sawai Madhopur; constructing of a low level dam across river Gambhir near Bayana to pick-up releases from Panchna Dam already under construction bringing water to Bharatpur by a canal, etc.

Jodhpur city has unique problems being located in the desert regions of western Rajasthan. Till the beginning of this century the city's water requirements were met by the indigenous techniques of harvesting water through 'talabs', 'nadis', 'baories' and 'jhalaras' in total about 216 water bodies. The hills around the city were excellent catchments for harvesting water, and the water was conducted to the lakes or sagars by channels. The seepage from these helped to recharge the ground water and provided excellent sources of drinking water to the population living downstream. Piped water supply became available in 1925.

The increasing population (at the rate of 2.84 per cent over 1981-91 and 3.63 over 1971-91) and the poor attention given to these indigenous sources led to their neglect. Due to the encroachment of the catchment area and the rise of housing colonies, some of these sources have been turned into dumping ground for municipal waste. Some are, however, in use and supply drinking water to the public. The depth of ground water in more than 60 per cent of the area varies from 40 to 150 metres deep, and that more than 60 per cent of the available water is saline and hence unfit for drinking. And hence water had to be transported from far.

This began in 1938 when the then ruler of Marwar state constructed an open channel to transport water from Sumer Samand in Pali. In 1958-59 a project was completed to transport water from Jawai dam about 180 kms away. Now, it is proposed to draw water from the Indira Gandhi Nahar to provide drinking water. In the interim due to the poor rainfall, and given the acute scarcity of water the ground water in the nearby regions were tapped between 1970 to 1987 leading to a sharp decline in the depth of ground water in these regions. Since 1935 about Rs 15,398 lakh have been spent on providing drinking water to the city, and of this the investment on the Indira Gandhi 'nahar' alone accounts for more than 75 per cent.

No investment is being made to improve the status of the indigenous irrigation sources, and no department is willing to take up the responsibility. It was pointed out that the people who were once the users of the system are now destroying it by encroaching upon the catchment. The cost of providing water works out to about Rs 10 per kilolitre whereas the users are charged Re 1 per kilolitre. And, as the number of connections increase the deficit of the PHED also increases. Consequently between 1989-90 to 1992-93 the charges collected from the users as a per cent of the direct expenditure of supplying water declined from about 38 per cent to about 28 per cent. If we include the indirect cost then the recovery as a per cent of total expenditure would be much lower. As a result of this the services have deteriorated and water is being supplied only on alternate days in the city. Experts were of the view that surface water storing (in desert areas where the average temperature is high) was not a good method. Ground water can be recharged artificially by harvesting the rain water. The main issues that emerged from the three presentations were: (a) Pricing of water. The existing slabs of water charges need to be rationalised. At present the first slab is at 10,000 litres and the second slab is between 10,000 and 1 lakh litres. Apart from the rationalisation of the slabs there is a definite need to increase the rates so as to cover at least the working expenditure. (b) Capacity to pay. Linked to (a) above is the issue of capacity to pay between those who use stand posts and those who have house connection, between those who live in the slums and those who live in colonies, and between different localities in the city itself. (c) Norms of water consumption. Do we have to necessarily follow the GOI and WHO norms of providing water or, do we work out alternate norms given the situation in the state? (d) Indigenous systems in providing water should be recognised and necessary budgetary allocations for their upkeep made. In extending the catchment area of obtaining water to the city the interests of the hinterland is severely affected leading to migration from these regions imposing further burden on the services that has already been stretched. This has also been leading to conflicts.

Ajmer city is situated almost in the centre of Rajasthan. It lies on the foothills of Aravalli Range. The city is situated in a valley rather than a basin, which it is said was once the bed of Sagaramati river. During the British rule when it became the military headquarters of the British government in this region. The history of modern drinking water supply system started with the British efforts to construct a lake called Foysagar in 1892 which was completed in 1907. After that several projects were taken up but the supply was never adequate to meet the growing water demand of increasing population pressure. The city population increased at the rate of 0.68 per cent during 1981-91 and 2.12 per cent over 1971-91. The relative low growth of the city is attributed to the water scarcity problem.

The shift from surface water systems to ground water supply systems resulted in the neglect of local water bodies or the lakes. Consequently, the ground water recharge capacity in and around the city went down. The massive deforestation in the Aravalli mountains on the city boundary and the catchment areas of the water bodies added to the problem. It was argued that the three lakes, namely Anasagar, Foysagar and Pushkar, must be saved from encroachment and maintained at all costs so that the huge investment made in installing large number of handpumps in the city can function. Further, new schemes taken up to solve the city water supply problems, particularly the Bisalpur Project should be examined and efforts be made to supply water at an early date.

There is an urgent need to undertake a large scale afforestation programme and also measures be taken to check encroachments on the forest land. And, ground water survey of Ajmer city be taken up at an early date to identify the water potential areas and also to know the limitedness of the existing handpumps.

After a brief discussion on the major issues which had emerged earlier the participants agreed to the following suggestions/recommendations. These suggestions can be classified under four broad headings, such as (i) relating to the augmenting supply and efficiency in distribution, (ii) conservation of water and economising use, (iii) people's participation, (iv) management and development.

Policy Suggestions

Augmenting Supply and Efficiency in Distribution. Urban water bodies and their catchment area is presently utterly mismanaged and being encroached both for public and private purposes. There is an immediate need to declare their ownership and demarcate these areas. And also suitable measures be taken to recover the encroached area. A long term plan for development and maintenance of water bodies needs to be evolved for each city rather than contingency plans statewide. A statewide large scale afforestation programme should be taken up in order to improve the overall water supply position. The upgradation of water distribution and treatment technologies should be taken up for efficient running of water supply schemes. Leak detection instruments should be used to minimise distribution losses. In order to sustain urban water supply ground water resources should be judiciously used. Overexploitation of ground water should be avoided.

Conservation of Water and Economic Use. Water conserving technologies should be developed by more investment in R and D. Water conserving technologies should be adopted through proper pricing policies, legislation and institutions. Immediate attention is be paid to recycling of water in most of the cities. Proper studies be initiated to assess the household water demand or water use pattern to work out the possibility of supplying graded water for different usage. Public awareness campaigns be started to conserve water or economic use of water. Rural water resource conservation should be taken care of while meeting the urban demands.

People's Participation. There is a need for educating the public on cost of water supply and need for seeking their co-operation in conserving water and willingness to pay for water. To improve the pressure in the service lines replacement of old pipes should be taken up on a regular interval of 10 years with the co-operation of consumers. Efforts should be made to seek people's participation in maintaining and controlling pollution of urban water bodies by formation of consumer forums, wardwise water users committees, etc.

Management and Development. The management and development of water resources can be operationalised in at least two ways: one, by making market forces effective i.e., using price factor and second control by way of legislations and regulations. Pricing of water is an important tool for efficient utilisation of water resources and also increasing the viability of water supply schemes. Pricing policies be conceived at different levels. It was suggested that following aspects may be considered for formulation of appropriate water price policy: (a) cost pricing, (b) progressive pricing with appropriate slabs of water consumption, giving due weightage to the type of use, (c) differential prices across income groups taking care of equity and social justice. Centralisation of water supply schemes has adversely affected the urban water supply and hence there is a need for decentralisation through peoples' participation. Privatisation of water supply and sanitation sector to improve efficiency, effectiveness, reliability and sustainability. Government should take the role of macro-distribution (i.e., wholesaling) rather than individual system. Within colony distribution can be handed over to either consumer forums, societies, etc. To overcome the financial constraints in formulating and implementing long-term plans, appropriate formula be devised to transfer part of the house-tax, asset tax and municipal tax collection to PHED, as this basic facility also adds to the escalation of asset value in cities. There is an urgency for regulation and policy legislation with regard to ground water use. The process of urbanisation needs checking by way of direct and indirect measures. High water using industries should be strictly evaluated before sanctioning and in all cases be kept far away from urban centres. The existing pollution control laws applicable for pollution of water bodies should be strictly implemented. The Human Resource Development Programme for engineers and other technical staff in the PHED be taken up. Upgradation of public dealing staff will form part of this programme.

South Korea: A Replicable Model?

The remarkable transformation of South Korea from one of the poorest countries in the world 40 years ago to the 'industrialised country' that it is termed today is rooted in historical developments which predate its current export-oriented, liberal policy regime.

AMONGST the countries which are held up as role models for India to follow in implementing economic reforms, South Korea's case of an export-oriented, liberal policy regime is being repeatedly emphasised This however ignores the enormous body of literature which shows that the South Korean case is indeed special The Organisation for Economic Cooperation and Development (OECD) has recently published an economic survey (1993-94) on South Korea, the second for a non-member country, (the first being that on Mexico in September 1992) The occasion, of course, is that the government of Korea has expressed its intention of seeking full membership of the OECD by 1996, the country has been participating in various OECD bodies and has been conferred observer status in the latter's numerous committees Though it is argued in the survey that the South Korean case for joining the rich nations' club is based on the remarkable strength that its economy has acquired during the past three decades it is its external orientation that would have clinched the issue Korea's total foreign trade constitutes about 56 per cent of its GNP, it is the 13th largest exporter in the world with shipments to OECD countries accounting for more than 55 per cent of its total merchandise exports At US $ 65 billion, there are only nine OECD countries whose export levels are higher than that of Korea. Of course, the overall size of the Korean economy has exceeded that of 16 member countries of OECD during 1993 The country's per capita income placed at near $ 7,000 is thrice that of Turkey and close to those of Portugal and Greece

The transformation of the Korean economy from one of the poorest countries like any other Asian country 40 years ago to what is described by the OECD as an industrialised country today is a remarkable history of the most rapid growth for any country in the world. The Korean war (1950-53) had destroyed almost two-thirds of productive capacity and almost one million people were killed After initial uncertainty, the country embarked on sustained economic development in 1961 During the following 30 years, the average annual GDP growth of 8 4 per cent or per capita income growth of 7 0 per cent per annum has been one of the highest in the world for such a prolonged period The proportion of people below 'poverty line' fell from 40 per cent in 1965 to less than 10 per cent, with the improvement in living standards reflected in many other socio-economic indicators Significant structural changes have taken place in the Korean economy The share of manufacturing in GDP has doubled to the peak of one third in 1987 and within manufacturing heavy industry which includes chemicals, iron and steel, metals, machinery and transportation equipment, increased its share of manufacturing from about one-fourth in 1961 to two-thirds by 1992

The OECD survey suggests that the distribution of household income is one of the most equitable amongst the developing countries which arose from two factors the initial result of land reforms instituted in the late 1940s and the subsequent rise in labour share of income except for the 1970s when heavy and chemical industries were strongly promoted It is said that the high level of literacy also helped to augment wage share in national income

As for the sources of growth it is the rapid growth of factor inputs, primarily capital and labour, rather than the growth in total factor productivity, that have been the major contributory factors Exports have played a key role in Korea's economic development but export-orientation has been combined with a deep import substitution strategy Rapid export growth was accompanied by a sharp change in the composition of exports, with the share of manufactures in total exports rising from 12 per cent to 95 per cent Besides in the early 1970s labour-intensive products such as textiles and apparel, wigs and footwear, accounted for two-thirds of exports, but by the early 1990s, more advanced products, led by electronic goods dominated the list of major exports the share of technologically advanced goods have increased from 2 per cent in 1961 to 60 per cent now

Making an international comparison of the Korean economy, the OECD study finds that the country possesses many of the characteristics of an advanced country the large share of manufacturing in total output, the sizeable share of exports and in particular exports of manufactured goods, the importance of tertiary education, low birth and death rates and many other comparable social indicators There are also significant differences from other OECD countries, relatively small public sector and lower government expenditure the agriculture's share in total output and employment still remaining high and significant productivity differences as between sectors

The underlying social and political forces that have guided the remarkable economic performance, as presented in the OECD's economic survey although briefly, obviously appear as such a complex set that it is less amenable to replication elsewhere Reading between the lines, one does discern that the historical background the social setting, and the nature of political governance have all been of a type specific to South Korea Apart from being a unified and independent country with no colonial exploitation for over thousand years until Japan annexed Korea in 1910 the philosophy of Confucianism, as in China placed great emphasis of education and frugal living Though Japan extracted rice from Korea during its occupation until the end of the second world war it encouraged investment in manufacturing and mining enterprises *albeit* to strengthen its own military power By 1938, the share of manufacturing in total output had already risen to 20 per cent though large-scale enterprises were still the domain of Japanese firms After the country was partitioned in 1945 on Japan's defeat in the war and until 1953 when the Korean war ended, the country was in disarray The post war period nevertheless saw many economic measures which laid the foundation for future development A revolutionary reform was the introduction of a fundamental land reform in 1948 land expropriated from landlords was given to the previous tenants and the size of individual holdings was restricted

After Korean War

The post Korean war period (1953-1961) was a period of reconstruction and what was achieved was less noteworthy The economy stagnated with the per capita real GDP rising by only 1 per cent annually Exports constituted only 5 per cent of GDP by 1960 The root cause of the trouble apparently was the preferential access to massive foreign aid that averaged as much as 7 per cent of GDP between 1953 and 1960, which in turn was a notorious source of rent seeking This was followed by four successive phases of economic reforms and rapid economic growth (i) export promotion with strong import substitution bias 1961 to 1973, (ii) the heavy and chemical industry drive again with import substitution as the goal 1973 to 1980, (iii) economic liberalisation 1980 to 1987 and (iv) democratic reforms 1987 to the present

An outstanding aspect during the whole time was the remarkably intensive pursuit of an interventionist policy regime by different governments in South Korea which have all shown an ability to adapt policies "to rapidly changing circumstances". In the early export-promotion phase which was thought of as an answer to the lack of domestic resources, apart from significant devaluation in 1964, aggressive steps were taken to enhance export competitiveness and promote exports. At the same time, interestingly, the level of protection was kept high in industries without strong export prospects and low in internationally competitive industries. What is more, research studies have shown that significantly, in the aggregate, export promotion measures made the incentives to export and to sell in the domestic market roughly equal. The heavy and chemical industry drive (1973 to 1980) was based on the need to move from light manufactures to large-scale, risky investments "which would not be undertaken without decisive government leadership" and it was intended to anticipate changes in Korea's comparative advantage by focusing on the iron and steel, non-ferrous metals, shipbuilding machinery and chemical industries. This programme was specifically considered as a sector-specific, import-substitution plan relying essentially on the allocation of credit to the favoured industries, apart from selective trade and tax policies to promote such industries. For this to be achieved the 70-odd well known industrial conglomerates of 'chaebols' were consciously supported.

The 1980s saw two five-yearly tariff reduction plans, on the one hand and conferment of democratic rights to labour which were denied under earlier totalitarian regimes. This period also saw an extremely careful sequencing of financial sector reforms. In the early 1980s, contrary to initial intentions, only limited steps were taken in this direction. Now a four-stage plan of five years (1993-97) has been envisaged to liberalise interest rates and ease financial market regulations. Even at present after 15 years of liberalisation, 60 per cent of deposits at banks and almost 40 per cent of deposits at non-banks are still subject to regulation. While most lending rates have been deregulated, "some elements of the old credit allocation system will remain at the end of the liberalisation period". Banks will be required to make 45 per cent of their loans to enterprises employing fewer than 250 people and granting of credit to the 30 largest chaebols will remain controlled to a certain extent even by 1997.

Finally, throughout the past 30 years, dependence on foreign direct investment has been limited. Instead, the government preferred sizeable commercial borrowings for some years. The present liberalisation plan provides for a gradual movement towards the abolition of controls on capital flows by 1997. However, even by then, limits on foreign ownership of equities will remain in place, though there is a promise of raising the 10 per cent limit on portfolio investment by foreigners. In general, the OECD economic survey reveals that the liberalisation plan may move faster on domestic financial deregulation than on foreign capital flows.

Thus, the Korean success story should be understood against the backdrop of a series of specific factors: prevalence of a fairly high level of educational and health standards: significant land reforms and an egalitarian income distribution pattern to begin with; base level social and economic conditions which have ensured a reasonable share for wage earners in national income despite the suppression of trade union rights for many years; the Confucian phenomenon of frugal living which asserted itself once American aid was phased out and which produced phenomenally high levels of domestic saving and investment rate; remarkable ability of policy planners to quickly adapt their policies to rapidly changing circumstances; an indigenously oriented industrial class which supported dictatorships and which in turn helped the industrial class to achieve two objectives: to keep the labouring class suppressed and also to keep at bay foreign capital; the policy of export promotion but supported by intense import substitution goals; less dependence on foreign direct investment (FDI) and more on foreign commercial borrowing when it was needed; and the extreme care exercised in financial sector liberalisation with the goals of retaining some controls on interest rates and directed credit even after 1997.

US Abuse of UN in Gulf War

Nasir Khan

The most powerful western countries, led by the US, manipulated the UN to bring about a war which could have been avoided. The option of a peaceful settlement of a regional conflict was not allowed.

AS the tempestuous era of the cold war dissipated, the prospects for an active role for the UN in maintaining international peace under a changed political climate in international arena were shattered by one of the most one-sided wars in the 20th century. The Gulf war was acclaimed as a great victory by the US, signalling the end of bipolarity in world order and thus safely ushering the unipolar world in the fold of 'New World Order'. But what happened was that world's most powerful states under the command of the US used the cover of the UN to unleash a war and destroy a third world country whose ruler failed to appreciate the vitality of the US interests in the Gulf region. The hi-tech war also showed the destructive effectiveness of the advanced weapon systems, thus creating greater demands for the engines of death and destruction in the world around their bigger production and sale by the western arms industries, more profits and revenues for the multinationals and greater danger to peace and international security.

The maximum destruction of the infrastructure of Iraq and massive annihilation of Iraqis was accomplished by the western allies in the shortest possible time. During this war as we all have witnessed the UN was utterly reduced to the role of a passive spectator for having abdicated its responsibilities and powers in conflict situation to the US and its western allies.

There are a number of interrelated questions around the Gulf War. The central issue remains the foreign policy goals of the US both at the regional and global levels. How the US turned to the UN in dealing with a regional conflict and managed to turn it into an instrument to further its militaristic and political objectives. And why did the UN, instead of preventing the war become instrumental of the US-led allied war designs? Were there any options to the war? Were these options for a peaceful settlement of Iraqi-Kuwaiti conflict tried before resorting to a disproportionate war of mass destruction? Could the war have been prevented? Was the UN Charter used "to save the succeeding generations from war" and "to maintain international peace and security" or was it virtually manipulated by the US? Should the global interests of the only superpower and its close allies have been accepted by the world community as the decisive factor for the UN role in the changed, non-bipolar world? What lessons can be drawn for collective security arrangements and the maintenance of international peace? How can a repetition of the violations of the UN Charter as in the Gulf crisis be safeguarded against? Does the UN Charter need reforms to accommodate new geopolitical changes in a non bipolar world? And what will be the role of the only superpower in the UN in present and future conflicts where the US interests, as perceived by Washington, are threatened? Where do the poor and weak countries of the third world stand *vis a vis* the powerful western nations and their 'new world order'? As I see it, all these questions can be analysed and interpreted in the light of the Gulf war.

For the present, however, I focus only on one main question: the role of the UN in the Gulf crisis and war (from the beginning of August 1990 to the end of February 1991). My objective to present a critique of the UN in this war is not to denigrate the world organisation, but rather to emphasise the relevance and importance of the only global organisation which can safeguard world peace in conflict areas, and also safeguard the interests of the small nations and the third world countries based on justice and even-handedness in political and economic spheres of international relations.

An assessment of the role of the UN in the Gulf War is therefore essential. Contrary to the views of the western victors and the euphoria surrounding the decimation of a third world country, the Gulf war in my evaluation was a big tragedy. But this will appear to be so only when we see things from a human perspective and take into account large scale killing and maiming of hundreds of thousands of Iraqis, sufferings of millions, destruction of Iraq, violation of the UN Charter and international peace, the geopolitical consequences for the region, and effects on the economies of the poor third world countries, etc. But for the US and its western allies, it has been called a great victory. 'This is a victory for the United Nations, for all mankind, for the rule of law, and for what is right' (speech by president Bush announcing the cease-fire on February 27, 1991).

The abuse of the UN in the Gulf war, as a concrete example, also highlights the dangers of the hegemonistic 'new world order'. At present scores of regional wars, nationalistic and ethnic conflicts are aflame in Europe, Asia, Africa and Latin America. These are taking a heavy toll on human life, causing inhuman brutalities, sufferings and destruction. Amidst all this, the UN faces enormous challenges in peacekeeping and peacemaking operations. The lessons embedded in the Gulf war also suggest that a series of diplomatic initiatives can be instrumental in enhancing the effectiveness of the UN for a more peaceful and just international security system. The World community can take steps not to let the repetition of the mistakes of the Gulf War.

INVASION OF KUWAIT AND THE RESPONSE

The events leading to the Iraqi invasion of Kuwait need to be placed in their proper geopolitical context. Iraq made claims to disputed border regions and the islands that blocked her exit to the Gulf. Kuwait had begun the billion dollar oil extractions from Rumaila (the Iraqi oil field that extends into disputed border area) when Iraq-Iran war was going on. Iraq sought compensation for the lost revenues. Iraq on behalf of the other Arab states and oil producers objected to Kuwait's overproduction of oil, which had broken OPEC agreements. The real price of oil had declined which left Iraqi economy and the task of reconstruction after the end of war with Iran in dire straits [see also Heradstveit 1992: pp 266-68]. The Iraqi intentions and threats of the use of force were not a closed secret. In a broadcast to the region on July 17, president Saddam Hussain told the Kuwaities that if they did not back down there was going to be trouble. To back up his demands, the Iraqi president ordered the troops build-up along the border as a clear signal to a possible invasion of Kuwait.

These developments and the fast deteriorating situation along the Iraqi-Kuwaiti border had not gone unnoticed. During this period, the UN personnel in the region had seen the Iraqi military build-up on the Kuwaiti border. The UN could have taken the Iraqi posturing seriously and used the preventive measures against the possible aggression. There is provision for coping with the emergency or potentially dangerous situations. Article 39 of the UN Charter states that "The Security Council shall determine the existence of any threat to peace..." and under Article 99 the Secretary-General has the option to call the Security

Council together to consider any matter which in his opinion may threaten the maintenance of international peace and security The Security Council did meet twice in July to consider other matters, but not the Iraqi-Kuwaiti dispute [see also Munthe Kaas 1991 pp 5 6] Despite his good intentions, the Secretary-General did not take any action either

The aims of Saddam could have been frustrated before his invasion of Kuwait Why was it allowed to happen? There were serious underlying political and military causes which were not addressed by the UN and the US in the region the region described by former national security adviser Zbigniew Brzezinski (1991 p 18) as "unambiguously an American sphere of influence Conventional diplomatic practices and military policies completely failed to deter Iraqi aggression, 'Hussain could never have invaded Kuwait in 1990 if his aggression had not been preceded by many years of unnecessary militarisation of the region and a failure on the part of the United States and others to conduct even handed multilateral diplomacy to settle long standing political and economic grievances there Unilateralist US policies in the 1980s and contempt for international law throughout the Reagan and Bush administrations also facilitated Hussain s aggression by creating an international political environment that seemed to condone the use of force by more powerful states In particular Washington adhered to a double standard—tolerating aggression committed by the United States and its allies but opposing aggression committed by its adversaries This had the effect of weakening the normative constraints against the use of military force' [Johansen 1991, pp 561 62]

But the Security Council was quick to respond to Iraq s August 2 invasion of Kuwait It passed Resolution 660 later that day condemning the invasion and demanding an Iraqi withdrawal It called upon 'Iraq and Kuwait to begin immediately intensive negotiations for the resolution of their differences" and supported "all efforts in this regard and especially those of the League of Arab States Now we find an unprecedented flurry of activity in the Security Council Within the next three months, 10 more resolutions were passed against Iraq On August 6, the Security Council passed Resolution 661, which imposed severe economic sanctions against Iraq The vote was 13-2 This Resolution was a comprehensive document which could have crippled the Iraqi economy and the resources

But only two days later, on August 8, president Bush delivered his televised speech deciding to send US forces to Saudi Arabia, as a launching pad for war against Iraq It is almost unbelievable that the Bush administration which had begun to run the whole show of the Security Council in the Gulf crisis had already set its eyes on the military solution instead of letting the economic sanctions work In pursuance of the American designs, the Security Council passed Resolution 665, on August 25, which authorised the use of naval forces to enforce the UN embargo In the final part, it also requested the states concerned to co ordinate their actions in pursuit of this resolution using all appropriate mechanisms of the Military Staff Committee and after consultation with the Secretary General to submit reports to the Security Council and its committee established under Resolution 661 (1990) to facilitate the monitoring of the implementation of this resolution " This resolution was widely interpreted as allowing for the use of the military force to stop and search the shipments to and out of Iraq But such military measures were in contravention of the procedures for action with respect to threats to the peace, breaches of the peace and acts of aggression as set out in the UN Charter's Chapter VII

Now we come to Resolution 678 which was passed on November 29, authorising the use of force In parts, it reads "[The Security Council] Mindful of its duties and responsibilities under the Charter of the UN for the maintenance and preservation of international peace and security authorises the countries allied with Kuwait unless Iraq on or before 15 January 1991 fully implements the foregoing resolutions, to use all necessary means to uphold and implement the Security Council resolution 660 (1990) and all subsequent relevant resolutions and to restore international peace and security in the area This virtually amounted to giving Washington permission to declare war against Iraq after the deadline But before we examine the implications of this resolution let us see how the UN found its influence totally neutralised by the US before the January 15 deadline, and then becoming a helpless spectator of events during and after the war

UN as a Political Instrument

If we keep in view the US record in the UN we find that the US had caused maximum obstructions in the functioning of the UN over the long cold war period But now suddenly, the US had a change of heart and it turned to the UN because it could be instrumental in advancing its global interests and objectives I do not, for one moment, condone the Iraqi aggression against Kuwait and the brutal oppression of the Kuwaiti people But the point I want to raise is why was Iraq specially chosen for punishment in the name of high principles? The facts behind the rhetorical stance of the Bush administration, however, present a different picture

One reason is to be sought in the fact that bipolar world order has come to an end, and that it leaves the US as the only undisputed superpower in the world This fact the US demonstrated clearly to the world community in the Gulf conflict and war The US domination in the international arena was due to its unique position in the new world order and accordingly it was beyond any question that the US military might, diplomatic gear and propaganda machinery would write the agenda and timetable in this conflict and finally deliver death-blows to a third world country which had interfered with the US interests in the Gulf area So far as the third world countries are concerned, their influence and voices were utterly neutralised in the UN by the US, while most of the western governments followed Washington's policy The former Canadian ambassador to the UN Stephen Lewis (1992, p 540) said in an interview about the enormous power of the US in the UN in these words

I don't think even readers of your journal [i e, *World Policy Journal*] can fully appreciate that when the United States wants something, sets its sights on getting it, and unleashes the full force of its remarkable range of influence persuasion, veiled coercion, promises, and expectations, it can get what it wants And that s what happened in the Gulf War And I think it's heartbreaking that the United Nations should be conscripted into the role of providing cover for US foreign policy '

Despite the mandate from the UN, which specified very exacting and far-reaching sanctions against Iraq, it was clear from the very beginning of the Gulf crisis that the US was in the commanding position to dictate its terms for legitimising its objectives in the Security Council and thereafter pursue the war aims without any hindrance from any quarter

The unprecedented response to Iraqi occupation as compared to other acts of aggression in the recent history is incisively put by the American philosopher and human rights activist Noam Chomsky (1991, p 19)

> The UN was able to respond to Iraq's aggression because, for once, the US happened to be opposed to criminal acts, as distinct from its own invasion of Panama in the first post-Cold War act of aggression, the Turkish invasion and virtual annexation of northern Cyprus, Israel's invasion of Lebanon and annexation of the Golan Heights (sanctions vetoed by the US), the Moroccan invasion of the Sahara justified on the ground that "one Kuwait in the Arab world is enough", it is unjust for such vast resources in the hands of a tiny population, and much else As for the unprecedented severity of the UN sanctions, that was a direct result

of intense US pressures, cajolery and threats, and the considerations of the self-interest that motivate other powers, great and small

Every political observer knows how the peace-keeping efforts of the UN in the cold war have been frustrated by the US But the western propaganda and controlled media attributed the ineffectiveness of the UN to the Soviet obstructionism and the 'shrill, anti-western rhetoric' of the third world The fact is that in the past 22 years, the US is by far in the lead in vetoeing the Security Council resolutions and voting against General Assembly Resolutions, on aggression, observance of international law, terrorism, human rights violations, disarmament and so on The second place goes to Britain, the close ally with 'special relationship', France is a distant third and the former USSR is fourth In the first post-cold war UN session (1989-90), three Security Council resolutions were vetoed, all by the US Two of these condemned US invasion against Panama and the third condemned Israeli human rights abuses a similar resolution was vetoed by the US the following May In the General Assembly the pattern of vetoing by the US (along with Israel and Britain) has been the same

Economic Sanctions and UN

The economic sanctions against Iraq were the toughest the world organisation had ever imposed on any country We need not give the reasons for these exceptionally stringent measures here but rather confine ourselves to one question only Why were the UN sanctions, which needed a reasonable period of time to be effective, were not given a chance?

In general, we might agree that the sanctions imposed by the UN previously, as in the case of South Africa and Rhodesia, had not been an unqualified success But the problem did not lie with the sanctions but with their implementation These sanctions proved ineffective because some western powers helped the racist regimes by secret and not-so-secret means Iraq, was, however in a different situation To draw any analogous conclusion in the case of Iraq was untenable rhetoric There was overwhelming evidence to support the view that Iraq could not have withstood the pressure of economic sanctions for long

The standard argument offered by the advocates of the use of force was that there was no guarantee that sanctions would work But as Noam Chomsky pertinently comments, "That is quite true, there is no guarantee that the sun will rise tomorrow There is, however, a strong probability that in this case the sanctions could have been effective, if only because of their extraordinary severity, and because, for once, the usual sanctions busters (the US, Britain and their allies) happened to be on board a simple truth that plainly could not be expressed" (1991, p 17)

So far Iraq is concerned, it was specially vulnerable to sanctions Oil was the backbone of Iraqi economy It earned 95 per cent of its foreign exchange through oil export and 80 per cent of its food was exported The sanctions could have squeezed Iraq badly because of the participation of its Arab neighbours, Iran and Turkey As the Iraqi foreign assets amounting to $ 4 billion were frozen, Iraq would not have been able to pay any possible sanctions bursting country, if that was possible at all Besides, any sanctions bursting country would have been faced with that multinational navies guarding the entrances and exits to and from Iraq The effectiveness of sanctions would have meant that that Iraq incurred the loss of some $ 80 million a day in oil revenue [see also Thakur 1991, p 5]

But what happened instead? The Security Council rushed to mandate a war totally ignoring the sanctions process No time was allowed to the sanctions to work No assessment whatsoever of the effectivenes (or otherwise) of sanctions was made by the Security Council The US and Britain the advocates of allowing more time for the sanctions to exert pressure in the case of the apartheid South Africa were most reluctant to follow or allow the sanctions approach in the case of Iraq Even in the US Congress nearly the majority of representatives and senators favoured sanctions instead of the war There was every evidence that the sanctions were having a real bite

The UN Security Council Resolution 678 was passed in November 1990 And within a few days on December 5 1990 the Bush administration s top intelligence official, CIA director William Webster, not a critic of the US policy, testified before the House Armed Services Committee about the effectiveness of economic sanctions The whole testimony needs to be read in its entirety because it presents an exhaustive report on the effect of the sanctions within a very short space of time A few excerpts from it as under

> Coupled with the US government's increased ability to detect and follow up on attempts to circumvent the blockade, the sanctions have all but shut off Iraq's exports and reduced imports to less than 10 per cent of their pre invasion level
>
> All sectors of the Iraqi economy are feeling the pinch of sanctions and many industries have largely shut down Most importantly, the blockade has eliminated any hope Baghdad had of cashing in on higher oil prices or its seizure of Kuwaiti oil fields
>
> The blockade and embargo have worked more effectively than Saddam probably expected More than 90 per cent of imports and 97 per cent of exports have been shut off Although there is smuggling across Iraq's borders it is extremely small relative to Iraq s pre crisis trade
>
> The cut off of Iraq s oil exports and the success of sanctions have also choked off Baghdad s financial resources This, too, has been more effective and more complete than Saddam probably expected In fact, we believe that a lack of foreign exchange will, in time be Iraq s greatest economic difficulty
>
> The embargo has deprived Baghdad of roughly 1 5 billion dollars of foreign exchange earnings monthly At current rate of depletion [of foreign exchange reserves], we estimate Iraq will have nearly depleted its available foreign exchange reserves by next spring [*The Middle East Congressional Quarterly* 1991 pp 380 81]

The US Congress in its debate which began on January 10 1991, to consider a resolution whether president Bush should be authorised to start war against Iraq, focused on the question of the effectiveness of the sanctions and embargo The advocates of war had their doubts that sanctions could force Iraq out of Kuwait within the short space of time Another argument advanced was that the multinational coalition would not hold for months or years because it was composed of countries with divergent interests There was also the likely dangers to the friendly Arab regimes from internal unrest and popular uprisings of their populations It was therefore necessary to resort to a decisive military solution This argument in fact is an admission of the sort of support the US had from its allies in the region

The advocates of sanctions accepted that even if sanctions ultimately failed to bring Saddam Hussain down or force him out of Kuwait, it was wise to give sanctions more time because these were weakening and demoralising the Iraqi army every passing day The argument of the advocates of war was that delaying the military option in favour of sanctions would be used by the Iraqi forces to fortify their position in Kuwait Against this standard argument, the remarks by senate majority leader John Mitchel at the beginning of the debate deserve to be cited "Time to fortify Iraq s defences will do little good if some of Iraq s planes can't fly for lack of spare parts if some of its tanks can t move for lack of lubricants, if its infrastructure and ability to wage war have been weakened If it eventually becomes necessary for the US to wage war our troops will have benefited from the additional time given the sanctions to degrade Iraq s military capabilities" (*The Middle East, Congressional Quarterly*, 1991, p 335)

It is a fact that even before the war began president Saddam Hussain was forced to stop training the air force cut down reconnaissance flights due to maintenance problems and the shortage of refined jet fuel There was a large measure of agreement in

the US military leadership that sanctions should be given more time to work. It is reported that when General Colin Powel advocated a delay in launching the war and more time to sanctions to be effective, president Bush replied: "I don't think there's time politically for that strategy" [Bob Woodward cited by Evan Thomas, *Newsweek*, May 13, 1991, p 19].

Most of the peace-research studies carried on in the last two years have shown that if sanctions had been allowed time, a beleaguered Iraq did not stand a chance of withstanding the international pressures for the evacuation of Kuwait. This situation would have given a breathing space for urgent behind-the-scenes diplomacy. Many countries, like France, Algeria, Tunisia and Iran were really involved for peaceful diplomatic solution. By various means any reference to find a diplomatic solution by the Arab states was pushed aside by the US. The efforts of King Hussain of Jordan and Yasser Arafat for a peaceful solution were misrepresented by the US as helping Iraqi regime. In fact, Chapter VIII of the UN Charter explicitly provides for "using regional arrangements or agencies" in disputes and violations of peace and security. Article 53(3) enjoins the Security Council to "encourage the development of pacific settlement of local disputes through such local arrangements or by such regional agencies". The Arab community, however, was not given enough opportunity to resolve this conflict. The carrot-and-stick policy of the US paid off. Saudi Arabia and Egypt sabotaged any Arab solution to the conflict.

Violations of UN Charter

But by agreeing to January 15 deadline, the Security Council virtually pre-empted any such peaceful diplomatic solution. The Security Council by its Resolution 678 on November 29, in fact, ignored the procedures of the UN Charter. The Security Council did not wait to see the results of the implementation of Resolution 661. Instead, it was rushed into authorising a war led by a command structure outside the UN. The Security Council had no say, no control and no influence in starting the war, its prosecution or its ending. The US was given a green light to proceed as it chose to do.

This has been the most serious violation of UN Charter in its history. And this breach cannot be justified or defended on any reasonable grounds, whatsoever, whether legal, moral or political. Harald Munthe-Kaas (1991), rightly says that "you cannot allow selective usage of international laws and regulations to suit specific purposes at different times by different nations and still retain the authority of the Charter as the "magna carta of peace and security for mankind" as it was portrayed by US Congress 45 years ago. If that is so then the UN Charter can be used to legitimise just about anything a nation wants to do.

Stephen Lewis (1992, p 539) comments on the role of the UN thus:

> In my view, the United Nations served as an imprimatur of legitimacy for a policy that the United States wanted to follow and either persuaded or coerced everyone else to support. The Security Council thus played fast and loose with the provisions of the UN Charter. For instance, sanctions were invoked under Article 41, but there was never any assessment of whether those sanctions were working or might work sufficiently before the decision was made to resort to force under Article 42... The Charter did not envision that the United Nations would function as a vehicle for a superpower like the United States or a coalition—US-led—to make foreign policy decisions. Nor did it envision that such a coalition would assume all authority for the implementation of those decisions. I cannot believe that the people who got together in San Francisco in 1945 intended that sort of inconsequential role for the United Nations—a role that sees the United Nations as a rubber stamp, as an organisation that is manipulated on behalf of the foreign policy interests and priorities of a few very powerful states (1992, p 539).

Under the undue pressure of the US, the UN endorsed the use of military means which the Bush administration used for unleashing the genocidal and destructive war.

The UN Security Council violated the UN Charter on several counts. But apart from these substantive and formal violations, we find that the intent of the Charter was totally ignored. For example, under Article 33 of the UN Charter, the states are under an obligation to seek a negotiated settlement to any dispute which can endanger the maintenance of international peace and security. The Security Council in such a situation will call upon the parties to settle their conflict by such means as negotiation, inquiry, mediation, conciliation, arbitration, judicial settlement, resort to regional agencies, or other peaceful means which the parties may choose. In an international conflict of such magnitude such as Iraqi invasion of Kuwait, blocking the way to finding a peaceful solution virtually meant putting the lives and well-being of many millions of innocent people at the mercy of a murderous war machine of the US and Britain.

The UN Charter, Chapter VII deals with the situations where threats to the peace, breaches of peace and acts of aggression are concerned. The objective as stipulated in Article 39 is to determine "what measures shall be taken in accordance with Articles 41 and 42 to maintain or restore international peace and security".

A full citation of these articles is essential for our understanding the mandatory actions of the UN in conflict situations:

> Article 41: The Security Council may decide what measures not involving the use of force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio and other means of communication, and the severance of diplomatic relations.
>
> Article 42: Should the Security Council consider that measures provided for in Article 41 would be inadequate or have proved to be inadequate, it may take such action by air, sea or land forces as may be necessary to maintain or restore international peace and security. Such action may include demonstrations, blockade or other operations by air, sea or land forces of the Members of the United Nations.

As mentioned earlier, the Security Council did not give the sanctions any reasonable time to be effective as stipulated under Article 41 of the UN Charter. Within three months of the imposition of sanctions, and without making any assessment of their impact, the Security Council was pushed and rushed into passing the Resolution 678 on November 29 setting the January 15 deadline for military action by the US and its allies. In this way, other peaceful options in resolving the conflict were thrown away. The full implementation of the earlier resolutions came to nothing. On all these counts, there was violation of UN Charter and the underlying principles of the UN *raison d'etre*. And war was accorded legitimacy in vague and general terms which suited the needs of the US and its allies.

Legality of Resolution 678

The legal validity of this resolution is also doubtful. It is stipulated under Article 27 (3) that "decisions of the Security Council on all other matters shall be made by an affirmative vote of seven members including the concurring votes of the permanent members". China had abstained from voting on the resolution and obviously this abstention was not a concurring vote of a permanent member. However, any analogy with China's abstention in the case of Korea in the early 1950s is a very shaky and tenuous precedent, whose details are not needed for our present analysis [for details, see Falk 1992, p 179]. The conclusion in legal terms is that Resolution 678 by setting the January 15 deadline for military action violated both the Articles 41 and 42. It also violated the Security Council vote regulating Article 27 of the UN Charter.

Now we turn to the substantive aspects of the Resolution 678. Article 46 of the UN

Charter states that "Plans for the application of armed force shall be made by the Security Council with the assistance of the Military Staff Committee" How and under whose direction and control will the Military Staff Committee initiate military action, that is, the minimum use of force to implement the US resolutions (and not to wipe out or destroy the target country)? This is made explicitly clear under Article 47(3) which says that "The military staff committee shall be responsible under the Security Council for the strategic direction of any armed forces placed at the disposal of the Security Council" The action of the US led allies totally ignored every semblance of legality which Resolution 678 was capable of It is true that the military staff committee to be composed of the chiefs of staff from the permanent members of the Security Council, had not met since 1945, only the low level staff held weekly meetings But all the initiatives by the former USSR to revive and revitalise the military staff committee were refused by the US At a critical situation such as the authorisation of the force in the Gulf, the Security Council should have taken steps to assemble the military staff committee Nothing of the sort was tried But it is doubtful if the US would have allowed it to succeed because Washington was determined to have a free hand to crush Iraq as a regional power

Under intense US pressure manipulation and carrot and stick diplomacy the US had its way in the Security Council Former US attorney general Ramsey Clark describes how president Bush coerced and bribed the UN Security Council in pursuance of his war plans "To secure votes the US paid multi-billion dollar bribes offered arms for regional wars, threatened and carried out economic retaliation forgave multi-billion dollar loans (including a $ 7 billion loan to Egypt for arms) offered diplomatic relations despite human rights violations and in other ways corruptly exacted votes, creating the appearance of near universal international approval of US policies toward Iraq A country which opposed the US, as Yemen did lost millions of dollars in aid, as promised, the costliest vote it ever cast" [*War Crimes* 1992, p 13]

The question of the legality of the UN resolutions embargoing Iraq and supposedly authorising the use of force is highly suspect The whole show was stage-managed and run by the Bush administration in the Security Council In his impeachment resolution against president Bush for high crimes and misdemeanours in the house of representatives, which is printed in full in the *Congressional Record* [H Res 86, February 21, 1991], the representative Henry B Gonzalez, mentioned "bribing, intimidating and threatening of others, including the members of the UN Security Council" Gonzalez cited the following outright bribes

> Immediately after the November 29 vote in the UN authorising force the administration unblocked a $ 140 million loan for the World Bank to China and agreed to meet with Chinese government officials The Soviet Union was promised $ 7 billion in aid from various countries and shipments of food from the United States Zaire was promised forgiveness of a part of its debt as well as military assistance A $ 7 billion loan to Egypt was forgiven a loan the President had no authority to forgive under US law Syria was promised that there would be no interference in its Lebanon actions Saudi Arabia was promised $ 12 billion in arms sales The administration attempted to coerce Yemen by threatening the cut off of US funds The US which owes the most money to the UN, paid off 187 million dollars of its debt immediately after the vote authorising the use of force [*Congressional Record* January 16 1991 H520 cited in *War Crimes* 1992 p 42]

Abdicating Responsibility?

Even though the Security Council had authorised military action there was no clear mandate "After pronouncing its blessing on the military force—the blank check of the Gulf War—the Security Council and the Secretary General merely watched from the sidelines as the United States did what it wanted without accountability to the Council" [Johansen 1991, pp 563-64] As a result Washington was free to destroy the Iraqi army and the fleeing soldiers in many hundreds of thousands The UN mandate under which the allies operated was to drive Iraq from Kuwait There was no mandate, as far as I can see, to commit massacre on this scale The destruction of economic infrastructure was systematically and wilfully carried out to bring Iraq in the 'pre-industrial age'

Under-Secretary General of the UN, Martti Ahtissari submitted his report to the Secretary General on March 20 1991 on the post war situation in Iraq In the report he writes

> It should however be said at once that nothing that we had read had quite prepared us for the particular form of devastation which has now befallen the country The recent conflict has wrought near apocalyptic results upon the economic infrastructure of what had been, until January 1991, a rather highly urbanised and mechanised society Now most means of modern life support have been destroyed or rendered tenuous Iraq has, for some time to come, been relegated to a pre industrial age but with all the disabilities of post-industrial dependency on an intensive use of energy and technology [*War Crimes* 1991, pp 237 38]

The UN abdicated its responsibility in handling the conflict It exercised no control over the application of Resolution 678 No clear objectives of the war or the means of its execution were laid down How long will the hostilities last? Who will have the command of the allied forces, the UN or the US were not made clear The US-led coalition forces by no possible stretch of imagination could be called the UN forces Everyone within the corridors of the UN and outside knew about it These were not UN forces These were totally under the command control and direction of the US The man in charge of the military operations the Desert Storm' was General Schwarzkopf who was accountable to his boss president Bush and not to any organ or official of the UN And president Bush was not accountable to the UN for the actual conduct of war or for his war aims

Despite clear violations of the UN constitutional structure there was silence within the organisation and the press to discuss the problems and the course of events Richard A Falk of Princeton University rightly say "Silence on this matter indicated how complete the US control over the use of UN machinery had been since August [1990] Even the two states that voted against Resolution 678 Yemen and Cuba failed to raise any constitutional objection to this way of proceeding Overlooking the constitutional framework of the United Nations compromised the independence and future of the organisation It was neither healthy nor politically acceptable for the United Nations to become the creature of the only remaining superpower in the world, especially in the area of peace and security" [Falk 1992 p 179]

The hijacking of the UN and the total perversion of its procedure and mandate by the US administration is a sad chapter in the history of the world body Here for the first time in the post cold war period the principle that military might is the rule of the New World Order was brought home to the world Secretary General Javier Perez de Cueller declared in these circumstances that "this is a US war, not a UN war and 'the Security Council is controlled by the United States Britain and France In an article Consider These White Lies And The Truths They Veil the conservative American columnist William Safire wrote

> This is not a UN enforcement action that part of the UN Charter has never been invoked Instead this is a collective defence authorised by the Security Council similar to the Korea in defence which means that the resolutions cannot be revoked without American concurrence America shows obedience to the UN but obedience is a white lie The fighting coalition determines [*International Herald Tribune* February 26, 1991]

In case of military operation and that *only* as a last resort after having exhausted other

options should the UN Security Council have conducted the military operation under its name The UN troops should have had the UN flag under a UN military command and control The UN Secretary General Javier Perez de Cueller after the end of the war acknowledged the lack of authority which the UN experienced and the way Resolution 678 was implemented In a speech at the University of Bordeaux on April 22 1991 he said 'The Security Council needs to preserve for itself the authority to exercise guidance supervision or control with respect to the carrying out of actions authorised by it It was clearly a criticism of the US usurpation of the UN authority He added "It is important that this special power [the veto power of the five permanent members] is exercised in such a manner as to avoid imbalances in the international community as well as in the United Nations

To put the matter in very precise and concrete terms this war was not the United Nations war Richard Falk is absolutely correct to point out that the authorisation to unleash the Gulf War rested on an extremely weak foundation Recourse to war demonstrated the weakness of the United Nations in relation to its own charter far more than it added to the US claim that its policies were a justifiable solution to the Gulf crisis Because the United Nations gave its blessings to the war does not mean this course action was legitimate (1992 p 179)

This fact the UN Secretary General Perez de Cueller candidly admitted after the war in a speech to the European parliament in Strasbourg on April 16 1991 where he declared The victory of the allied or coalition countries over Iraq is not at all a victory for the United Nations because this war was not its war It was not a United Nations war General Schwartzkopf was not wearing a blue helmet He elaborated that for a war to be legitimate and just nowadays it has to be authorised and regulated by the provisions of the UN Charter This sort of war had to be initiated only as a last resort and decided upon by the world community as represented by the Security Council He added 'The establishment of a new world order about which so much has been said will have to take place within the framework of the United Nations but of a United Nations that does not resort to double standards—a United Nations whose impartiality ensures its credibility [cited from Munthe Kaas, 1991 p 7]

The former Secretary General a cautious and peaceful person, no doubt could have asserted his authority and intervened to prevent the transgressions against the functioning of the Security Council But his speeches and comments after the end of war have revealed conclusively the extent of the power and influence the US exercised in the United Nations

The aim of the UN Charter was to "maintain international peace and security" and "to save the succeeding generations from war But the most powerful western countries led by the US totally manipulated the UN for a war which could have been avoided The options to a peaceful settlement of a regional conflict were not allowed A regional conflict was transformed into a global conflict by the US Contrary to the views of the western victors and the euphoria surrounding the destruction of a third world country the Gulf War in my evaluation was an act of genocide and inhuman barbarity President Bush announcing the cease fire on February 27 proclaimed to the world 'This is a victory for the United Nations, for all mankind for the rule of law and for what is right This pronouncement was a total falsification of what actually had happened The destruction of a third world country killings and maiming of many thousands of defenceless civilians massacring of hundreds of thousand of fleeing soldiers burying alive in the sand thousand of defenceless soldiers violations and manipulation of UN at least does not appear to me to be the victory for the UN mankind or the rule of law

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REVIEW OF

New Technologies and Emerging Structures of Global Dominance

P Purkayastha

Whereas the existing global scenario appears to offer little opportunity to countries like India to break out of the present stranglehold of technological monopoly/control by advanced countries and MNCs, the potential exists for evolving alternative technological paradigms based on contemporary advanced knowledge. In other words, the choice is not only between surrendering to a junior partner role or following an autarkic reinvent the-wheel mode. Even at the present high level of science and technology knowledge India does have the capability in terms of human and financial resources to pursue other options.

THE global dominance in technology today by a handful of countries is a determinant in structuring global relations both economically and politically. The opening of third world economies under Fund Bank aegis is providing the multinational corporations (MNCs) entry into larger and larger areas of global economy with technology playing a vital role in the process. Self reliance in today's world is not merely a noble goal but an imperative for retaining independence. In this article we will examine the role of technology in shaping relations between countries and their implications for the third world.

Quite often discussions on technology concentrate on its relation to the development process and the economy. In most such discussions technology is seen as an external factor. Some of the economic theories have attempted to come to terms with technology by incorporating it as an integral part of the economy rather than an exogenous factor. The discussions however have been more on the economic implications of technology rather than focusing on technology itself with its own inner dynamics. We feel purely for the purpose of abstraction it is important to concentrate on technological issues particularly with respect to the potential of third world countries like India to emerge from the current relations of dependence. This does not imply that any technological development will automatically translate into economic development but rather to point out the necessary conditions for development without in any way implying that they are sufficient conditions as well.

As stated earlier there is a need to abstract out the domain of technological discourse from that of the economic one. An adverse balance of payments may imply technological dependence but it also may not. One has only to look at the largest debtor nation—the US—to realise that a one to one correspondence of economic issues with technological ones is fraught with certain dangers. The US is running the largest deficit economy in the world with a huge adverse balance of payments while it is also leading the world technologically. Certain oil economies are surplus in trade terms but completely dependent technologically. A buoyant economy does not necessarily imply a technologically healthy one just as a sick economy does not necessarily indicate technological backwardness. In the long run technological advance should translate itself into economic advance while technological backwardness would result in economic dependence. However it is essential to establish the parameters of technological dependence in order to identify the potential for autonomous technological development.

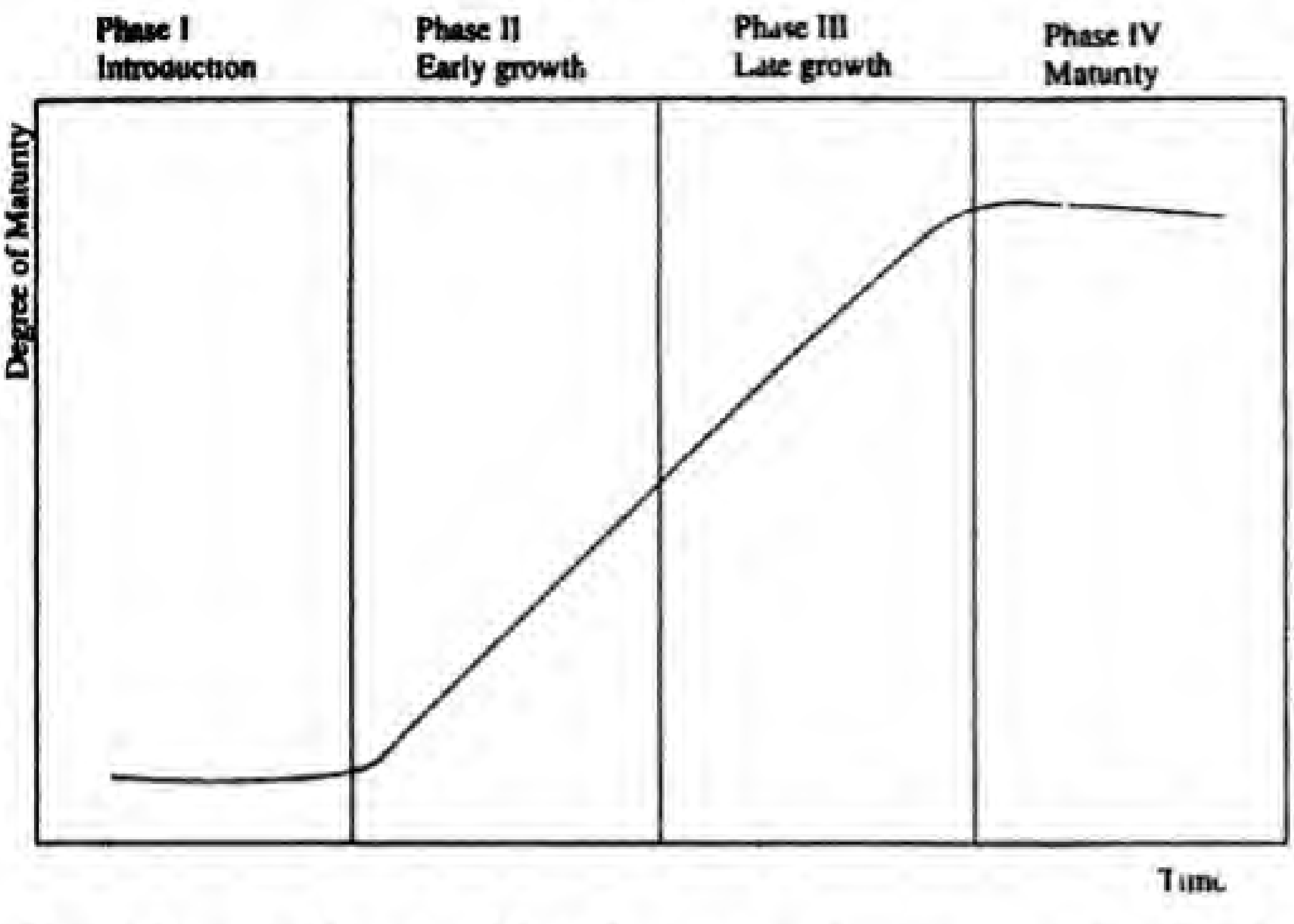
TECHNOLOGY AND DEPENDENCE

The post world war scenario had a number of new factors which were to change the nature of technological relations between nations. The newly independent nations had come on the global scene with little industrial base and a clear desire to industrialise. The emergence of a powerful socialist bloc did provide the possibility of retaining relatively more initiative with the developing countries than their technological development might have otherwise allowed. A number of them embarked on a path of industrial development with the avowed aim of self reliance even though technological expertise was largely with the advanced countries. Except for a few countries like India which had seen some industrial development earlier most of the newly independent countries had very weak technological or industrial base. In this situation western nations devised an initial strategy wherein the developing countries were to supply raw materials and agricultural commodities while the manufacturing sector would remain largely within the advanced countries. This policy was attempted to be applied by the west to India also. Technologies for steel, steam turbines, boilers and pharmaceuticals were denied by western nations/manufacturers as a part of this policy. It was only when India started negotiations with the Soviet Union and east European countries that western companies reluctantly agreed to participate in India's industrial development.

Even though the above western scheme of division of labour did soon break down for countries like India, Brazil, Korea, etc, in overall term the third world did become suppliers of largely raw materials to the west while importing manufactured goods from them. However with a number of third world countries breaking into the production of manufactured goods, the western strategy vis a vis the third world correspondingly shifted emphasis from supply of manufactured goods to supply of know-how for the manufactured goods and equipment for the capital goods sector. Even with the consumer goods sector the west was prepared to part with technology for consumer items through licences, joint ventures or through subsidiaries. However what was not transferred was the ability to produce new designs and new products. In other words the monopoly of generation of knowledge still remained within those companies who were entering into such agreements with third world entities. Here was the genesis of technological dependence which was to lead to repetitive collaborations as newer and newer products came into being. The new designs and products were used to discipline the third world partners who lacked the tools to independently develop the same.

The response of countries like India was to build a high protection barrier for the home market while actively promoting indigenisation. Though much is being written today about the failure of this strategy, and there is certainly much that could be faulted with it there is little doubt that the ability of Indian industry to produce a variety of goods and to develop crucial skills in a whole range of areas, was the result of this policy. One has only to look at neighbouring economies and the paucity there of both locally made products and local skills in the entire gamut of industrial goods to realise the significance of the earlier production system.

FIGURE 1 LIFE CYCLE OF A TECHNOLOGY



Nevertheless, even if the regime of physical and fiscal protection did lead to a large range of manufactured goods being produced indigenously or with know how from abroad, it did not really lead to the avowed national objective of self reliance In fact within the protected market monopolies developed which were quite comfortable with the system of protection and content to borrow second rate technology from the west to produce third-rate goods in India In other words, production of knowledge, crucial to the development of the next generation of technologies did not take place within such monopolies The public sector enterprises in some areas did provide suitable thrusts But they too were soon to enter into a series of agreements with MNCs in the 70s and 80s, reducing them to junior partners in the technological system This, coupled with the perception of the prevailing political culture regarding the milch cow' properties of the public sector was to see an erosion of their role in developing new technologies

The earlier policy of indigenisation was conceived within a framework of relatively simple and stable nature of production systems Technology was presumed to be rather static and changing much slower than the perceived pace of indigenisation However, the rapid growth of new technologies and changes in old ones were to belie these expectation Only in the immediate post war context was the production systems relatively stable, the picture changing drastically from the late 60s onwards Technologies of the 50s and early 60s were relatively different compared to today's technologies They were relatively mature, i e, had been developed some time back and were not subject to rapid changes Thus a scheme of indigenisation of such technologies is different from a technological scenario where continuous change is the order of the day Principles of steel making development of turbines, etc changed far slower then than the current technologies which are being driven by the micro electronic revolution If change is not so rapid indigenisation would mean the ability to increase progressively the indigenous content and reduce the imported one over a period of time bringing the indigenous content to a very high level In such a scheme import substitution is the key—once a technology is borrowed, it only needs to generate its inputs from the country itself in order for self reliance to be achieved Though, the need to associate R and D institutions with import of technology was also articulated as a part of this scheme there was very little activity on this front The twain, R and D institutions and industry rarely met, and the talk of associating R and D institutions with the industry remaining mere lip-service

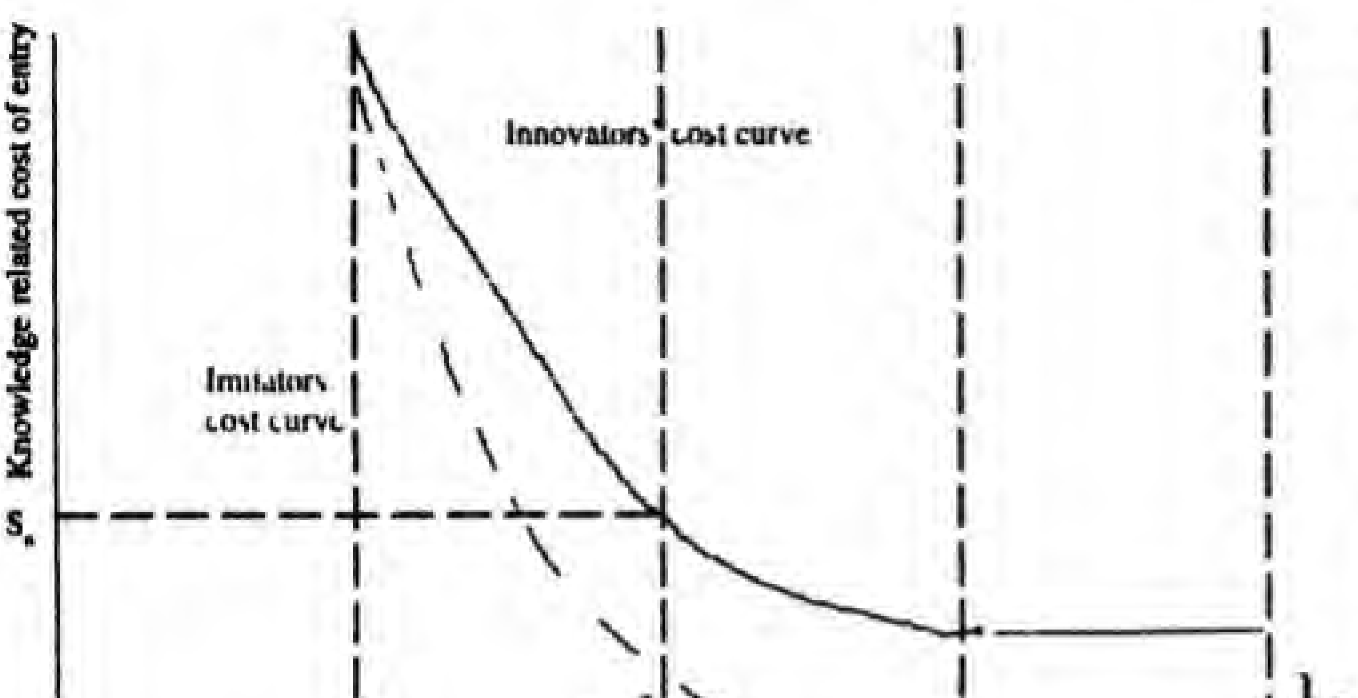
While 50s and early 60s were to see generally stable technology regimes and extension of production as the major thrust this was to radically change in the succeeding decades The development of micro electronics and cheap computing power was to introduce a new dynamism in almost all production technologies and the capital goods sector Apart from the relative speed of change of technologies in the 70s and 80s there was another major development that was taking place globally in the system of production The post 60s period was to see an increasing degree of complexity of the system of production The ability to incorporate 'intelligence in the products was also to see the development of a whole range of new industrial and consumer products Earlier it was relatively simple to estimate a country's development—it was strongly correlated to the amount of steel and energy being used by a given economy However with the growth of the information sector in advanced countries which today is of the order of 25 per cent of their economy, such correlations do not work anymore Further a study of a cross section of industrial and consumer products will show that the complexity of today's products is greater than for a similar range of products of the earlier period Apart from the dynamic nature of technology today it is also the complexity of both the products and the production systems that has a vital bearing on the policies for engendering self reliance

The earlier attempts at self reliance was, as already stated characterised by a highly regulated system consisting of import controls and production controls These controls were physical and required the administrative machinery to be fully knowledgeable both about the nature of the regulations and the entire range of production systems Obviously the speed with which technology was changing and the complexity of the system were also responsible for the crisis of this system The system was predicated upon a paternalistic but a knowledgeable bureaucracy which had to guide the fledgling innocents of the industry Instead, we rapidly developed a predatory bureaucracy and monopoly nexus which was to provide a barrier to growth itself under the changed context

In a situation of physical controls and capacity specifications it is difficult to make efficient use of new technologies With increasing complexity of the production system maintaining physical controls become increasingly difficult It is easy to show that if the number of products to be controlled increases physically the regime of controls will be faced with an exponential increase of workload on the system Physical controls would then simply slow down the processing of information and finally the flow of goods building in an extra time lag of a fairly high proportions Only large houses could 'short circuit this time lag by introducing large scale corruption into the system It should be noted that this time lag was also being introduced at a time when technology was in its most dynamic phase It was not unusual in the good old days when the department of electronics (DOF) reigned supreme in all matters electronics, to have DOE finally agree to the import of a computer only when it had become obsolete Obviously the regime of physical controls was generating neither self reliance nor growth

Globally the development of information technologies led to the increasing importance of knowledge intensive industries We are using the term knowledge intensive rather than science-based since the latter denotes a more deterministic chain than that existing in

FIGURE 2 VARYING KNOWLEDGE-RELATED COST OF ENTRY FOR DIFFERENT INNOVATING AND IMITATING FIRMS



practice Hitherto R and D intensive industries were largely chemicals pharmaceuticals aerospace and materials With micro electronics and information technologies, a much larger domain of R and D intensive or knowledge intensive industries have been established The chemical and pharmaceutical sectors are R and D-intensive but not necessarily knowledge intensive in the same way as information technologies are Once a product is found to have certain properties duplicating it is not difficult The importance of patent protection for this sector stems really from this specificity of the industry Micro electronics has generally been identified as the first knowledge based industry Biotechnology is the next In the 80s and now in the 90s biotechnology is poised to enter into a variety of sectors including agriculture and animal husbandry In the next section the nature of the micro electronic and biotechnology revolutions will be examined before we discuss the international division of labour which is currently taking shape under their aegis

KNOWLEDGE INTENSIVE INDUSTRIES

There is a tendency to refer to the advanced technologies as science based Such definitions tend to project the relationship between science and technology in too one-sided a way It tends to picture technology as derivative of science and therefore is an incorrect reflection of the relation between science and technology Knowledge-based technologies have been offered as a better description Nevertheless, both terms can be construed to imply that other technologies are not based on science, or knowledge[1] For these reasons we prefer the term knowledge-intensive such technologies generally also being science and R and D intensive The micro-electronics revolution brought to the fore that knowledge as a commodity could be the major cost of a product Apart from labour and capital, the two traditional factors of production knowledge or human capital is increasingly becoming important in the production process [Truman 1982]

Information technology and biotechnology have been identified as the major knowledge-intensive industries today However these are not the only R and D-intensive industries in fact traditional engineering industries are also becoming increasingly R and D intensive For instance, the Airbus Industries consortium in Europe was formed specifically to meet the soaring R and D costs which no single company was able to meet individually Knowledge intensive industries differ from such industries in only one aspect the cost of knowledge as an intangible is a large part of the cost of the commodity itself The clearest example of this is software, where the cost of the tangibles, namely, software media and manuals, are very small compared to the total cost of the software as such However, the distinction between knowledge-intensive industries and other R and D-intensive industries would require a more detailed analysis than is possible here and may, indeed, not be as sharp as made out above In the next section we describe the implications of knowledge-intensive industries for the extant international division of labour

Information technology encompasses a large domain covering electronics, computers, software, telecommunications, industrial controls, etc The micro-electronics revolution has been likened to a second industrial revolution [Rada 1982] Unlike the first micro-electronics seeks to bring into its orbit the traditional white collar occupations also which were earlier thought to be relatively immune to automation and obsolescence The last 20 years have shown conclusively that information technology is the key to future industrial development Major changes in industry as a whole which are directly linked to micro electronics are as follows

* lower plant design margins are required as temperature, pressure regimes can be controlled within a much narrower band due to superior controls
* computerised design permits optimises solutions lowering equipment costs
* better controls reduce wastage e g, in steel plants wastage comes down to 5 per cent from 20 per cent
* greater flexibility in terms of flexible manufacturing systems batch processing systems etc
* tighter link to the market through better information flows and response to the same

The consumer goods sector has also benefited enormously from embedding of intelligence in the products The ubiquitous microprocessor is now not only a part of the much advertised smart missiles but also embedded in a range of domestic equipment The electronic industry has created a whole range of consumer products which did not exist earlier or if it did, was restricted to a very small elite segment

The importance of information technology lies not only in the role it increasingly plays in industry, but in its penetration into almost all branches of industry and all spheres of creation of new knowledge Entities having an edge in this area can therefore dominate a whole range of industries Today, there is an intense competition globally to determine who sets the pace in this sector That is also why the control regulations like COCOM initially introduced to control flow of technology for the eastern block and now increasingly directed at the third world, concentrate on this area The size of the information technology market itself is also quite significant in its own right It is estimated that the size of the information

technology sector is 25 per cent of the GNP for the OECD countries. Table 1 shows the estimated size of the market in 1991.

The US and Japan dominate two important sectors of information technology. In software, the US has 60 per cent market share while in semi-conductor chip production, Japan dominates with 50 per cent the US following with 36.5 per cent.

It is also interesting to note the directions that information technologies are taking. The coming together of telecommunications and computers has forced strategic alliances in industry. Companies in computers just had to be in telecom as well, and vice versa. Similarly, chip-making companies are being increasingly incorporated as a part of thi- alliance since the already high R and D costs are roughly doubling with each successive generation of chips. The 4 Mbit DRAM chips based on 0.8 micron technology is estimated to have cost $ 2 billion to develop, a cost which has to be recovered within the estimated life-span of seven years before its obsolescence (*Micro-electronics Monitor*, September 1990). Each successive generation of such chips will require approximately double the investment while the period for recovery is expected to shrink to three years from the current seven years. Thus the 0.5 micron 16 MBit DRAM chips being introduced now has cost the companies an investment of the order of $ 4 billion, while the 0.3 micron 64 MBit DRAM chips will require an astronomical investment of $ 8 billion and is expected to be introduced by 1995, a scant three years after the introduction of the 16 MBit chips.

As a part of these strategic realignments, US corporations including IBM have now been permitted to join the $ 5 billion JESSI Project for development of sub-micron technologies. Similarly, European companies are joining SEMATECH, the US semi-conductor initiative. There is thus a global pooling of resources in hardware, certainly in the basic building block, the chip. However, these strategic alliances are being forged increasingly between MNCs breaking out of their traditional operational boundaries. It does appear that the shape of future such alliances will tend to be more global than nationally bound, even counting the EEC area as a 'nation', JESSI and SEMATECH notwithstanding. However, national initiatives will provide a major thrust to new technologies, particularly as the state will increasingly have to underwrite a major part of R and D costs.

A part of the software industry is also being drawn into the strategic alliances being formed globally. The system level software, as distinct from application software is closely tied to hardware. Software companies like Microsoft, who deal with system software are increasingly becoming a part of the strategic alliances being forged in hardware. The application software companies however, are relatively independent, producing software which is compatible to a wide range of hardware platforms, and this trend is likely to continue and even intensify.

In fact, the role of the state in this scenario is also emerging as an important factor. This is particularly visible in Europe, where different states play major roles in direct investments and institutional support to R and D programmes both nationally and increasingly in multi-nation collaborations. In Japan, the state has always played a major role in supporting and otherwise promoting R and D in clearly identified thrust areas designed to establish and maintain Japanese dominance in advanced technologies. The role of the state in the US is, as usual, less transparent but is nevertheless substantially interventionist and, increasingly in the new context, assertive in its efforts to promote US corporate interests globally. The US government are not only pushing promotional measures domestically and abroad, but are also directing punitive or control measures against current or potential rivals—this role is increasingly being witnessed particularly in the area of high technology.

The other interesting area of change is in start-up costs. The costs of starting a new chip-making venture in the early 70s, the initial period of the micro-electronic revolution was about $ 2 million [Commonwealth Working Group 1986]. By the mid-80s it had risen to $ 100 million and today stands at about $ 300-$ 400 million. Obviously companies like INTEL and Motorola could join the big league even though they started small since they entered the field when start-up costs were low. In the current scenario, entering chip-making, even with somebody else's design, will cost $ 300-$ 400 million provided, of course, the original chip manufacturer is prepared to license the chip. However, the R and D costs for new chips are extremely high and this precludes any but the really large companies (and/or large state-supported ones) from entering this area and thus perpetuates the dominance of a few players. Only South Korea has been able to break into this league and are today channelising huge funds into R and D aimed at establishing a technological base for future growth.

Paradoxically, the picture as regards software start-up costs is quite different. Due to large-scale introduction of PCs, investments required to start a software company are quite low. In software, since portability between different machines has been an important criterion, one can develop and transfer complex application software even from PCs to large machines without serious problems. With continuous drop in hardware costs, and the mutual compatibility that manufacturers increasingly provide in response to user requirements, it is possible to produce sophisticated up-market application software at relatively low costs. As already argued, the knowledge incorporated into the software is the major input and therefore physical investments are comparatively low. Even for super computers, the massively parallel computing systems have lowered the cost of hardware dramatically. The Indian supercomputer made by C-DAC cost only about Rs 15 lakh against $ 2 million for the CRAY from the US. Thus, it is possible to make an entry into such areas also with much lower costs than perceived earlier. Interestingly again, profit margins are higher in software than in hardware. It is estimated that the margins in hardware are approximately 10 per cent against about 25 per cent in software. Obviously, knowledge-intensive products can extract a higher margin through the monopoly of knowledge unlike the hardware products.

Where does India stand with respect to information technologies? A detailed analysis of India's performance in this sector is available elsewhere [Purkayastha 1991]. There has been a steady net outflow of foreign exchange in this sector which is heaviest in industrial controls and telecommunications. While the balance of payments may not be the only criteria, there is little doubt that in the crucial industrial sectors, viz, process controls and telecom, there is little indigenous development and India is almost totally tied to technologies 'borrowed' from MNCs. In computer hardware, the PC-based market has been a boon. Even here, the goods produced are not globally competitive and the import content is still in the region of 60 per cent-70 per cent. Exports in this sector in the past have been largely 'switch trade' to erstwhile Soviet Union and Eastern bloc. In software, India has entered only the low-value data processing market while importing heavily in the high-value market. The result is that in 1991, against an export of Rs 250 crore, the Indian imports in software were to the tune of Rs 750 crore. And a lot of software that came bundled with the equipment is not included in the above import figure.

In chip-making, after the destruction of the Semiconductor Complex, the Indian presence is very weak. In the 70s, India and

TABLE 1: ESTIMATED INFORMATION TECHNOLOGY MARKET, 1991

($ billions)

Computers	200
Communications	76
Semiconductors	46
Consumer electronics	64
Industrial-military	229
Software	178

Source: Microelectronics Monitor, July, 1991

South Korea were roughly on par in this sector. While South Korea has developed apace, particularly in chip-making, India has lagged far behind. Whereas investments in chip-making were relatively low in those days, the entry costs today are very high. However, there is little doubt that without chip-making capability, one may as well give up the electronic industry. The Missile Technology Control Regime (MTCR) and the Nuclear Non-Proliferation Act (NPT) both have as their target a range of electronic goods as well. Not having chip-making capability therefore, also means a much weaker bargaining position in these strategic industries.

Biotechnology and Future Developments

Biotechnology is increasingly becoming a new factor in international economic and technological relations. Its future developments seek to span a wide range—from pharmaceutical/chemical industries to agriculture and animal husbandry. Hitherto, agriculture and animal husbandry have been largely untouched by the revolution in knowledge-intensive technologies. With biotechnology, knowledge-intensive products are encroaching into these sectors as well.

Put simply, genetic engineering and a host of new techniques permit a number of new products to come into the market. The table below gives some idea about the size of the biotechnology market, even though the figures are guesstimates and projections. The market has yet to see a major boom although the potential is already more than evident. Although, Genentech, the largest company in this sector, has yet to make profits while it has invested billions of dollars into research already, the potential is truly enormous.

Biotechnology's entry into pharmaceuticals, chemicals and food additives can provide alternative routes to produce a range of products which are today the monopoly of a few MNCs. Precisely for this reason, chemical MNCs are providing the major support to biotechnology research so that it can be controlled from the outset. Earlier, economies of scale dictated a certain plant size requiring a large amount of capital. With biotechnology it is possible to scale down the production levels so that the entry point investments for such plants becomes much lower. Further, costly laboratory equipment can be avoided with the use of products of biotechnology which give accurate results and are yet not expensive. However, the R and D costs to produce new knowledge is extremely expensive, and provides the major lever of control.

Agriculture would soon see radical changes due to biotechnology. Hitherto, certain nations have had climatic advantages regarding certain products such as spices, fruits, etc. With tissue culture and genetic engineering, it is possible to grow these products elsewhere also. While this may not affect significantly the high volume foodgrain market, the high cost low volume areas like spices are bound to be affected quite drastically. This will thus alter fundamentally the existing relations between the developing countries now producing such commodities and the advanced ones mainly consuming them. Though it is not possible to detail the possible effects of biotechnology on the agricultural trade, it is not difficult to see that the current adverse terms of trade for the third world would become even more so in the future.

Realising the importance of extracting the maximum through their monopoly of producing genetically engineered products, the thrust of countries like the US is to ask for a world-wide strengthening of corporate/commercial interests in the name of intellectual property rights. If cotton is produced in India by using genetically engineered seeds, the Indian farmer would have to pay in royalties for a long period for the use of such seeds. Here, knowledge is the primary commodity sought to be sold and this monopoly is sought to be strengthened under Patent and IPR laws. In this process, changes in patent laws are sought to be introduced like patenting life forms, etc, which were not permissible even in the US before 1980 [Commonwealth Working Group 1986]. This clearly reveals the link between technological changes and these new policy framework being pushed by US and other developed countries, via, Super 301 and GATT.

Enlarging the domain of Patent Laws and other Intellectual Property Rights is important for the US as it has a clear lead in biotechnology through which it seeks a global monopoly. Significantly, the US is now asking other states to conform to the former's domestic laws rather than any international convention/treaty while simultaneously changing its own patent laws to provide greater protection to privatisation of knowledge [Mowery and Rosenberg 1989]. The interesting part of all this is what is sought to be privatised now is what has always been regarded as public knowledge which should be widely disseminated in the interest of human advance. It is the conflict over what should be patented and what should not, that has led to the resignation from National Institute of Health (NIH), USA of Watson, the co-discoverer of the DNA structure. The NIH is currently filing patents for gene sequencing, which is the result of a multinational research project on the human genome.

In agriculture, the current biotechnology revolution has one significant difference from that of the earlier green revolution: the latter came entirely out of the public institutions while the current 'gene revolution' is almost entirely controlled by the MNCs. The third world will have to pay a much heavier price than they did during the green revolution. With billions of dollars at stake, even the results of university research which is publicly funded is now sought to be privatised through deals between universities and MNCs [Dickson 1988]. The Commonwealth Working Group has predicted that there are three implications which are important for developing countries—"(unequal) access to technology, (changing) location of production and development of substitutes (in advanced countries)—and (this) could result in the displacement of agricultural exports from developing countries with marked effects on their balance of payments, income and employment" [Commonwealth Working Group 1986].

Here again India has made few investments in biotechnology. Simultaneously, the department of biotechnology is closely tied to the US biotechnology establishment and it is doubtful whether such an institution can really deliver the goods. With such a composition and little vision, there is every likelihood that India will miss the biotechnology bus much as it had missed the electronics one.

Global Integration

As stated earlier, global integration is a phenomenon which does not seem possible to reverse. An economy which seeks to cut itself off from the global context will lose its dynamism as it will be unable to link up with technological changes taking place across the globe. A continental-sized economy can seek to do this for some limited period, but a long-term strategy of near-autarky will only lead to the slowing down of the process of technological change apart from building inefficient monopolies which tend to emerge under such conditions of a highly protected home market.

However, the process of global integration is obviously not equal between nations. The place each nation has in the process of globalisation depends on its economic, technological and strategic strength. This

Table 2: Value of Applied Genetics/Biotechnologies

(Million $)

	1982	1985	1990+
Diagnostics	6.0	45 0	2,525.0
Vaccines	—	25.0	1,000.0
Pharmaceuticals	20.0	380.0	7,180.0
Chemicals	1.0	10.0	270.0
Plant agriculture	0.1	0.5	2.5
Animal husbandry	8 0	59.0	433.0
Food, additives, etc	22 5	199 5	1,847.5

Note: + Estimated figures

Source: Commonwealth Working Group (1986).

paper, of course, focuses on the technological aspects of global restructuring as we believe that in the long run this is the dominant constituent determining global relations. Nations are integrating themselves in the global economy at different levels. We have the poorest countries who are bartering away their natural resources for manufactured goods in increasingly adverse terms of trade. We have the newly industrialised countries who are able to capture some space for themselves globally in manufactured goods. And lastly we have the advanced countries who are producing not only knowledge-intensive goods but also knowledge itself as a commodity. George Keyworth, then president Reagan's science advisor described US leadership in science to be an economic imperative. He also emphasised that if the newly industrialised countries move towards taking a bigger share of the manufactured goods market, "we, along with other advanced nations, will increasingly have to shift to even higher technologies and services" [Dickson 1988].

The development of manufacturing industries in countries like Egypt, India, ASEAN countries, China, Korea, Taiwan, etc, have created conditions where the west can no longer look for a permanent monopoly in all manufactured goods While they continue to fight vigorously to open up other economies while closing theirs, there is little doubt that this cannot be done indefinitely The west is therefore looking to retain its economic dominance by concentrating on the more knowledge-intensive industries. Today the structuring of international technological relations means that technologies for a variety of manufactured goods are available for transfer to third world countries while knowledge-intensive industries are coming under various restrictions

It is important to note that R and D-intensive industries traditionally have higher margins than conventional industries since there is a monopoly in newly created knowledge which permits higher margins in the nature of a 'monopoly rent' The US for instance depends on hi-tech products for its most valuable exports Between 1969 and 1979, for example, US trade surplus in R and D-intensive goods rose from $ 10 5 billion to $ 39.3 billion, during the same period, its deficit in non-R and D-intensive goods went from $ 6.7 billion to $ 34.8 billion [Dickson 1988]. And a large proportion of this increase was in sales to the third world

A special place is occupied by hazardous industries in this process [Ives 1985]. Asbestos production, infamous for asbestosis and lung cancer, has moved to third world and India after its ban in the advanced countries. Similarly, production of benzidine dyes known to cause bladder cancer has moved to Egypt, India, Mexico, etc. Obviously, the infamous document by Lawrence Summers, the erstwhile chief economist of the World Bank, was only seeking to accelerate the ongoing process by arguing that since life is cheap in the third world, hazardous industries should be shifted there so that the west is not starved of these products.

The knowledge-intensive industries, particularly in information technology and materials are often termed strategic industries. They determine the development of a whole range of technologies and provide a competitive edge far beyond their normal domain. That is why these technologies are generally regarded as 'dual purpose' and come under restrictions either under COCOM, NPT, MTCR, etc. Processes for such technologies are also well guarded by MNCs who generally do not license them out. For instance, several studies have shown that while MNCs readily part with new technologies developed as a product, they are loath to do so when processes are involved. One survey [Dickson 1988] showed that when the new technology was developed as a product, in 72 per cent of the cases it was transferred abroad through a foreign subsidiary, 24 per cent by unaffiliated licensing and only 4 per cent by direct exports. However, when processes were involved, 17 per cent was transferred through foreign subsidiaries and in 83 per cent of the cases, the innovation was transferred through export of the resultant products. Unaffiliated licensing was never used in such technologies.

It has been argued [Dickson 1988] that control over the results of scientific research has clear commercial as well as military implications. The military argument can be used to legitimise restrictions on a whole range of technologies so that the commercial interests of advanced countries can be preserved. Thus COCOM regulations restrict transfer of technologies relating to computer networking, software, simulation software, super computers, chip-making, etc, to countries who are not thought to be firmly in the US camp. And all these are required for a wide range of industrial activities as well As many commentators have noted, both in India and abroad, the recent US ban on ISRO and Glavkosmos has as much to do with protection of US commercial interests as with control of missile technologies.

The other element of the restrictions is that it permits access to technology as a tool to bind other nations. Thus certain countries are permitted a share of the strategic industries while some others are not. Given the wider use and impact of these technologies, this would clearly result in the growth of certain selected economies and stagnation/retardation of others. This could then be used to show the advantages of junior partnership with the US as well as legitimacy for a range of economic arguments.

A case in point is developments in South Korea and India in electronics. Undoubtedly bureaucratic controls and a concept of near-autarky, at least in electronics, hampered development of this sector in India. However, it is also true that India was denied chip-making technology except for relatively low-grade qualities while South Korea, on the other hand, was given this access. Similarly, when India went shopping around the globe for super computers, it was denied the same except under conditions of a loss of sovereignty. In deciding upon its use, US personnel decide which problems can be run on the machines bought with Indian money.

The policy of using technology as a tool for arm-twisting has been followed by the US now for over a decade starting with the Kissinger era in US foreign policy. Dixy Lee Ray, former chairman of the US Atomic Energy Commission was to criticise this in fairly scathing terms, saying that Kissinger considered science and technology as bargaining chips to be used against other countries and make them conform to US needs [Dickson 1988]. Increasingly, science and technology were seen by US administrations as tools with which to structure global political relations.

Alternative global structuring—need for new technological paradigm: The above description of the global dominance of those who control S and T knowledge may sound pessimistic, with no visible way out for third world countries, even the relatively developed ones like India Particularly when advanced countries are seeking much greater protection of their 'right' to monopoly over knowledge through new patent/intellectual property right regimes, the chances of being able to change the terms of integration to the global economy may seem rather bleak. Of course, this scenario has been made bleaker by the collapse of the Soviet Union and the absence of any countervailing global force *vis-a-vis* the west And even if there are mutual contradictions between advanced countries/groups such as between the US, Japan, EEC, etc, these may be of little help to the third world. When it comes to transfer of technologies in 'strategic' industries, they all act essentially in concert

The Indian state, after years of arguing the need for state intervention if not control in technology development, is now vociferously arguing for privatising of the state sector and for 'free access' to MNCs This despite the fact that the South Korean, Taiwanese or even the ASEAN cases do not show that MNCs have been major carriers of new technologies In both South Korea and Taiwan, state intervention has played a key

role in technology development, as indeed it did in Japan especially earlier. The presence of MNCs in India, even if they bring some new technologies with them, would not enhance or promote India's capabilities for technology development since these technologies would in any case have been developed abroad and stay within the fold of the MNCs.

The question really boils down to whether a window of opportunity exists for India and similar countries without surrendering to MNCs and the west. In other words, can India participate with greater autonomy in the production of technological and scientific knowledge? Self-reliance in today's world means the ability to produce and exchange scientific and technological knowledge on equal terms rather than reinventing the wheel in every area [Purkayastha 1989]. It is necessary to develop a few such areas through which one can improve the terms of global integration and continuously enlarge these areas. The key would be state intervention in terms of leadership and infrastructural support rather than the exercise of stifling controls.

Perez and Luc Soete [Dosi et al 1989] have argued that the development of technology grows through four phases as depicted schematically in Figure 1. The comparative costs for the innovator and the imitator are shown in Figure 2. Correspondingly, they have also argued that the costs go up with maturity while the scientific and technological knowledge go down with the maturity of the technology. The first phase therefore requires human capital in terms of knowledge and trained human power and therefore permits a window of opportunity to come up with a 'fast second' to new technological innovations at lower costs. This is what Japan has traditionally done especially in the earlier period. South Korea has also demonstrated a similar 'fast second' approach and both these countries have invested heavily in R and D after their initial market successes. While the approach appears attractive, it has some obvious risks in that the initial phase, growth of technology has various directional options. Ultimately, success lies in choosing the correct direction in both market and technological terms. However, there is little doubt that this approach does provide an alternative route to the current dependence upon MNCs being preached by the IMF-World Bank with the Indian government joining the chorus. It is a high risk but low capital route to development of technology.

Perez and Luc Soete have also identified that the other entry point would be the mature phase of technology, namely, phase IV. Here the investment costs are high but risks are low. Traditionally, Indian entrepreneurs as well as the state sector has chosen this route. In this, obviously, the terms of global integration do not change as the skill level required at this stage is not very high and developing a new technology at the mature stage is a near dead end.

We have already stated that indigenisation alone, under conditions of rapid dynamic changes in technology, cannot lead to self-reliance. There is no incentive to produce new technologies as the market is relatively protected and highly oligopolistic. We had also stated that MNCs being given free access will not change the terms of global integration. A dynamic policy for generating new technologies is required with the state providing leadership and promotional support rather than a policing role. What we outline below is a possibility of breaking the stranglehold of the MNCs without necessarily following the 'fast seconds' approach outlined by Perez and Luc Soete. This approach would mean looking beyond the extant technological paradigm and working towards new scenarios of production and distribution with accompanying new technologies which, while meeting domestic demand, could also be globally competitive in terms of both quality and cost. In fact, information technologies provide the potential to actualise such a scenario.

Manufacturing and process industries in advanced countries are undergoing radical changes coupled with advances in information technologies. Given the rapid obsolescence now characterising industry both in terms of products and plant/machinery, flexible manufacturing and batch-processing systems with automated controls are emerging as the alternative to existing fixed structure systems [Purkayastha 1993]. In the latter, when the finished product has become obsolete or when newer manufacturing systems have rendered it uncompetitive, the plant as a whole requires virtual replacement at huge costs. Flexible systems allow for switching of inputs and products with suitable changes in processes in keeping with needs to obviate this problem. Of course, to enable maximum efficiencies, such flexible systems have invariably to be automated.

At present, such flexible systems and their automation systems on mainframe platforms are highly capital-intensive. Currently, traditional CAD/CAM systems can be introduced in plants in the \$ 25 million to \$ 100 million range: while such firms are considered medium-scale in the US and Japan, in India only a few large industries would fall in this category. The possibility exists of developing low-cost automation software on PC-based platforms to suit the smaller scales in India while enabling them to substantially enhance their efficiencies and global competitiveness. Indeed, plant sizes can also be reduced by devising suitable networked systems of sub-units for different production functions: de-scaling of plants has recently received much attention especially in Japan with considerable evidence for reconsideration of traditional notions of economies of scale.

The scope of this paper does not permit a more detailed presentation of this idea. In brief it is argued that, whereas the existing global scenario appears to offer little opportunity for countries like India to break out of the present stranglehold of technological monopoly/control by advanced countries and MNCs, the potential exists for evolving alternative technological paradigms based on contemporary advanced knowledge. In other words, the choice is not only between surrendering to a junior-partner role or following an autarkic reinvent-the-wheel mode. Identifying and exploiting available windows of opportunity, as well as charting new paths, are very real possibilities which are somehow scarcely even considered leave alone pursued. Even with present levels of S and T knowledge, India does have the capability in terms of both human and financial resources to pursue such options. The moot questions, however, are: do we as a nation have the necessary imagination, self-confidence and the political and social will to strike out on unfamiliar roads and reach out to distant goals?

[This paper owes a lot of its ideas to D Raghunandan. G V Ramanna has also contributed a great deal with his comments and criticisms. Some of the ideas in this paper arose out of discussions with Venkatesh Athreya. However, the shortfalls in the paper are necessarily mine.]

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Improving Government Performance

What Gets Measured, Gets Done

Prajapati Trivedi

In response to the then prime minister's concern for accountability of top government officials, the Economic Administration Reforms Commission had produced an absolutely superb report on this subject in 1982. Sadly, 11 years after there has been not an iota of increase in the accountability of government officials and departments. This paper examines the reasons for this failure and suggests a practical plan to achieve the goal of increased accountability.

I
Introduction

"OUR purpose is not to criticise government, as so many have, but to renew it. We are as bullish on the future of the government as we are bearish on the current condition of government. We do not minimise the depth of the problem, nor the difficulty of solving it. But because we have seen so many public institutions transform themselves from staid bureaucracies into innovative, flexible, responsive organisations, we believe there are solutions."

This paragraph by Osborne and Gaebler (1992) captures the essence of this paper. It is clear to all thinking people that civilised societies cannot exist without effective governments. The efficiency of the government sets an upper bound on the efficiency of the market system. Thus, to compete in the world today, it is not enough to reform the market system, one must overhaul the working of the government as well. In other words, markets work where government works. This paper outlines a strategy to reinvent the government.

Whether we like it or not, there is a widespread perception that the performance of the Indian government is poor, at best. Even the staunchest defenders of the government give arguments that smack of defensiveness and helplessness. Some of them point out that we should be, in fact, thankful because the performance of the government could be much worse. Others want us to derive some consolation from the fact that the central government is doing a much better job than most of the state governments in India.

The reasons given for the poor performance of the government are also on predictable lines. Most people blame it on the lack of will power among politicians or on a singular and conspicuous lack of efficiency, dedication and commitment on the part of bureaucrats. Unfortunately, people who advance these reasons are mixing up cause and effects. The reasons mentioned above are mere symptoms of the underlying, fundamental cause of poor performance of the government—lack of accountability of the top echelons of civil servants. Another way of saying the same thing is to point out that the people who work in the government are not the problem; rather, the systems in which they work are the problem.[1]

In making the above observation I am neither breaking any new ground nor can I claim much in terms of originality. In response to the then prime minister's concern for accountability of top government officials, the Economic Administration Reforms Commission, known popularly as the L K Jha Commission, produced an absolutely superb report[2] on this very subject in 1982. Sadly, 11 years after this report there has not been even an iota of increase in the accountability of the officials. The main purpose of this paper is to examine the reasons for this failure to increase accountability of seniormost government functionaries and suggest a feasible, practical and necessary game plan to achieve this goal of increased accountability.

II
Reasons for Poor Performance of Government

(1) *Multiple Principals with Multiple Goals:* Secretaries to the government of India have to answer to a number of agencies and institutions of the state. For example, in addition to the parliamentary committees such as the Public Accounts Committee, newly created Standing Committees and parliamentary procedures such as question, motions and debates, the senior government officials have to deal with the Comptroller and Auditor General, enquiry committees and commissions, prime minister's office and the Cabinet Secretariat. Each of the above agencies considers it to be their sacred duty to hold government officials responsible.

The multiplicity of principals would not pose such a major problem if there was a clear agreement or consensus as to what is expected of the seniormost government officials. Unfortunately, various concerned agencies and institutions of the state have diverse and, often, conflicting objectives. As a consequence, the top officials get fuzzy and conflicting signal about results expected from them. Since it is not humanly possible to meet the expectations of all concerned, the officials often end up being criticised by those principals whose mandate could not be fulfilled. This leads to demoralisation, preference for risk aversion and proclivity for non-action.

In addition, the focus by multiple principals on form and procedure, perceived lapses or excesses of the executive has lead to a narrow, negative and formal concept of accountability. This, in turn, has compounded the problem of risk aversion and demoralisation among civil servants. As the L K Jha Commission concluded: "What we have in our system is essentially accountability for error and wrong doing, and not for non-achievement or inefficiency."

(2) *The Not-Me Syndrome:* Another source of poor governmental performance can be traced to the complexity of the functions of the modern government and the nature of its developmental tasks. These tasks are invariably multidimensional and involve a large number of agencies in the process of examination as well as decision-making. This leads to blurring of the organisational as well as individual accountability. Each individual department is eager to pass the blame for delays and inaction on to another sister department. Each department claims that they are not responsible for the final results as they have no control over the decision-making process.

III
Solution for Poor Performance of Government

Common sense tells us that if we wish to improve performance of the government, we must at the very least know what constitutes 'performance'. The L K Jha Commission examined various instruments used by the government to measure performance of the government and found

them severely deficient. The commission concluded, that Annual Plan, Performance Budget and the Annual Reports did not measure up to the task and recommended that each "Ministry/Department should ask itself well in advance what it proposes to do in the ensuing year and formulate as specific and precise an answer to this question as possible." The commission described the document containing this information as an *Action Plan*.

Since the acceptance of the recommendation of the L K Jha Commission in this regard, Action Plan has become an integral part of the functioning of all departments in the government of India.

It was expected that these Action Plans will eliminate the root causes of the poor performance of the government. First, listing of all the tasks various departments were to perform during the year was intended to provide a consistent and unambiguous signal as to what was expected from each department. Any trade-offs among conflicting demands of various principals were to be resolved at the beginning of the year and were not to be used as an excuse to pass the buck at the end of the year.

Second, laying down of precise, quantifiable and measurable targets was intended to provide an objective standard for measuring performance. This, in turn, was supposed to reduce subjectivity in rewarding or punishing officials and thus improve their morale and credibility.

The above expectations were based on sound principles of management and were a precursor to the current best selling book on the subject of improving government performance entitled *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* by David Osborne and Ted Gaebler. Talking about the power of performance measurement, these authors outlined the following basic principles:

(1) What gets measured gets done.
(2) If you don't measure results, you can't tell success from failure.
(3) If you can't see success, you can't reward it.
(4) If you can't reward success, you're probably rewarding failure.
(5) If you can't see success, you can't learn about it.
(6) If you can't recognise failure, you can't correct it.
(7) If you can demonstrate results, you can win public support.

IV
Problems with Action Plans

As has been the fate of many other public policies, the Action Plans were never really implemented effectively. Hence, a good idea remained just that—an idea waiting to be implemented properly. In its current form, Action Plans in most cases represent an exercise in futility. That is, the manner in which Action Plans are being implemented currently, they have not added to the improvement in the 'quality of accountability'. As we shall see below, even if we take up the exercise in all its seriousness, the Action Plans as designed currently will not take us very far. The problem is not necessarily with the "will" to implement. The main reason for this problems lies in the conceptually flawed design of the current batch of Action Plans. Because these Action Plans are congenitally flawed, even the best intentions in the past have yielded no results. Let us, therefore, examine the major flaws with the current design of Action Plans.

Problem Number 1: A glance at the 1993-94 Action Plans suggests that there is a fundamental confusion among departments regarding the very purpose of these Action Plans. This is reflected most dramatically in the fact that some departments have an Action Plan document that is 10 pages long (Department of Mines), whereas, others have Action Plans that are close to 100 pages (Department of Telecommunications and Department of Power). The latter include detailed performance parameters for all organisations under them. Their own department's performance parameters are a minuscule part of these documents.

Either these departments are genuinely oblivious of the rationale, purpose and objectives of the Action Plan exercise or they have included a humongous amount of details to create an incorrect impression that they are responsible for a lot of action.

Problem Number 2: Even if we accept the contents of a particular department's Action Plan at its face value, it is impossible to measure its performance at the end of the year using the current documents. For example, the 1993-94 Action Plan for Ministry of Power lays down a list of 24 activities to be done during the period April-June 1993. Now if at the end of this quarter, they inform the Cabinet Secretariat that they have been able to perform only 20 activities out of a total of 24, how are we to judge their performance? Since all 24 activities are not of equal importance, we cannot really judge their performance correctly or objectively. It is possible that they may have completed the less important activities and ignored the more important ones.

TABLE 1: AN EXAMPLE OF CRITERION VALUES

Criterion	Units	Weight	Criterion Values				
			1 Excellent	2 Very Good	3 Good	4 Average	5 Poor
Submission of PIB note on Agartala Gas-based power project	Months	0.05	By June 15 1993	By June 30 1993	By July 15 1993	By July 30 1993	After August 15 1993

TABLE 2: SAMPLE CRITERIA FOR EVALUATING PERFORMANCE OF DEPARTMENT OF MINES

	Criterion	Units	Weight
1	Reduction in cost of administration	Percentage	0.10
2	Design and implement a performance evaluation system for organisations under the ministry	Number of organisations	0.15
3	Timely appointment of personnel in organisations under the ministry	Percentage appointed prior to the departure of the incumbent	0.10
4	Seriousness of monitoring effort of organisations under the ministry	Percentage of planned QPRs held as per the schedule	0.05
5	Preparation of the sectoral policy and securing its approval by the cabinet	Months	0.10
6	Timely decision on investment proposals of organisations under the ministry	Index based on weighted average of on time performance	0.10
7	Timely publication of various statistical and informational publications brought out by the ministry	Percentage published on schedule	0.05
8	Timely completion and review of CRs	Percentage completed	0.05
9	Simplification of procedures: preparation of a report on the subject	Months	0.05
10	Quality of target-setting for MOU signing enterprises	Discrete	0.03
11	Quality of office environment in the ministry's secretariat	Discrete	0.03
12	Progress in meeting the election manifesto commitments	Index	0.15
13	Percentage of commitments met in the MOUs	Per cent	0.03
14	Responsiveness to public queries	Discrete	0.03

Thus, what is required is prioritising the activities by attaching weights to them. This is not a new idea as most departments are used to doing this while negotiating Memoranda of Understanding (MOUs) with public enterprises under their supervision.

Problem Number 3: Even if we take care of the above two problems, one will have to overcome yet another congenital fatal flaw with Action Plans. The Action Plans in their present form ask the departments to specify specific target dates for each activity. However, they do not give any indication regarding how to interpret any deviation from the target dates.

For example, one item in the 1993-94 Action Plan for the Ministry of Power is 'Submission of PIB Note on Agartala Gas Based Power Project by June 1993'. Now if the note is submitted in August 1993 as opposed to June 1993, how are we to judge the ministry's performance? Clearly, the current system would give the Ministry of Power no credit at all. This may not only be 'unfair' but its perverse effects on the incentive structure may be also 'dangerous'. If in the month of May 1993 the ministry realises that it cannot meet the June 1993 deadline, it may decide to completely freeze action on this front and move its focus to other activities where it still has the potential to meet the June 1993 deadline. This is a common problem with all-or-nothing deadlines.

The solution to this lies in not having a single target but a 5-point scale as shown in Table 1.

Problem Number 4: A related but equally important problem with the current system arises out of the confusion created as a result of two parallel action plans—one relating to the implementation of 'election manifesto' of the ruling party and the other to the usual activities of the departments. This situation is analogous to having two 'profit and loss' statement in a business. The perverse consequences this duality of action plans has on motivation and behaviour are predictable and vindicated by the available evidence.

For example, it is not clear which action plan is more important from government's point of view. Common sense would suggests that elected officials are likely to care more about the action with respect to the election manifesto. This, in turn, implies that much of the 'other' work will suffer.

The sum total of the above-mentioned four problems with the current system of Action Plans is to make them absolutely useless as instruments for measuring 'performance' and achieving accountability.

For a democratically elected government, the absence of accountability of implementors of electoral promises becomes a fatal flaw. The elected officials are obviously held accountable by the cycle of elections, thus it is only 'fair' that they have a management control system which provides them an instrument to get 'results' and not excuses for non-performance.

The answer does not lie in increasing the 'quantity' of controls. Rather, the focus has to shift to increasing the 'quality' of control. This can be achieved by reducing the reports submitted by the government departments and improving the design of the Action Pans.

V
Action Plans Reinvented

The heart of the action plan consists of the *performance evaluation system*. Thus any improvement has to focus maximum possible attention in this area. We suggest that the design of new Action Plans—referred to as *Performance Contracts* in the future—should involve the following four steps:

Step 1: Criterion Selection. The first step is to choose a set of criteria to measure the performance of the department. The criteria to choose these criteria—the mega criteria—are simple. First, we must insure these criteria are 'fair' to the secretary or the head of the department. That is, they must only encompass those areas over which the secretary to the government has control. Second, these criteria should also be 'fair' to the country.

For example, inclusion of profits of the public enterprises under a particular department as a criterion may not be 'fair' to the secretary because he or she is not a super managing director and should not be made to behave like one.

A sample of possible criteria for evaluating the performance of the Department of Mines is given in Table 2. This is only an illustrative list for stimulating discussion. Much more intimate knowledge of the relevant department is required than what the author can legitimately claim.

Step 2: Criterion Weight Selection. Once the relevant criteria have been identified, we must indicate the relative priorities by attaching a series of weights to each criteria as shown in the *Performance Contract* (Appendix I). This makes it easier for the secretaries to decide what is more important when the chips are down and they have to ration their precious resources. These weights have to be determined by a process of mutual negotiations between the two parties entering into a *Performance Contract.*[3]

Step 3: Criterion Value Selection. The next step is to select a target value for each performance criteria. However, instead of having a single value, one must choose a five-point scale for the reasons discussed earlier in this paper.

Step 4: Performance Evaluation—Calculating the Composite Score. The real revolution in the new design proposed lies in this step. Appendix II shows how the Composite Score for the hypothetical Performance Contract may be calculated. This is a rather simple procedure of calculating a weighted score for performance on various fronts.

If the department does an excellent job on all fronts, then they are likely to get a composite score of '1'. On the other hand, if the department does a lousy job on all fronts, then it will end up with a composite score of '5'. A combination of 'excellent' and 'poor' performance is likely to yield a composite score which lies between 5 and 1.

As can be seen from the Appendix II, one has to first compare the achievement with respect to criteria values and determine the 'Raw Score' on a scale of 1 to 5. Then, one has to multiply this 'Raw Score' with the respective weights and calculate the 'Weighted Raw Score'. The sum of weighted Raw Scores gives us the Composite Score. In the hypothetical case of the Ministry of Mines, we find that the Composite Score turns out to be 2.10, which is close to 'Very Good'.

VI
How to Interpret Composite Scores

If we had composite scores for all departments, it would provide us with a unique measure of comparative performance. However, it is important to note what is being compared. We are not comparing the individual tasks of various government departments. Rather, we are comparing the ability of respective departments to meet their commitments to which they had agreed to at the beginning of the year. While many tasks undertaken by the Department of Power are likely to be different from those of the Department of Family Welfare or the Ministry of Mines, yet their ability to meet their respective commitments can be certainly compared.

TABLE 3: PERFORMANCE OF MINISTRY/DEPARTMENTS AT END OF YEAR

Name of the Ministry/Department	Composite Score
Department of Fertiliser	1.08
Department of Industrial Development	1.15
Department of Public Enterprises	1.18
Department of Steel	1.22
Department of Economic Affairs	1.26
Department of Company Affairs	1.46
Department of Mines	2.1
Department of Power	2.15
Department of Personnel	2.31
Department of Atomic Energy	2.53
Department of Coal	2.75
Department of Heavy Industries	2.78
Department of Petrochemicals	2.81

At the end of the year, the prime minister's office can announce results which may look like as follows [4]

The potential impact of this kind of list is mind-boggling It will create a sense of competition among government departments to perform the basic tasks assigned and serve the public interest, which is the very core of the proposed reform The above list is a sort of an index of performance in a hypothetical stock market for the government departments

VII
Policy Options

Anybody who has given serious thought to the whole issue of accountability in the government, will soon come to the conclusion that the current system of Action Plans is in a serious need of fine tuning There does not seem to be much option in this regard However, on individual aspects of this overall proposal, there are some options available to us

Name of New Instrument In public policy arena nomenclature is a substantive and not merely a cosmetic issue Essentially we have three options

(a) Continue to call it an Action Plan and simply change the contents by asking departments to select a more appropriate set of criteria attach weights to indicate *inter se* priorities among them and device a 5 point scale of criterion values rather than a single target

(b) Call it Performance Contract to emphasise the contractual obligation that the department heads have in fulfilling their respective targets

(c) Call it Performance Agreement to indicate that it is a professional agreement and not a legal contract as may be inferred by some if we use the term Performance Contract

(d) Call it Performance Evaluation System in order to send a clear signal regarding its intended purpose This term also de emphasises the corresponding obligations of the government and lowers the expectations in this regard that the evaluatees may have The lessons from the government of India's MOU policy should not be lost sight of There the public enterprises were given an exaggerated impression that MOUs will provide a vehicle to make their performance conditional on all kinds of unrealistic expectations and commitments from the administrative departments It took several years of education to convince public enterprises that MOUs want to measure performance in the "real" world not in some imaginary Utopian world

Institutional Arrangement The literature on performance evaluation clearly suggests that "who" measures performance is as important an issue as "how" performance is measured Here, again, we have some choices

(1) Cabinet Secretariat The Performance Contracts could be between the Cabinet Secretariat and respective government departments This would be the most natural and least disruptive option since the Cabinet Secretariat is already the lead agency in this regard One will have to, however, consider the issue relating to how the differences in opinion between Cabinet Secretariat and the departments will be resolved Will this require the intervention of prime minister in order to ensure fairness or will the Cabinet Secretary have the final say

Also, one will have to consider issues relating to the expertise and time availability for this purpose at the Cabinet Secretariat In this connection, one will have to think of creating a think tank of experts to assist the Cabinet Secretariat in the initial stages

(2) Standing Committees Once the new concept of Performance Contract is accepted it would be essential to synchronise other performance evaluation exercises in order to achieve the objectives of the proposed reforms This instrument could be used to make the parliament-government interface more focused and effective

Scope of the Policy The coverage of the policy, i e, number of departments to be covered under the proposed policy will have to be decided with great care Basically we have two options in this regard According to one option it may be desirable to start with the infrastructure ministries and departments This option has two advantages It will be easy to manage the process of designing and implementation of a handful of Performance Contracts for these departments In addition, it is likely to be relatively easier to prepare Performance Contracts for departments dealing with infrastructure

According to the second option, it may be more convincing as well as necessary to start with Performance Contracts for all departments This will reduce the possibility of one weak link in the chain of government departments becoming a constraint on the performance of all others Moreover, it may suggest that the government only cares about efficiency of a select few departments and not others If efficiency is important then one must find resources to do the best possible job

Complementary Policy Decisions To make this policy effective, it would be necessary to take a few other supportive measures For example, one will have to consider the option of giving a secure tenure to a secretary to the government for the duration of the Performance Contract Therefore, if a secretary is due to retire in September of a particular year, he or she will have to be allowed to continue till the end of March in the following year This will prevent the disruptive impact of frequent changes at the top level during the year and would be necessary for ensuring the sanctity of a yearly agreement Similarly, many other complementary decisions may also be necessary for the eventual success of this system

VIII
Why This Cannot be Done: Expected Sources of Resistance

As a French scholar once said, systems are not required for the top 10 per cent or the bottom 10 per cent The top 10 per cent will continue to do the right things with or without a system Similarly, the bottom 10 per cent will always try to find ways to beat the system However for the rest of the 80 per cent investment in designing systems is likely to pay rich dividends

As with any change, one must expect resistance In what follows, we have tried to anticipate the most likely lines of argument against the current proposals

Argument Number 1 It is impossible to evaluate our performance This is exactly the same argument given by public enterprises when the system of Memorandum of Understanding (MOU)[5] was introduced However, it was found that, indeed, some aspects of public enterprise operations are difficult to quantify, but a little thought and ingenuity is required to overcome this barrier It is our firm conviction, that one can find good proxies for qualitative as well as non-economic aspects of government operations One has to only ask some of the retired secretaries, and one will be flooded with ideas These people have no vested interests in the *status quo* and can be an invaluable source of most innovative ideas

This is not an academic issue This barrier has been overcome in the past by many ministries who have done a fine job of selecting appropriate criteria for measuring their performance Our research shows that the best example is the 1985 Action Plan for the Department of Irrigation It is the only case which truly captured the spirit of the recommendations of L K Jha Commission in this regard The government should have circulated this document and held "information-cum-training" sessions to effectively implement this policy

Argument Number 2 There are too many unpredictable variables in running a government department and, hence, it is not possible to measure performance objectively If every thing was predictable, there would not be any need for the leadership of senior government officials The junior officials could do every thing on a routine basis The proposed system of Performance Contract does not expect

Appendix I: Outline of a Sample Performance Contract

PERFORMANCE CONTRACT BETWEEN CABINET SECRETARIAT AND MINISTRY OF MINES

I Mission of the Ministry:
To achieve the highest standards of excellence in the regulation and development of the mineral sector including the mining and metallurgy of all non-ferrous metals (excluding Natural Gas, Petroleum Coal and Atomic Minerals) both in the public and private sectors

II Main Activities under the Ministry:
The principal economic programmes / activities under the Ministry of Mines are:
i Survey and Mapping
ii Mineral Exploration
iii Mineral Development and Research
iv Production of Non-ferrous Metals
v Science and Technology Programmes for Mining and Non-ferrous Metals
vi Direction and Administration for Mining and for Production of Non-ferrous Metals

III Commitments of the Ministry (see Appendix Table I)

IV Commitments of the Government:
In order to achieve the commitments mentioned in Section III, the Ministry of Mines will require the following assistance from the Government:
1 Timely clearance of Personnel appoints by the ACC
2 Timely clearance of investment proposals by CCEA

Cabinet Secretary
Government of India

Secretary
Ministry of Mines

APPENDIX TABLE I

Criterion	Units	Weight	Criterion Values 1 Excellent	2 Very Good	3 Good	4 Average	5 Poor
1 Reduction in cost of administration	Percentage	0 10	15	12	10	8	5
2 Design and implement a performance evaluation system for organisations under the ministry	Number of organisations	0 15	9	8	7	6	5
3 Timely appointment of personnel in organisations under the ministry	Percentage appointed prior to the departure of the incumbent	0 10	100	95	92	90	88
4 Seriousness of monitoring effort of organisations under the ministry	Percentage of planned QPRs held as per the schedule	0.05	100	95	92	90	88
5 Preparation of the sectoral policy and securing its approval by the cabinet	Months	0 10	By December 1994	By January 1994	By February 1994	By March 1994	After March 1994
6 Timely decision on investment proposals of organisations under the ministry	Index based on weighted average of on time performance	0.10	1	2	3	4	5
7 Timely publication of various statistical and informational publications brought out by the ministry	Percentage published on schedule	0 05	100	95	90	85	80
8 Timely completion and review of CRs	Percentage completed	0 05	100	98	96	94	92
9 Simplification of procedures Preparation of a report on the subject	Months	0 05	By November 1994	By December 1994	By January 1994	By February 1994	By March 1994
10 Quality of target-setting for MOU signing enterprises	Discrete	0 03	1	2	3	4	5
11 Quality of office environment in the ministry's secretariat	Discrete	0 03	1	2	3	4	5
12 Progress in meeting the election manifesto commitments	Index	0 15	100	95	90	88	85
13 Percentage of commitments met in the MOUs	Per cent	0 03	100	95	90	85	80
14 Responsiveness to public queries	Discrete	0 03	1	2	3	4	5

Appendix II: How to Evaluate Ministry's Performance (Calculation of Composite Score)

CALCULATION OF COMPOSITE SCORE FOR THE MINISTRY OF MINES

Criterion	Units	Weight	Achievement	Raw Score	Weighted Raw Score
1 Reduction in cost of administration	Percentage	0 1	12 00	2 00	0 20
2 Design and implement a performance evaluation system for organisations under the ministry	Number of organisations	0 15	9 00	1 00	0 15
3 Timely appointment of personnel in organisations under the ministry	Percentage appointed prior to the departure of the incumbent	0 1	91 00	3 50	0 35
4 Seriousness of monitoring effort of organisations under the ministry	Percentage of planned QPRs held as per the schedule	0 05	95 00	2 00	0 10
5 Preparation of the sectoral policy and securing its approval by the cabinet	Months	0 1	February 1994	3 00	0 30
6 Timely decision on investment proposals of organisations under the ministry	Index based on weighted average of on time performance	0 1	2 75	2 75	0 28
7 Timely publication of various statistical and informational publications brought out by the ministry	Percentage published on schedule	0 05	100 00	1 00	0 05
8 Timely completion and review of CRs	Percentage completed	0.05	98 00	2 00	0 10
9 Simplification of procedures, preparation of a report on the subject	Months	0 05	December 1994	2 00	0 10
10 Quality of target-setting for MOU signing enterprises	Discrete	0 025	1 00	1 00	0 03
11 Quality of office environment in the ministry's secretariat	Discrete	0 025	2 00	2 00	0 05
12 Progress in meeting the election manifesto commitments	Index	0 15	95 00	2 00	0 30
13 Percentage of commitments met in the MOUs	Per cent	0.025	100 00	2 00	0 05
14 Responsiveness to public queries	Discrete	0 025	2 00	2 00	0 05
			Composite Score		**2.10**

to reduce all measurements to only predictable indicators Rather, the goal is to encourage top officials to do contingency planning by identifying sources of uncertainty

Argument Number 3 Performance of government departments is dependent on the performance of others and, hence, it is not possible to isolate their share in the total performance First, let us try to at least delineate those areas that are within the control of the department and those that are not This in itself would be a major achievement Second, one can work out the precise contributions made by each department and design a system accordingly In particular, the idea of a 'lead department' which has the primary responsibility for delivering the final service as suggested by the L K Jha Commission may need to be seriously considered

Concluding Comments

The task outlined above is simple yet profound In one sense we are merely fine-tuning the existing public policy instrument of Action Plans Yet, the modifications suggested are intended to bring a major qualitative change in the functioning of the Indian government This is the first crucial step to transform a process-oriented government to a result-oriented government We have no choice in this matter It must be done Other countries have started the process and are already ahead of us in this regard We must therefore begin and we must begin now

Notes

[The views expressed in this paper are solely those of the author]

1 The present paper is in line with a well established tradition in this field represented by important contributions to it by McKean (1958), Hendricks (1981) Miller (1984) Johnson and Lewin (1984) Wholey and Newcomer (1989) and Lane (1993)
2 Economic Administration Reforms Commission Report No 29 on Accountabiliy', June 30, 1982
3 See Downs and Larkey (1986) for more on this aspect
4 This is purely for the sake of illustrating the point in a manner that brings it closer to home more effectively It should not be taken to reflect the reality which is unknown at the time of writing this paper
5 Good principles of management are, indeed transcendental Thus, there is a great degree of similarity between the principles underlying the government of India's policy on Memorandum of Understanding (MOU) for public enterprises and the proposed Performance Contracts for the administrative departments For further details on the MOU policy, see Trivedi (1990 and 1992)

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State Level Public Enterprises in India

An Overview

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This article discusses the origins, forms of organisation, objectives, growth, typology, investment and capital financing, use of investments, financial performance, return on equity and resource mobilisation in state level enterprises.

STATE level public enterprises (SLPE) are an important segment of the public enterprise system in India. They are vital instruments of public policy for the states. There has been a spectacular growth in the number of these enterprises and the investment in them since the 50s. However, their financial record has been utterly disappointing. At a time when the state governments are facing a severe resource crunch, it is of great interest to know how these enterprises have been performing in respect of the return on investment. No reform programme can succeed unless the SLPEs turn the corner to become financially viable and only such enterprises are retained in the SLPEs portfolio which are high on social purpose. It is, therefore, essential to study their financial record and the related aspects. This paper proposes to discuss the origins, forms of organisation, objectives, growth, typology, investment and capital financing, use of investments, financial performance, return on equity and resource mobilisation in the SLPEs.

Origins and Growth

The SLPEs owe their existence more to historical factors and pragmatism than ideological considerations. A large number of the SLPEs came into being on account of historical necessity, in that, the erstwhile princely states were owning them prior to the formation of the present states of the Indian union. Many of the present SLPEs were born on account of the decisions of the state governments to wind up their departmental economic activities and organise them in the form of autonomous units. A large number of these enterprises were set up as public organisations to take advantage of the institutional funding from the long-term financial institutions and development banks as these institutions do not extend financial support, as a policy measure, to the government departments. Many SLPEs were set up in pursuance of the enactments legislated by the central government to make the states of the Indian Union partners in propelling such activities and evolving a uniform framework for the control and implementation of policies in respect of such sectors. A large chunk of the SLPEs have been set up to undertake promotional activities to provide infrastructural and institutional support for the developmental activities by the states. An important component of the SLPEs in this category relates to the welfare corporations which have come up almost in all the states following the all-India pattern.

Finally, a considerable number of these enterprises have seen the light of the day on account of the decisions of the various state governments to assume the entrepreneurial responsibilities.

Growth of SLPEs

There has been a massive growth in the number of SLPEs. From a mere 51 in the 1951-60 decade, the number of these enterprises shot up to 135 during 1961-70. The number of SLPEs established in 1971-80 covered around 300. During 1981-86, the number of new SLPEs established was estimated to be 350. Between 1986-87 and 1991-92, SLPEs have come up as new economic entities. As on March 31, 1992 the number of SLPEs stood at 954 including co-operative enterprises, but excluding state electricity boards and the state road transport corporations. In terms of numbers these enterprises are more than four-fold of the central PEs. As on March 31, 1992 there were 243 enterprises in the central sector. The SLPE system substantially expanded during 1961-80 in Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Kerala, Maharashtra, Orissa, Punjab, Bihar, Uttar Pradesh and Rajasthan. In many of the states, viz, Assam, Nagaland, Mizoram, Manipur, Tripura and Arunachal Pradesh, the growth of SLPEs has been a more recent phenomenon. The growth rate of the SLPEs in terms of number has slowed down during the years 1986-87 to 1991-92.

Objectives of SLPEs

The objectives of the SLPEs vary widely across the various states. In main, they have been set up to exploit the local resources, mobilise institutional finance,

Table 1: Classification of SLPEs in Terms of Organisational Forms as on March 31, 1992

State	Government Companies	Statutory Corporations	Co-operative Enterprises	Public Authorities	Total
Andhra Pradesh	37	3	18	1	59
Arunachal Pradesh	3	0	2	0	5
Assam	30	3	5	1	39
Bihar	32	3	2	13	50
Goa	15	0	8	0	23
Gujarat	35	3	3	4	45
Haryana	18	2	18	1	39
Himachal Pradesh	8	0	4	1	13
Jammu and Kashmir	8	1	0	1	10
Karnataka	62	2	3	1	68
Kerala	93	3	4	4	104
Madhya Pradesh	20	2	3	1	26
Maharashtra	34	2	5	2	43
Manipur	15	0	0	0	15
Meghalaya	9	1	2	0	12
Mizoram	1	0	3	0	4
Nagaland	3	0	3	0	6
Orissa	29	3	11	0	43
Punjab	21	2	6	1	30
Rajasthan	19	3	17	4	43
Sikkim	7	0	2	0	9
Tamil Nadu	63	2	1	2	68
Tripura	7	0	3	0	10
Uttar Pradesh	69	2	2	1	74
West Bengal	33	1	3	0	37
Total	671	38	128	38	875

Table 2: Category-wise Distribution of SLPEs

State	Commercial	Commercial cum Promotional	Promotional	Total
Andhra Pradesh	21	27	11	59
Arunachal Pradesh	2	3	0	5
Assam	23	11	5	39
Bihar	15	23	12	50
Goa	14	8	1	23
Gujarat	20	17	8	45
Haryana	19	16	4	39
Himachal Pradesh	6	7	0	13
Jammu and Kashmir	7	2	1	10
Karnataka	39	22	7	68
Kerala	71	24	9	104
Madhya Pradesh	11	13	2	26
Maharashtra	12	17	14	43
Manipur	10	3	2	15
Meghalaya	7	5	0	12
Mizoram	2	2	0	4
Nagaland	4	1	1	6
Orissa	16	26	1	43
Punjab	7	19	4	30
Rajasthan	27	12	4	43
Sikkim	6	2	1	9
Tamil Nadu	40	19	9	68
Tripura	4	3	3	10
Uttar Pradesh	24	22	28	74
West Bengal	29	8	0	37
Total	436	312	127	875

Table 3: Investment in SLPEs during 1985-86 to 1991-92

(Rs in crore)

State	85-86	86-87	87-88	88-89	89-90	90-91	91-92
Andhra Pradesh	1781	2151	2579	3008	3688	4204	4733
Arunachal Pradesh	9	8	14	17	18	21	22
Assam	303	358	457	520	516	556	606
Bihar	770	818	782	941	995	1020	1052
Goa	124	145	173	209	288	376	467
Gujarat	1056	1162	1655	1625	9958	2313	2645
Haryana	501	530	623	652	659	737	900
Himachal Pradesh	112	134	164	220	239	269	278
Jammu and Kashmir	150	172	198	226	262	306	326
Karnataka	1931	2129	2290	2743	2843	3043	3428
Kerala	1083	1866	2161	2401	2651	2894	3119
Madhya Pradesh	359	516	595	677	765	826	858
Maharashtra	1391	1545	1716	1993	2326	2713	2740
Manipur	20	19	24	35	36	42	47
Meghalaya	40	45	49	64	69	74	76
Mizoram	0	0	0	0	0	1	1
Nagaland	129	147	159	178	190	184	207
Orissa	790	886	993	1203	1319	1522	1708
Punjab	678	703	521	440	523	677	623
Rajasthan	801	888	1022	1287	1089	1224	1325
Sikkim	22	28	27	28	23	27	33
Tamil Nadu	1449	1886	2008	2225	2602	2834	3312
Tripura	26	31	40	50	60	72	81
Uttar Pradesh	2394	3060	3736	4289	5136	5616	5878
West Bengal	1912	1866	2050	2516	3127	3660	3818
Total	17831	21093	24036	27547	39382	35211	38283

Table 4: Debt Equity Ratio of SLPEs during 1985-86 to 1991-92

State	85-86	86-87	87-88	88-89	89-90	90-91	91-92
Andhra Pradesh	3.47	3.46	3.50	3.89	4.45	4.61	4.93
Arunachal Pradesh	1.39	3.87	1.56	2.11	2.26	2.46	2.62
Assam	3.03	3.03	3.13	2.86	2.35	1.80	1.55
Bihar	2.35	3.05	2.24	2.79	2.94	3.01	3.10
Goa	1.75	1.39	1.55	1.78	2.65	3.05	3.53
Gujarat	9.44	7.17	3.21	7.63	27.42	3.94	4.28
Haryana	2.85	3.03	3.13	3.14	2.92	2.92	3.44
Himachal Pradesh	1.46	1.68	1.79	1.72	1.87	1.85	1.68
Jammu and Kashmir	0.74	0.73	0.75	0.46	0.49	0.86	1.06
Karnataka	5.76	6.35	5.99	5.55	5.07	3.17	3.64
Kerala	2.27	1.19	1.37	1.54	1.55	1.48	1.59
Madhya Pradesh	2.96	2.58	2.57	2.47	2.51	2.28	2.23
Maharashtra	2.17	2.20	2.39	2.40	2.24	2.55	2.51
Manipur	0.64	0.41	0.52	0.82	0.53	0.45	0.44
Meghalaya	0.99	0.96	0.98	1.09	0.83	0.67	0.60
Mizoram	0.00	0.00	0.01	0.05	0.00	0.00	0.24
Nagaland	1.61	1.94	2.14	2.37	2.58	2.44	2.75
Orissa	2.83	2.74	2.31	2.19	1.99	1.51	1.15
Punjab	3.94	3.79	2.03	1.26	1.25	1.45	1.03
Rajasthan	2.95	2.72	2.76	2.53	2.30	2.26	2.15
Sikkim	4.21	4.64	3.07	2.06	1.28	1.04	0.83
Tamil Nadu	3.92	4.73	4.79	4.51	4.95	5.24	5.79
Tripura	0.86	0.80	0.77	0.77	0.71	0.72	0.65
Uttar Pradesh	0.98	1.11	1.05	1.05	0.98	0.95	1.02
West Bengal	2.60	7.00	4.90	4.69	2.78	2.43	2.35
Average	2.65	2.70	2.47	2.58	3.27	2.25	2.34

Table 5: Interest Coverage Ratio during 1985-86 to 1991-92

(in percentage)

State	85-86	86-87	87-88	88-89	89-90	90-91	91-92
Andhra Pradesh	1.49	1.45	0.97	1.05	0.73	0.46	0.45
Arunachal Pradesh	3.26	9.21	7.54	6.06	4.92	4.11	4.17
Assam	0.25	0.35	0.58	0.46	0.39	0.56	0.40
Bihar	–0.41	0.15	0.49	0.58	0.44	0.27	0.23
Goa	0.88	0.43	0.27	0.47	0.60	0.75	1.00
Gujarat	0.70	0.72	0.34	1.25	0.59	0.82	0.77
Haryana	0.70	1.06	1.07	1.20	1.69	1.39	1.60
Himachal Pradesh	0.97	0.96	1.03	0.51	0.67	0.56	0.64
Jammu and Kashmir	0.99	0.44	0.89	0.81	0.42	0.07	0.37
Karnataka	1.35	1.15	1.17	1.02	1.16	1.30	1.21
Kerala	0.38	0.40	0.52	0.58	0.60	0.60	0.57
Madhya Pradesh	1.83	1.36	1.44	1.50	1.35	1.24	1.73
Maharashtra	1.24	1.16	0.89	1.02	1.13	1.22	1.29
Manipur	0.22	0.33	1.06	0.67	1.35	1.73	1.54
Meghalaya	0.32	0.48	0.64	0.60	1.27	1.48	1.85
Mizoram	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nagaland	0.06	0.00	0.01	0.03	0.03	0.05	0.04
Orissa	0.57	0.46	0.40	0.53	0.88	0.69	0.77
Punjab	2.17	2.71	2.28	1.36	1.41	1.57	1.68
Rajasthan	0.96	0.93	1.23	1.17	1.44	1.70	1.84
Sikkim	–0.18	0.26	0.14	–0.02	–0.05	0.25	0.63
Tamil Nadu	0.65	0.83	1.27	1.31	5.07	1.20	1.18
Tripura	–1.38	–0.26	–0.05	–0.06	–0.07	–0.24	–0.61
Uttar Pradesh	0.67	0.44	0.33	0.30	0.60	0.30	0.29
West Bengal	1.09	0.53	1.62	1.29	–2.55	–1.73	–1.46
Average	0.85	0.84	0.88	0.92	1.00	0.48	0.54

fulfil social purposes, speed up the rate of growth, act as catalysts for the development of specific backward areas or target population groups and earn surpluses. In other words, they were set up at different points of time to implement the public policy by the various state governments

Table 1 shows that the SLPEs have been organised under a variety of legal structures These include government companies, departmental concerns, public boards and statutory authorities, societies, co-operative enterprises and federations About 75 per cent of these enterprises have been organised as government companies under the Companies Act Again most of these government companies have been organised as private limited companies About 10 per cent of these enterprises have been incorporated as public corporations, public authorities and statutory boards The co-operative enterprises constitute about 15 per cent of the total number of these enterprises

SLPEs are engaged in a wide variety of activities ranging from industrial development agro industries, mining and mineral development, manufacturing small industries promotion, passenger road transport, export promotion, electricity generation and supply warehousing, financial assistance, dairying and milk supply printing and publishing river transport commodity trade and fisheries development In the recent times they have taken up the responsibility of developing the small industries and tourism potential Table 2 reveals that in terms of number and total investment, the SLPEs engaged in commercial and commercial-cum-promotional activities dominated the overall SLPE scenario The SLPEs could be grouped under three broad categories as follows (1) commercial enterprises, (2) commercial cum-promotional enterprises, and (3) promotional enterprises

As on March 31, 1992 there were 436 commercial, 312 commercial-cum-promotional and 127 promotional enterprises in the country The study of the typology in terms of the number of the SLPEs points out that the relative importance of different kinds of SLPEs differed in the various states in view of their economic strategy For example, the states such as West Bengal and Kerala set up more manufacturing enterprises in view of their strategy to participate in directly productive activities As opposed to this, the states such as Maharashtra, Gujarat and Tamil Nadu preferred to set up more promotional enterprises in view of their strategy to accelerate the pace of economic development through helping the private sector enterprises In the states such as Uttar Pradesh, Bihar and Maharashtra the emphasis was more on setting up area development enterprises as these states went in for the area development approach which is the key component of their economic and political strategy

Investment

Table 3 shows that the investment in the SLPEs as on March 31 1986 turned out to be Rs 17831 crore This rose to Rs 38283

Table 6 Investment Turnover of All Sectors

(in percentage)

State	85 86	86-87	87-88	88 89	89 90	90 91	91 92
Andhra Pradesh	163 65	139 27	117 84	89 52	89 21	90 38	98 79
Arunachal Pradesh	458 71	377 12	734 97	579 99	2890 55	1673 85	-6991 2
Assam	73 17	84 21	121 64	110 93	81 34	90 20	170 86
Bihar	41 60	46 52	206 59	126 93	94 45	73 19	62 35
Goa	79 88	104 09	61 69	66 54	44 73	92 11	45 05
Gujarat	66 77	77 97	90 36	111 47	90 78	88 73	76 23
Haryana	91 59	127 47	147 98	142 95	230 21	214 71	261 57
Himachal Pradesh	176 94	186 34	169 28	139 91	160 13	133 53	148 98
Jammu and Kashmir	47 25	77 06	90 30	146 29	222 85	61 76	75 45
Karnataka	52 38	55 59	63 66	54 66	63 49	65 82	64 88
Kerala	163 50	89 31	95 54	108 60	96 84	97 15	105 83
Madhya Pradesh	175 57	94 60	118 95	104 83	114 02	112 32	129 82
Maharashtra	108 56	120 29	129 17	112 95	100 74	91 37	89 91
Manipur	45 08	29 54	19 01	78 17	29 24	18 60	18 81
Meghalaya	66 73	77 75	39 86	62 52	79 59	79 16	90 91
Mizoram	49 56	14 85	375 84	114 07	66 22	57 36	50 41
Nagaland	11 78	9 17	14 96	14 34	11 80	20 28	2 91
Orissa	122 14	117 43	134 58	142 08	92 3	86 61	95 01
Punjab	62 47	77 37	110 75	216 68	177 18	208 30	260 03
Rajasthan	80 82	79 23	98 28	90 74	80 87	78 75	93 37
Sikkim	25 62	26 75	31 12	39 41	63 92	84 11	82 21
Tamil Nadu	181 82	220 76	167 90	131 41	128 47	137 22	138 51
Tripura	54 69	46 63	48 52	49 25	56 67	49 95	52 66
Uttar Pradesh	33 89	95 19	98 20	87 71	64 44	64 73	72 19
West Bengal	28 93	76 92	40 66	37 72	37 59	43 90	44 64
Average	98 52	98 06	133 11	116 39	206 33	152 36	−186 83

Table 7 Net Profit/Loss in SLPEs during 1985 86 to 1991 92

(Rs in crore)

State	85 86	86 87	87-88	88 89	89 90	90 91	91 92	Total
Andhra Pradesh	53 0	48 6	−25 7	23 5	−42 3	214 8	276 7	434 3
Arunachal Pradesh	0 2	0 6	0 3	0 4	0 1	0 2	0 1	1 4
Assam	−14 9	−15 5	19 1	−21 9	15 6	9 2	12 8	109 1
Bihar	-45 4	14 5	23 0	18 5	27 1	29 1	32 6	99 5
Goa	5 6	1 4	1 2	3 1	7 4	8 0	16 4	40 8
Gujarat	14 7	4 5	17 6	2 2	3 6	42 4	22 4	20 2
Haryana	3 2	16 0	16 9	26 2	43 7	32 8	45 4	184 2
Himachal Pradesh	2 6	1 1	2 3	3 6	3 7	2 3	2 5	18 1
Jammu and Kashmir	-0 2	5 6	−3 2	−2 3	7 0	−15 3	11 9	-45 4
Karnataka	8 1	−10 3	−6 9	-42 6	132 6	52 0	15 5	148 2
Kerala	26 7	-45 4	-44 0	-47 6	-41 5	−57 3	-67 5	329 9
Madhya Pradesh	4 7	6 0	5 7	5 7	4 3	7 5	11 2	45 1
Maharashtra	5 6	5 2	−2 5	0 1	1 8	6 8	22 7	39 5
Manipur	0 1	0 0	-0 1	0 1	0 6	1 2	1 1	3 0
Meghalaya	0 0	0 0	0 0	-0 2	1 0	0 4	0 8	2 0
Mizoram	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 1
Nagaland	23 1	−23 3	−21 4	−23 3	24 0	26 3	24 4	165 8
Orissa	-4 5	−12 5	−13 5	1 7	3 0	27 2	1 9	-60 4
Punjab	6 3	4 7	9 5	12 0	10 3	14 4	29 8	86 9
Rajasthan	−2 5	3 4	3 2	13 3	16 4	22 6	36 2	92 6
Sikkim	0 4	0 6	0 8	0 5	1 2	1 5	1 5	6 5
Tamil Nadu	−3 7	2 7	−13 1	−5 2	41 5	20 8	28 8	71 7
Tripura	-4 1	−2 8	−2 6	−3 4	-4 2	-4 8	5 4	−27 3
Uttar Pradesh	-45 5	−112 1	−230 0	−269 8	−67 9	260 8	304 0	1290
West Bengal	−19 9	−35 0	−1 5	−15 2	−213 8	375 1	384 7	1045
Grand Total	-86 0	−153 2	−340 9	324 1	131 2	749 3	863 4	−2648

crore as on March 31, 1992 The investment in the SLPEs grew at the rate of 20 per cent per annum during the period 1986-87 to 1991-92 Andhra Pradesh, Arunachal Pradesh, Gujarat, Goa, Kerala, Manipur, Madhya Pradesh, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal recorded higher growth in the investment in SLPEs Bihar, Punjab, Sikkim, Karnataka, Haryana, Nagaland, Meghalaya and Rajasthan recorded less than the average growth in the investment in the SLPEs

The debt-equity ratio heavily leaned in favour of the debt component In most of the states the debt component assumed high proportions mainly due to the fact that the accumulated losses were funded by way of an equal amount of debt in these enterprises Table 4 reveals that the debt-equity ratio was much higher than the stipulated 1 1 in respect of the SLPEs in the various states The high debt-equity ratio posed a great financial threat to these enterprises as is evident from Table 5 showing the interest coverage ratio for the SLPEs of the various states The interest coverage was much below the ideal 3 1 prescribed by the financial experts In fact, in the case of West Bengal and Tripura SLPEs, the coverage turned out to be negative signalling the threat of bankruptcy

The efficiency of investment is measured in terms of its productivity in relation to the generation of goods and services The turnover to investment ratio is an index of the use of money invested in an enterprise which is computed by dividing the turnover by investment The use of investments was very inadequate in the SLPEs Table 6 shows that for all the states taken together, the capital invested to turnover ratio was 0 99 1 as on March 31, 1986 indicating that per rupee of investment the turnover was only about Rs 0 99 in these enterprises This ratio phenomenally improved to 2 06 1 in 1989-90 However, this trend could not be maintained in the later years as the ratio declined to 1 87 1 in 1991-92 The states where the ratio was below the national average as on March 31, 1992, included Bihar, Goa, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Nagaland, Rajasthan, Sikkim, Tripura, Uttar Pradesh and West Bengal

Financial Performance

The net profits/losses of an undertaking represent the financial performance of an undertaking Table 7 shows the financial performance of the SLPEs during the period 1986-87 to 1991-92 Table 7 showing the financial results of the SLPEs points out that they have a long way to go in order to turn the corner The net losses for all the enterprises taken together shot up from Rs 86 crore in 1985-86 to Rs 863 4 crore in 1991-92 The position of the SLPEs in the states such as Uttar Pradesh, Andhra Pradesh, Bihar, Karnataka, Kerala, West Bengal, Nagaland, Manipur, Assam, and Orissa was very dismal The SLPEs in the states such as Maharashtra, Madhya Pradesh, Rajasthan, Haryana and Gujarat, on the other hand, have done somewhat better On the whole, put together these enterprises across the various states had never earned profits during any year of the study

TABLE 8 INTERNAL RESOURCE GENERATION IN SLPEs DURING 1985-86 TO 1991-92

(Rs in crore)

State	85-86	86-87	87 88	88 89	89 90	90-91	91 92
Andhra Pradesh	104	111	39	98	50	33	44
Arunachal Pradesh	0	0	1	0	0	0	0
Assam	3	3	6	6	7	17	16
Bihar	6	32	40	36	55	57	58
Goa	9	4	3	7	11	14	20
Gujarat	38	43	69	90	81	134	122
Haryana	28	35	41	40	59	50	70
Himachal Pradesh	4	4	4	6	6	6	6
Jammu and Kashmir	3	3	3	3	4	2	2
Karnataka	102	89	105	107	224	164	119
Kerala	21	18	29	29	27	41	49
Madhya Pradesh	8	10	15	14	18	23	33
Maharashtra	27	29	25	26	29	32	61
Manipur	0	0	0	0	1	1	1
Meghalaya	0	0	0	0	2	1	2
Mizoram	0	0	0	0	0	0	0
Nagaland	0	0	0	0	0	0	0
Orissa	17	9	13	29	45	11	36
Punjab	13	13	17	18	20	27	39
Rajasthan	16	23	31	35	33	39	57
Sikkim	0	1	1	1	2	2	2
Tamil Nadu	74	70	68	71	174	147	144
Tripura	0	0	0	0	1	1	0
Uttar Pradesh	28	34	55	38	105	96	98
West Bengal	39	37	63	62	127	82	92
Total	540	568	628	716	1081	980	1071

TABLE 9 TOTAL MANAGEMENT PERFORMANCE OF ALL SECTORS

(in percentage)

State	85-86	86 87	87 88	88 89	89 90	90 91	91-92
Andhra Pradesh	146 88	117 74	121 71	119 73	138 81	163 98	216 53
Arunachal Pradesh	91 61	226 88	83 25	81 31	96 24	97 32	106 33
Assam	13 08	13 02	15 54	17 60	16 57	16 49	18 12
Bihar	47 22	66 89	89 19	88 08	100 37	102 20	103 25
Goa	77 88	75 06	79 65	75 30	80 70	81 43	80 94
Gujarat	35 92	27 36	18 57	40 59	21 59	16 71	18 88
Haryana	20 91	22 30	19 75	21 67	20 66	19 67	15 85
Himachal Pradesh	12 61	13 06	12 07	9 32	7 02	7 93	5 50
Jammu and Kashmir	6 36	9 04	12 92	14 07	21 84	27 19	33 47
Karnataka	37 06	43 86	47 93	72 25	77 79	55 40	62 20
Kerala	69 25	33 81	36 98	40 43	40 72	48 78	52 79
Madhya Pradesh	34 21	21 65	25 54	21 74	27 71	18 77	22 89
Maharashtra	81 32	161 34	177 25	171 32	167 33	177 12	183 21
Manipur	11 95	13 93	8 73	10 43	6 66	6 41	5 23
Meghalaya	18 21	22 81	27 39	294 43	28 23	28 37	24 45
Mizoram	11 45	11 45	214 46	68 08	34 55	14 61	15 00
Nagaland	0 92	1 23	1 94	2 77	4 05	4 87	7 19
Orissa	223 99	139 52	192 98	174 36	92 88	67 86	56 82
Punjab	6 09	7 90	12 06	7 67	9 95	3 21	12 30
Rajasthan	9 14	11 82	11 99	8 52	9 29	10 77	12 17
Sikkim	28 14	22 05	13 49	6 33	6 61	5 33	3 71
Tamil Nadu	136 83	148 85	167 56	174 84	168 34	172.26	190 87
Tripura	2 28	0 69	1 50	1 84	1 50	1 42	1 21
Uttar Pradesh	77 81	75 44	65 76	64 31	58 56	57 21	61 12
West Bengal	65 33	118 22	75 46	67 70	56 12	45 86	46 13
Average	50 66	56 24	61 35	66 19	51 76	50 05	54 25

The internal resource generation helps enterprises to plough back the money for financing, modernisation, renovation and expansion. It also adds to the autonomy of an enterprise. The performance of the SLPEs was not encouraging with regard to the generation of internal resources during the period 1986-87 to 1991-92. Table 8 shows that the generation of internal resources in these enterprises doubled from Rs 540 crore in 1985-86 to Rs 1071 crore in 1991-92. The internal resource generation approximated to 3 per cent point of total investments in the SLPEs. No state displayed an encouraging trend in this sphere.

Total Management Performance

The total management performance represents the sum total of the efficiency and effectiveness in each of the functional areas of management as well as the type of management itself. Since there is no single unified measure capable of reflecting the total management performance, we have taken "from keeping the net worth intact to its maximisation" as the indicator to evaluate the total management performance of the SLPEs. The study of the 'net worth' in these enterprises points out that it did not register any increase as the SLPEs on the whole across different states had accumulated colossal losses. Table 9 shows that the accumulated losses to paid up capital, on an average, increased from 5 per cent in 1986-87 to 54 per cent in 1991-92. In other words, one rupee of investment in the SLPEs taken as a whole was worth 50 paise in 1985-86 and 46 paise in 1991-92.

The preparation and finalisation of accounts is in shambles in the SLPEs of the various states. The SLPEs are entities whose financial performance and position is reflected through their income statements and balance sheets. The preparation of these financial statements is obligatory in terms of statutory as well as strategic requirements. Our study, on the contrary, points out that the SLPEs have shown scant respect for the finalisation of accounts. More than half of the total number of the SLPEs had not finalised their accounts for a period ranging from one to 15 years as on March 31, 1992 in Assam, Bihar, Jammu and Kashmir, Manipur, Kerala, Nagaland, Tripura and Uttar Pradesh. The position of the other states was none too happy. The reasons for the non-finalisation of the reports ranged from non-completion of the books of accounts, preparation of financial statements, and statutory audit to the delays in the appointment of the statutory auditors by the Comptroller and Auditor General and their adoption for the annual meetings. Many states decided more than once to root out these problems by tying up the loose ends but with no success. The lack of professional staff in the accounting and finance departments has posed the major limitation in this regard. Our study on the delay in the finalisation of accounts for the SLPEs in Andhra Pradesh points out the following factors responsible for the phenomenon: (a) statutory audit delay, (b) delay in board approval for accounts on account of the interim board's reluctance to take up the matter, (c) bad health of auditors, (d) delay in composition of accounts, (e) improper records, (f) lack of sufficient accounts personnel, (g) delay in recalling reports from circle offices, (h) lack of proper accounting systems, (i) no proper upkeep of branch accounts, (j) non-availability of registers, vouchers, and auditors' refusal to give even qualified reports, (k) delay in statutory auditors' appointment by the Company Law Board and delay in audit taken up by auditors, (l) delay in receipt of Comptroller and Auditor General's comments, and (m) extending of accounting year pursuant to change in the income-tax law.

Summing Up

The SLPEs are an important component of the Public Enterprise System in India. No reform programme could succeed unless these enterprises turn the corner. The SLPEs have disparate origins and they perform a variety of tasks. Their macro-objectives are both multiple and conflicting in nature. The investment in these enterprises more than doubled during the seven-year span of the study. About 75 per cent of these enterprises have been set up as government companies. A substantial number of the SLPEs are involved in commercial functions followed by the enterprises in commercial-cum-promotional and promotional categories. The use of investment has been abysmally low in these enterprises. Their financial results have been awfully disappointing. The accounting systems in these enterprises have been found to be in total disarray. The preparation and finalisation of accounts have been in arrears for a period ranging from one to 15 years in the case of many a SLPE.

Divesting State Ownership

A Tale of Two Companies

J L Bajaj

As many state governments are contemplating sale of equity in their public enterprises, the contrasting experience of privatisation of two state government enterprises in UP may hold some valuable lessons.

THE budget of state governments since 1985 have exhibited an increasing tendency to allocate large resources to revenue expenditure instead of capital investment. As a result balance from current revenue and contribution of state enterprises have been much below the Plan target. This is despite the fact that revenue receipts of the state government have grown at least as fast as the State Domestic Product. The decline in balance from current revenue has mainly been due to the growth in non-plan expenditure.

Uttar Pradesh has not been an exception to this trend. Tables 1 and 2 depict the pattern of financing of capital formation in the state in the period 1970 90. Current revenues excluding transfers from the government of India have consistently been inadequate to finance current outlays. However taking into account the state's share in taxes levied by the union government there was surplus available for capital investment. This surplus increased from Rs 390 71 crore in the period 1970-75 to Rs 1 040 91 crore in 1975 80. Since 1985 there has been a sharp deterioration in current surplus and it became negative Rs (-) 2 053 74 crore in 1985 90 exceeding the surplus in the previous 10 years. The ratio of current savings to current revenues increased from 15 7 per cent to 19 5 per cent in the period 1970 80 but dropped sharply to 9 per cent in 1980 85 and to a negative level (-10 per cent) in 1985-90. This slowed down the growth of capital expenditure at current prices from 16 34 per cent during 1974 75 1980 81 to 10 per cent between 1981 82 and 1988-89. An important factor in the decline in the availability of resources for capital investment was the inability of the state enterprises to generate an adequate rate on return on their investment.

In Uttar Pradesh most of the public sector undertakings were established after 1970. Their number excluding the State Electricity Board increased from 11 in 1970 to 39 in 1975 and reached 63 in 1990. These undertakings were set up to improve infrastructure facilities like electricity supply, bridges and roads promote industrial development, render assistance to traditional arts and crafts, distribute and market products produced in the state and facilitate development of backward regions. At the end of 1989-90 the total investment in these undertakings (excluding UPSEB) was Rs 4,835 90 crore of which the state government contributed Rs 2,146 35 crore as equity and loan. These enterprises had also taken loans from financial institutions, commercial banks, etc, amounting to Rs 1,480 35 crore up to 1989-90. Twenty-six enterprises in the state had been incurring losses in the previous three years up to 1989-90. The cumulative deficit of the 63 state enterprises had reached Rs 905 61 crore in that year. The financial results of the operation of these undertakings are summarised in Table 3.

Eight of the enterprises were engaged in manufacturing. The cumulative loss in the operation of manufacturing enterprises had reached Rs 512 88 crore at the end of 1989-90 (Table 4).

The performance of state sector manufacturing enterprises in almost all the states has been quite poor. Their problems revolve around operational deficiencies in these enterprises including lack of systems and procedures with regard to purchase and upkeep of raw materials, recruitment, promotion and motivation of personnel, formulation of suitable credit collection and cash management policies and choice of appropriate credit mix. These enterprises have been a drain on the state government's finances. Badly planned, poorly managed and heavily indebted, the operations of these enterprises have not fulfilled the objectives for which they were set up. A major problem in their functioning has become an important component of the programme to improve the finances of the state governments. The sale of shares owned by the government of Uttar Pradesh in UP State Cement Corporation and Auto Tractors has attracted considerable interest. In case of UPSCC, petitions were filed by trade unions representing workers and officers alleging that proper valuation of assets was not done and that the shares were sold at a very low price. The opposition by workers led to cessation of production and the factories have not commenced production operations. As many state governments are contemplating sale of equity in public undertakings, the procedures followed and issues raised in UPSCC and Auto Tractors have many lessons for them.

UP State Cement Corporation

A cement factory owned by the government of Uttar Pradesh was set up at Churk in 1954. Later another factory was set up at Dalla which went into production in 1972. The installed capacity of these two units was 4 8 lakh tonnes and 4 lakh tonnes of cement respectively. In 1972 the ownership of these units, till then operated as departmental undertakings, was transferred to UP State Cement Corporation. The corporation added a clinker factory with a capacity of 8 lakh tonnes and a unit for mixing and grinding slag at Chunar. This unit has the installed capacity to produce 16 8 lakh tonnes of cement.

The objectives of UP State Cement Corporation were:

(i) to produce, store and sell portland cement and other forms of cement, its by-products and building materials,

(ii) to carry out ancillary and supporting activities connected with the growth of cement industry,

(iii) to prospect and promote the raw material requirements of the industry, and

(iv) to undertake expansion of the cement industry in the state and to promote and participate in other industries feeding or depending upon the cement industry.

The total paid-up capital of the corporation has been subscribed to by the state government. The paid-up capital increased from Rs 37 07 crore in 1980-81 to Rs 67 73 crore in 1989 90. The outstanding long-term loans advanced by the state government up to 1988-89 were Rs 5 76 crore. In addition, as on 31 3 90 the instalments due for repayment and accrued interest of loans from financial institutions was Rs 96 crore. In this way the total long-term funds invested in the corporation at the end of 1989-90 were Rs 169 48 crore.

The capacity utilisation of the three plants since 1981-82 is presented in Table 5. The financial position of the company from 1986-87 to 1989-90 is summarised in Table 6. Between 1981-82 and 1989-90 production of cement in Churk declined from 2 87 lakh tonnes to 0 11 lakh tonnes,

in Dalla from 1.20 lakh tonnes to 0.08 lakh tonnes but in Chunar cement production increased from 2.69 lakh tonnes to 9 lakh tonnes. The combined capacity utilisation of the three plants declined from 76.4 per cent in 1981-82 to 35.94 per cent in 1989-90. As a result of indifferent operation of the plants and low capacity utilisation, the cumulative losses of the corporation reached Rs 155.26 crore at the end of 1989-90. The reasons for low capacity utilisation were: Cement manufacturing through wet process has become obsolete. As a result of poor maintenance the incidence of breakdowns increased. There was little effort even to carry out routine and regular maintenance. Supervisory officers complained that even maintenance and operation manuals were not available in the plant offices. Absence of regular maintenance along with low capacity of technical personnel were responsible for frequent breakdowns in the plants. Whenever information of stoppages was collected it was not analysed and as a result no advantage was derived from this information. The Dalla cement factory was operating at low capacity also due to inherent defects in plant design and recurring labour problems. The Chunar plant did not have the required complement of trained technical staff. An illustration of the manner in which the operations of the corporation were carried out is that in 1982 when the clinkerisation plant employing dry process at Dalla was commissioned no composite responsibility was fixed on any supplier of the plant and equipment or the consultant. Even after 10 years of the plant having been commissioned, no composite guarantee tests have been performed. Similar is the case with Chunar cement grinding and packing plant which was also commissioned in 1982. The suppliers have been made full payments but some equipment like cement mills, packing materials, electrostatic precipitators have not functioned at all. Due to these defects the plant's operations have been running at less than half its capacity.

In 1987-88 the management of the corporation noted that the direct cost of production of cement for that year was estimated by Cement Manufacturers' Association at Rs 432 per metric tonne. As against this the cost of production in Dalla/KCCP plants was estimated at Rs 689 per metric tonne as a result of inadequate cost control and lower capacity utilisation (Table 7).

The installed capacity of the corporation at 25.6 lakh tonnes equalled about 50 per cent of cement consumption in the state in 1989-90. As against this the total production by UPSCC was only 9.20 lakh tonnes that year. The corporation also failed in the other objectives of setting up ancillary units, prospecting raw material requirements and promoting industries depending on cement production. Its existence failed to encourage entrepreneurial activity, supplement efforts of private sector or provide effective competition through the private cement industry.

In terms of promoting technology development or generating surplus for further investment in the state, its performance was poor. A high power committee on state enterprises set up by the state government in 1985-86 had recommended that surplus personnel capacity, specially casual labourers and incompetent among technical personnel, should be identified and a scheme for golden handshake prepared. The committee noted that in this task "government will have to give the necessary support in case of labour unrest". Another alternative proposed was to convert the corporation from a fully state-owned undertaking to a joint sector company in collaboration with a large industrial house. It was hoped that the private collaborator would bring in additional funds for modernisation and also bring about a radical change in the culture of the organisation.

Considering the mounting losses in the operations of public enterprises, the state government decided in April 1990 to convert some of the state corporations into joint sector companies by off-loading part of their shares. On May 1, 1990 the state government issued an advertisement in leading newspapers inviting participation in UP State Cement Corporation. In pursuance of the advertisement a meeting was held in the Industries Department of UP with 25 entrepreneurs when some of the important aspects of the proposal were discussed. The state government informed the industrialists that basic parameters to be followed in case of privatisation would be:

(i) UP government will neither make any further investment nor give guarantees to financial institutions against loan;
(ii) retrenchment of workers should not be a pre-condition for any agreement; and
(iii) the relief would be available to UP State Cement Corporation as was applicable to a sick unit as per the policy of the state government and Reserve Bank of India. They were asked to give their offers before the end of June 1990.

In August 1990 the state government set up a committee known as privatisation committee to consider various offers and options including that of:

(i) Giving management contracts to private managers of selected enterprises while retaining state ownership.

Table 1: Financing of Capital Formation—UP State Government

(Rs crore

Item	1970-75	1975-80	1980-85	1985-90
Current revenues exclusive of shared taxes	1577.07	3607.73	6390.44	11878.9
Current outlays[a]	2091.85	4284.41	9380.41	22691.8
Current deficit	–514.78	–676.68	–2990.19	–10812.9
Share of central taxes	904.99	1717.59	3934.48	8759.1
Current surplus after taking into account shared taxes	390.12	1040.91	944.48	–2053.7
Capital resources[b]	1070.64	1861.27	5325.73	11656.2
Outlays on capital formation[c]	1460.85	2902.27	6270.02	9602.4
Ratio of: Current savings to current revenues (per cent)	15.70	19.50	9.10	–10.0
Contribution of current savings to capital formation (per cent)	26.70	35.90	15.10	–21.4

Notes: a Current expenditure and loans for consumption; b Net borrowings, loan repayments, capita receipts and drawals from cash balances, c Capital expenditure and loans for capital formatio

Source: Economic and Functional Classification of the UP Government Budget; UP State Budge documents.

Table 2: Incremental Financing of Capital Formation—UP State Government

(Rs crore

Item	Increase over Previous Quinquennium			
	1970-75	1975-80	1980-85	1985-90
Current revenue net of shared taxes	540.92	2030.66	2782.71	5488.5
Current outlay	935.66	2192.56	5096.22	13311.2
Deficit	–394.74	–161.90	–2313.51	–7822.7
Share in central taxes	573.44	812.60	2216.89	4824.6
Current surplus after taking into account share in taxes	178.70	650.70	–92.62	–2998.0
Capital resources	449.02	790.63	3464.46	6330.4
Outlays on capital formation	627.75	1441.33	3367.84	3332.4

(ii) Private entrepreneurs may fund the additional capital requirements while the state government may retain majority shareholding.
(iii) Majority shareholding to be transferred to private entrepreneurs and the state to retain minority shareholding.
(iv) Outright sale of the unit.
(v) Closing down of the unit and sale of its assets.

Proposals were invited from private promoters for improving the viability of UP State Cement Corporation. Their proposals could range from taking over the management to purchasing machinery and other assets of the units. Seven parties responded to the state government's invitation. These were:
(i) ACC
(ii) Dalmia Industries
(iii) Modi Cement
(iv) Raymond Woollens
(v) JK Synthetics
(vi) UP Asbestos
(vii) Orient Paper and Industries.

The committee held discussions with the private parties and stipulated parameters according to which proposals were invited from them. The private promoters were informed that the state government would not provide any funds in future to the corporation. All requirement of funds for repair, maintenance, balancing equipment or modernisation would have to be arranged by the promoters. Initially, the state government would be prepared to transfer up to 51 per cent of its shareholding, but all future investment for expansion would have to be provided by the private promoters. The state government would also not stand guarantee for any transaction of UPCC with any bank or financial institution. The state government would, however, assist the promoters in obtaining concessions from the financial institutions as are available to other sick units. The state government would also consider deferring payments of liabilities due to the state government and its agencies. It may also make available sales tax deferment concession as applicable to new industrial units. The chairman will be the nominee of the state government and the MD of the promoters and representation on the board of directors of the corporation will be in the same ratio as the shareholding.

The committee got the value of shares assessed by Billimoria and Company. They prepared their report by drawing UPSCCL's Annual Report (1989-90), audited cost sheets of the company for 1989-90 and April to September 1990 and discussions with company's managers. They did not carry out a physical verification of the plant, machinery, other assets and the liabilities.

According to the valuers, the factories of UPSCC were overmanned. Instead of 4,463 persons employed in these plants only 3,100 were required. It was also found that in addition to employing excess manpower, the corporation was also making substantial payments as overtime to workers. Also, a large number of regular workers neglected their duties and the work was being got done by employing casual labour. When the Chunar unit was commissioned, it was stipulated that the entire surplus staff at Dalla will be transferred first before employing any new workers. However, this could not be accomplished due to the decision of the state government not to shift staff from Dalla. As a result of labour indiscipline, ineffective supervision, political interference, cement production per worker in UPSCCL was only about 0.5-0.6 tonnes as compared to the industry norm of 2.5-3 tonnes per worker. However, in the calculation of fair share value, it was assumed that manpower at current levels would continue to be employed.

On the basis of the technical evaluation of the plants at Churk, Dalla and Chunar, Billimoria assessed that for attaining optimal capacity utilisation investment amounting to Rs 56.53 crore was required immediately. With this investment it was considered feasible to attain maximum/optimal capacity utilisation of 90 per cent in the fourth year.

After replacement and modernisation total sales were expected to increase from Rs 146.98 crore in 1991-92 to Rs 261.61 crore in 1995-96. The operating profits before depreciation and long-term interest were expected to increase from Rs 2.85 crore to Rs 56.70 crore. However, there was substantial interest payment liability on the past loans and unless these were written off or rescheduled, the ability to meet "the repayment schedule as drawn out based on normal concessions and reliefs given by commercial banks and financial institutions will be very difficult unless additional funds of nearly Rs 44 crores are brought in".

The cost of creating 25.6 lakh tonnes of new cement capacity at Rs 1,750 per tonne for wet process, Rs 2,000 per tonne for dry process and Rs 500 per tonne for slag grinding plant was estimated at Rs 364 crore.

The current value of fixed assets of these plants could be estimated on the basis of book depreciation method, balance useful life method and market valuers of assets. The last one was not attempted as the valuers were not able to spend much time at the plant sites. Table 12 gives the current value on

TABLE 3: UP STATE ENTERPRISES OTHER THAN UP STATE ELECTRICITY BOARD
(No of Enterprises 63)

(Rs crore)

Sl	Particulars	1987-88	1988-89	1989-90
(1)	Investment (a+b+c)	3560.50	4220.57	4835.90
	(a) State government funds	1568.84	1801.95	2146.36
	(i) Equity	696.94	951.45	1061.75
	(ii) Loans	871.94	850.94	1076.61
	(b) External resources	1152.92	1443.86	1591.66
	(i) Equity	59.08	87.34	112.31
	(ii) Loans	1093.84	1356.52	1480.35
	(c) Grants/subsidy	838.74	974.75	1096.88
(2)	Capital employed (a+b)	1711.71	2015.27	2935.30
	(a) Net fixed assets	429.27	485.82	1131.82
	(b) Net working capital	1282.44	1529.45	1803.46
(3)	Turnover	1316.07	1564.89	1744.28
(4)	Gross profit/loss	91.31	48.04	64.96
(5)	Depreciation	69.86	81.99	130.79
(6)	Profit/loss after tax	-67.11	-135.21	-150.10
	(a) Profit earned	28.91	19.11	60.66
	(b) Number of enterprises	23	25	31
	(c) Loss incurred	-96.02	-154.31	-210.75
	(d) No of enterprises	37	35	31
(7)	Cash profit/loss (5+6)	2.75	-53.22	-19.31
(8)	Interest on government loans	41.69	39.13	69.70
(9)	Cumulative deficit	557.23	702.21	905.62
(10)	Internal resources (a+b)	512.86	606.00	776.08
	(a) Reserves and surplus	167.91	184.22	236.55
	(b) Depreciation (cum)	344.95	421.79	539.53
(11)	No of enterprises:			
	(a) Regularly profit making during the last 3 years	19	15	15
	(b) Regularly loss making during the last 3 years	24	23	26
	(c) Making either profit or loss during last 3 years	17	23	21
(12)	No of employees	145736	149003	156810

Source: Performance of UP State Public Sector, 1989-90, Bureau of State Enterprises, UP.

book depreciation method. The valuers did not consider this as a fair indicator of the value of assets as it was neither a fair indicator of the condition of plant and machinery nor of the life of the plant used. After an additional capital investment of Rs 56.33 crore it was expected that the useful life of the plants would be extended as follows.

	(Years)
Churk	15
Dalla	25
Dalla Dry	
Chunar	30

As a new cement plant is estimated to last around 40 years the current value of the fixed assets was computed at Rs 176 62 crore. However, as the capacity utilisation of 90 per cent was expected only after four years the net asset value would be reduced to Rs 139 82 crore

On the basis of capitalisation method assuming a debt-equity ratio of 2 1, average debt service rate of 15 per cent, weighed average depreciation rate of 8 5 per cent, return on equity of 12 per cent and tax rate of 46 per cent, the revalued asset value was estimated at Rs 147 07 crore

On the basis of these calculations Billimoria and Company recommended the fair share value as in Table 15

The committee treated the report of Billimoria and Company as indicative of the strength and weakness of the corporation It did not accept the share value as given by Billimoria and Company as final and held further discussion with private promoters Raymond Woollens conveyed their interest only in purchasing the assets They informed that they were not interested in having a joint venture as they felt that due to high cost of the coal and power and low productivity of labour, the operations of this unit could not be carried on a profitable basis UP Asbestos also did not give a credible offer Only two promoters gave proposals that were pursued by the committee ACC conveyed its interest in purchasing 51 per cent shares over a period of three years It proposed that the management of the corporation should be transferred immediately to it Dalmias also offerd to buy 51 per cent of equity If offered they were willing to hold larger equity in the corporation Both Dalmias and ACC agreed to take over all the employees, though both the parties felt that such a large staff was a drag on the operations of the corporation

The committee asked both the promoters to convey their offers in writing On December 28, 1990 ACC wrote to the state government withdrawing its earlier offers and indicated its disinterest in the matter It stated that "having regard to the large accumulated losses and recurring burden of excessive work-force, it was felt that it will not be possible for the ACC to restructure UPSCCL and run it on a viable basis within the broad parameters of privatisation"

This left only Dalmia Industries in the field. Government of UP and Dalmia Industries then entered into a joint sector agreement in February 1991 in respect of UP Cement Corporation. The important features of the agreement were.

(i) Dalmias will take over the management of UPSCCL Taking over of the assets and liabilities of UPSCCL will be on as is where is basis.

(ii) The state government will hold 49 per cent of equity and Dalmias 51 per cent in UPSCCL.

(iii) The shares with face value of Rs 100 will be transferred by the state government to Dalmias and others at Rs 75 per share

(iv) On entering the agreement Dalmias will pay Rs 5 crore to the state government and the balance amou shall be paid within 24 months whic will carry an interest of 12 per cent p annum from the date of the agreeme till the date it is paid to the sta government The balance amount wi be reinvested by the state governme as secured loan and will carry an intere of 12 per cent per annum. This lo will be repaid after five years in fo equal annual instalments

(v) Whenever the state government decid to disinvest the remaining shar Dalmia and its nominees will have t first right to purchase the shares at mutually agreed price to be fixed that time

(vi) All employees of UPSCCL will taken over by the joint sector ventur

TABLE 4 MANUFACTURING ENTERPRISES

(Rs cror

Sl	Particulars	1987 88	1988-89	1989-9
(1)	Investment (a+b+c)	685 12	857 90	925
	(a) State government funds	467 51	566 73	643
	(i) Equity	293 34	445 05	496
	(ii) Loans	174 21	121 69	146
	(b) External resources	217 41	290 58	280
	(i) Equity	3 38	3 38	3
	(ii) Loans	213 63	287 20	277
	(c) Grants/subsidy	0 59	0 59	0
(2)	Capital employed (a+b)	240 18	290 03	283
	(a) Net fixed assets	125 84	120 07	124
	(b) Net working capital	114 35	169 96	158
(3)	Turnover	429 80	597 91	608
(4)	Gross profit/loss	–29 41	–58 26	–34
(5)	Depreciation	22 84	29 47	30
(6)	Profit/loss after tax	–74 67	–109 38	-68
	(a) Profit earned		17	5
	(b) Number of enterprises		1	
	(c) Loss incurred	–74 67	–109 54	–74
	(d) No of enterprises	8	7	
(7)	Cash profit/loss (5+6)	–51 82	–79 90	–38
(8)	Interest on government loans	14 92	11 63	11
(9)	Cumulative deficit	341 99	443 58	512
(10)	Internal resources (a+b)	147 08	176 25	205
	(a) Reserves and surplus	13 52	14 25	13
	(b) Depreciation (cum)	133 56	162 00	192
(11)	No of enterprises			
	(a) Regularly profit making during the last three years			
	(b) Regularly loss making during the last three years	7	7	
	(c) Making either profit or loss during last three years	1	1	
(12)	No of employees	53684	53501	577

Source Bureau of State Enterprises, UP

TABLE 5 CAPACITY UTILISATION—UPSCC

Year	hurk		Dalla		Chunar		Total	
	Production	Capacity Utilisation	Produc tion	Capacity Utilisation	Production	Capacity Utilisation	Production	Ca Uti
1981-82	2 87	59 80	1 20	30 00	2 69	31 98	6 76	
1982-83	2 32	48 30	0 42	10 70	6 56	78 12	9 30	
1983-84	2 12	44 16	0 85	21 30	6 69	116 90	9 66	
1984-85	1 86	38 80	0 82	20 50	6 39	55 90	9 07	
1985-86	0 05	1 06	0 50	12 44	10 34	90 40	10 89	
1986-87	0 66	13 86	0 34	8 42	9 10	54 15	10 10	
1987-88	0 97	20 27	0 29	7 15	10 25	60 98	10 50	
1988-89	0 85	17 60	0 89	22 20	9 60	57 16	11 34	
1989-90	0 11	2 47	0 08	2 05	9 00	53 57	9 20	

Representation on the board of directors will be in the same ratio as shareholding. State government will have four directors and Dalmias five directors on the board of the corporation. The chairman will be nominated by the state government out of the four directors and the full-time managing director by the Dalmias out of their five nominees.

(vii) The capital base of the corporation will not be changed without prior consultation and agreement of the state government. The state government will not invest any funds other than indicated earlier in UPSCCL. The state government will also not give any guarantee for any funds to be raised in future by the management of UPSCCL. After the joint sector company comes into existence, the state government will grant sales tax deferment facilities for five years. It will also reschedule the liabilities due to the state government and its agencies up to Rs 25 crore. There will be a moratorium on the payment of these liabilities for three years and they will be repaid in five equal annual instalments. The interest payment for these rescheduled liabilities will be 12 per cent with a rebate of 3 per cent for timely and prompt payment. There will be no moratorium on interest payments. The contingent liability of Rs 1.4 crore to sales tax department and Rs 11 lakh towards stamp duty shall be waived. The sales tax department will also drop all pending cases against UPSCCL.

(viii) If Dalmias are not able to meet any of the commitments given to the state government at the time of formation of the joint venture, the state government will be at liberty to take over the management of the company.

The decision to transfer the management of the corporation and to disinvest the shareholding was opposed by employees of the corporation and they launched an agitation against take-over by Dalmias. A petition was filed in the Allahabad High Court and UP government was prohibited from converting UPSCC into a private company. Government of UP transferred 49 per cent of equity in UPSCC to Dalmia Industries with the stipulation that the additional 2 per cent will be transferred after the decision of the court. The government handed over the management of the UPSCC to Dalmias. But as there was labour unrest the factory premises could be transferred only with the help of the police. The police also had to resort to firing to control the labour who were allegedly damaging the corporation's [illegible]y. As a result of the firing nine workers died and production in the cement plant stopped.

The Allahabad High Court in its judgment dated 16.10.90 (Churk Cement Mazdoor Sangh vs State of UP) stated that the normal method of determining compensation is to value the assets, determine the liabilities and find out its net worth. It referred to the observations made by the Supreme Court in R C Cooper vs Union of India (AIR 1970 SC 564 AT 609 to 611):

> The important methods of determination of compensation are (i) market value determined from sales of comparable properties, proximate in time to the date of acquisition, similarly situate, and possessing the same or similar advantages and subject to the same or similar disadvantages. Market value is the price the property may fetch in the open market if sold by a willing seller unaffected by the special needs of a particular purchase; (ii) capitalisation of the net annual profit out of the property at a rate equal in normal cases to the return from silt-edged securities. Ordinarily value of the poperty may be determined by capitalising the net annual value obtainable in the market at the date of the notice of acquisition, (iii) where the property is a house, expenditure likely to be incurred for constructing a similar house, and reduced by the depreciation for the number of years since it was constructed; (iv) principle of reinstatement, where it is satisfactorily established that reinstatement in some other place is bona fide intended, there being no general market for the property for the purpose for which it is devoted (the purpose being a public purpose) and would have continued to be devoted, but for compulsory acquisition. Here compensation will be assessed on the basis of reasonable cost of reinstatement; (v) when the property has outgrown its utility and it is reasonably incapable of economic use, it may be valued as land plus the break-up value of the structure. But the fact that the acquirer does not intend to use the property for which it is used at the time of acquisition and desires to demolish it or use it for other purpose is irrelevant; and (vi) the property to be acquired has ordinarily to be valued as a unit. Normally an aggregate of the value of different components will not be the value of the unit.

These are, however, not the only methods. The method of determining the value of the property by the application of an appropriate

Table 8: Manpower Assessment—UPSCC

	Existing	Required
Churk	1313	980
Dalla	2043	1430
Chunar	1107	690

Table 9: Overtime Incurred—UPSCC

(*Man hours*)

	1989-90		1990-91
	Actual April-December	Exp Acts April-March	Budget
Churk	110460	147000	125000
Dalla			
Mines	93446	112296	99000
Wet	57974	76825	76000
Dry	41905	60756	60000
Chunar	48429	63429	50000
Total	352214	460306	410000

Table 10: Investments Required—UPSCC

(*Rs crore*)

(i)	Churk (wet process)	13.35
(ii)	Dalla (wet process)	6.29
(iii)	Dalla (dry process)	25.56
(iv)	Chunar	10.70

Table 11: Cost of Creating New Cement Capacity

(*Rs crore*)

	Capacity LTPA	Norm	Capital Cost
Churk (wet)	4.8	1750	84.00
Dalla (wet)	4.0	1750	70.00
Dalla (dry)	8.4	2000	168.00
Chunar	8.4	500	42.00
			364.00

Table 6: Financial Position—UPSCC

Source of Funds	1986-87	1987-88	1988-89	1989-90
Paid-up capital	60.00	61.53	63.53	67.73
Share deposit	10.53	2.00	4.20	0.55
Reserves and surplus	0.05	0.05	0.05	0.05
Cumulative profit/losses at the end of the year	–56.81	–82.81	–124.28	–155.26
Net worth	4.68	–19.49	–56.95	NA
Debt-equity	0.91:1	0.89:1	0.80:1	NA

Table 7: Cost of Production

	As per CMA for New Units	For Cement Corporation (Revised Estimate 1985-86)		
	1982-85	Dalla	Chunar	Churk
Direct cost per metric tonne including interest on working capital	623	983.64	939.58	696.57

multiplier to the net annual income or profit is a satisfactory method of valuation of lands with buildings, only if the land is fully developed, i e, it has been put to full use legally permissible and economically justifiable, and the income out of the property is the normal commercial and not a controlled return or a return depreciated on account of special circumstances. If the property is not fully developed, or the return is not commercial the method may yield a misleading result.

Compensation to be determined under the Act is for acquisition of the undertaking, but the Act instead of providing for valuing the entire undertaking as a unit provides for determining the value of some only of the components, which constitute the undertaking, and reduced by the liabilities. It also provides different methods of determining compensation in respect of each such component. This method of determination of compensation is prima facie not a method relevant to the determination of compensation for acquisition of the undertaking. Aggregate of the value of components is not necessarily the value of the entirety of a unit of property acquired, especially when the property acquired is a going concern, with an organised business. On that ground alone, acquisition of the undertaking is liable to be declared invalid, for it impairs, the constitutional guarantee for payment of compensation for acquisition of property by law. Even if it be assumed that the aggregate value of the different components will be equal to the value of the undertaking of the named bank as a going concern the principles specified in our judgment do not give a true recompense to the banks for the loss of the undertaking.

It appears clear that in determining the compensation for undertaking—(i) certain important classes of assets are omitted from the heads (a) to (h); (ii) the method specified for valuation of lands and buildings is not relevant to determination of compensation, and the value determined thereby in certain circumstances is illusory as compensation; and (iii) the principle for determination of the aggregate value of liabilities is also irrelevant.

The value determined by excluding important components of the undertaking, such as the goodwill and value of the unexpired period of leases, well not, in out judgment, the compensation for the undertaking."

The court further stated that "though we are not satisfied with the manner in which theg overnment and its agencies have proceeded in the matter, we are of the opinion that before we can pass any final orders in the writ petitions, we should have the net worth of the corporation valued, through a reputed and well known agency". They appointed two audit firms to value the assets and liabilities and determine the net worth of the corporation as on 1.2.1991.

A number of labour unions of employees of Chunar and Churk filed a write petition stating that the interests of workers had already been safeguarded by the specific provisions in the agreement that no worker will be retrenched or the service conditions changed to their detriment. They pleaded that petitions earlier filed by them amy be dismissed.

The events, however, took a dramatic turn as the state government decided to cancel the agreement reached between the government and the Dalmia Industries. The state government resumed the shares transferred to Dalmia Industries *vide* ordinance dated 11.10.1991. The production of klinker and cement in 1991-91-1992-93 in various units of the corporation is given in Table 16. Capacity utilisation and the production of klinker and cement was considerably higher in 1992-93 and 1993-94 as compared to 1991-92. The financial performance of the corporation has however considerably deteriorated in the last two years. Table 17 gives the financial results of the UP State Cement Corporation from 1981-82 with preliminary results for 1992-93 and the projected results for 1993-94. It would be seem that the cumulative losses of the corporation are expected to be about Rs 290 crore at the end of 1993-94. The net worth of the corporation would be Rs 223 crore at that time. The cumulative losses have exceeded the paid-up capital by over four times. The wisdom of the decision to take over the project which is potentially viable but has been incurring continuous losses under state management is, to say the least, extremely doubtful.

II
Auto Tractors

Auto Tractors was established in Pratapgarh, a backward district of UP for manufacturing tractors and diesel engines. The project feasibility report was prepared by HMT which envisaged production of 7,500 28BHP tractors and 2005 diesel engines per year. The estimated cost of the project was Rs 18.86 crore of which the state government was to contribute Rs 7.50 crore and the balance was to be given by the IDBI as term loan. The feasibility report also projected that the undertaking was likely to incur losses in the first three years of its operation, but would start earning cash profits from the fourth year at 67 per cent capacity utilisation. Initially the company was to import more than 80 per cent of components required, but was projected to achieve 100 per cent indigenisation within three years of the beginning of commercial production. The company entered into a technical collaboration agreement with Leyland Motors in 1979 and started manufacturing

TABLE 14: REVALUED ASSET VALUE

(*Rs crore*)

Operating profit at 90 per cent capacity	56.70
Capitalising at 27.85 per cent yields value of assets	203.60
Investments required to achieve 90 per cent capacity	56.53
Revalued value of assets block	147.07

TABLE 15: FAIR SHARE VALUE

(*Rs lakh*)

Equity		6828.21
Present losses		16361.76
Accumulated losses		2440.07
Appreciation		
Fixed assets		8394.29
Present value of net tax savings		4892.11
Total equity funds		1312.78
Dividend by number of shares—share deposit of Rs 50 lakh converted into shares		6828.16
Fair share value (Rs)		19.23
	Say	20.00

TABLE 12: CURRENT ASSET VALUE

	Capital Cost	Depreciation Provided Per Cent	Depreciation Balance Per Cent	Current Asset Value (Rs crore)
Churk (wet)	84	68	32	26.88
Dalla (wet)	70	80	20	14.00
	210	50	50	105.00
Total	364			145.88

TABLE 13: CURRENT VALUE OF FIXED ASSETS

	New Capital Cost	Life Total	Life Balance	Asset Value
Churk (wet)	84	40	15	31.50
Dalla (wet)	70	40	25	43.75
Dalla dry and chunar	210	40	30	157.50
				232.75
Less investment to be made to bring the plant to 90 per cent capacity utilisation				56.53
				176.62

tractors from October 1981 Due to price escalation, as against the estimated cost of Rs 18 86 crore, the actual project cost increased to Rs 26 32 crore

The operations of the undertaking have been facing technical and financial difficulties from its inception Table 17 summarises the production targets, actual production, sale and cost of production per tractor/engine since 1981-82

Till 1989-90, 2,380 tractors were manufactured by the corporation This was less than the production target set for the first two years of its operation As against the expectation of cash profit from fourth year of the commencement of the production, cash losses continued to mount They were met by the state government by advancing loans to the corporation Some of the factors responsible for the poor performance of the corporation where

(i) Inappropriate choice of technology Leyland who provided the technical know-how had discontinued the production of 28 BHP tractors in 1972 ATL were, therefore, in no position to incorporate in their design advances made in technology and changes in consumer preferences By the mid-1970s tractors were being used in agricultural operations as well as for transporting men and materials The tractors manufactured by ATL were not suitable for such multi-purpose use These tractors had certain obsolete features like mechanical draft control system, low weight sheet, small size and low lifting capacity Consumer preference, however, was for big size and heavyweight tractors Before or after entering into the technical collaboration agreement no survey of farmers' preference was made and, as the collaborator had ceased manufacturing this model, market testing could not be done

(ii) The project report made unrealistic assumptions about demand projections and the speed with which indigenisation could take place The corporation was manufacturing only 50-55 components of the 900 parts in a tractor The rest were being procured from various vendors Co-ordinating the procurement of parts from such a large number of sources was a complex operation The fact that the technical collaborator had ceased manufacturing the model compounded the difficulties Components that were not available indigenously also could not be imported for this reason

(iii) The established installed capacity of tractor manufacturing units in the country in 1989 was 1,40,000 Production of tractors increased from 85,500 in 1984-85 to about 1,70,000 in 1989 and in that year about 1,00,000 tractors were sold The highest production achieved by ATL was 721 tractors in 1983-84 as against the annual production of 6,000 envisaged in the project report At such a low level of production it was not possible for ATL to successfully compete with the already established models, provide adequate after sales service or launch successfully a credible marketing campaign

(iv) As production was heavily dependent on procurement from different vendors, the location of ATL in a backward district with inadequate communication difficulties added to the list of drawbacks faced by the company Also the demand for components being very small, the suppliers did not give priority to the orders placed by ATL

The assumption of 100 per cent indigenisation in three years was highly impractical Even where technical collaborators actively supported the production programme, such a high level of indigenisation has not been achieved In this case the technical collaborator did not supply even the basic drawings and process sheets required for the development of an indigenisation programme, specially of proprietary items

Therefore, production continued to depend on imported components

As against the estimated cost of Rs 18 86 crore, the actual cost at which the project was set up was Rs 26 32 crore which was higher by about 39 per cent than the original estimate The capital structure, long-term loan by the state government and from other sources, short-term loan and cumulative cash losses at the end of 1989-90 are given in Table 19

The operations of ATL have been examined by several expert committees They recommended that the corporation could not be viable by manufacturing 28 BHP Leyland Tractors and diesel engines The state government also examined the possibility of manufacturing three-wheeler vehicles in this plant But considering intense competition and lack of expertise, it was decided not to venture in this field As it became evident that it would not be possible to operate the unit profitably, it was decided in November 1990 to close down the operations All the employees numbering about 1,230 were paid compensation and were retrenched The state government appointed a committee to recommend various options regarding the disposal of the assets of ATL The committee appointed a firm of chartered accountants

TABLE 16 PRODUCTION PERFORMANCE 1990 91 TO 1993 94—UPSCC

Year	Churk				Dalla (Wet)			
	Clinker		Cement		Clinker		Cement	
	Production	CU Per Cent	Production	CU Per Cent	Production	CU Per Cent	Production	CU Per Cent
1990 91	1 098	24 08	0 679	14 14	2 060	54 21	0 520	13 00
1991 92	0 900	19 74	0 590	12 29	1 030	27 11	0 050	1 25
1992 93	1 335	29 28	0 868	18 50	1 999	52 60	0 394	9 86
1993 94	1 674	36 72	0 824	17 16	2 443	64 28	0 935	23 37

	Dalla (Dry)		Chunar		Co as Whole			
	Clinker		Cement		Clinker		Cement	
	Production	CU Per Cent	Production	CU Per Cent	Production	CU Per Cent	Production	CU Per Cent
1990 91	2 200	27 50	5 870	34 94	5 358	32 75	7 069	27 64
1991 92	4 020	12 75	3 630	21 61	2 950	18 03	4 270	16 66
1992 93	2 793	34 91	5 274	31 39	6 127	37 45	6 556	25 61
1993 94	4 019	50 24	8 557	50 94	8 137	49 73	10 316	40 30

TABLE 17 FINANCIAL RESULTS—UPSCC

Particulars	1981-82	1982 83	1983-84	1984-85	1985-86	1986-87
Paid up capital	47 07	52 49	52 49	52 49	52 49	60 00
Share deposit	3 92	—	—	—		1 53
Reserves and surplus	0 06	0 08	0 08	0 08		
Cumulative profit (+)/Loss ( )	−10 66	−2 57	−14 47	−34 48	−39 97	−56 81
Net worth	30 39	49 99	38 10	18 08	12 51	4 68
Debt equity ratio	1 72 1	1 13 1	1 08 1	1 20 1	1 25 1	0 91 1

	1987 88	1988 89	1989-90	1990 91	1991 92	1992 93	1993-94
Paid up capital	61 53	63 53	67 73	68 28	68 28	68 28	68 28
Share deposit	2 90	4 20	0 55				
Reserves and surplus	—						
Cumulative profit (+)/Loss ( )	−82 61	−124 28	155 86	−180 13	−207 00	−249 17	−291 37
Net worth	−19 49	−56 95	−87 34	−112 09	−138 90	−180 89	−223 09
Debt equity ratio	0 89 1	0 80 1	0 82 1	0 94 1	1 18 1	1 26 1	1 28 1

who were also auditors of ATL to value the assets. The chartered accountants assessed the value of assets at Rs 8.8 crore. In their view if there was a change in product line, the value of plant and machinery would be even lower. The committee invited offers from private promoters for operating the plant in joint sector. Five private promoters responded to the proposal and expressed interest in taking over the assets. They were: (i) Raunaq Industries, (ii) Kanoria Industries, (iii) P Patel Industries, (iv) Essar Industries, (v) Sipani Automobiles.

On the basis of discussions with all the parties, the committee determined that except Sipani Automobiles, others were interested only in buying the machinery. Sipani, on the other hand, intended to operate the plant and manufacture automobile engines. The committee, therefore, recommended that an agreement to convert ATL into joint sector may be entered into with Sipani Automobiles. The main provisions of the joint venture agreement dated 19.3.1991 which was approved by the government were:

(i) ATL will be converted into a joint sector enterprise. The state government will reduce its shareholding to 26 per cent and transfer 25 per cent of shares to Sipani Automobiles. The balance 49 per cent will be sold to public.

(ii) Sipani will pay Rs 5.55 crore in consideration for 74 per cent equity. They will retain 25 per cent of the 75 lakh shares and sell 49 per cent shares to dealers and public. Of Rs 5.55 crore to be paid by the private promoter, Rs 3.8 crore will be paid within 4-6 months and the balance Rs 1.7 crore within 12 months of the date of the agreement.

(iii) The state government will reinvest Rs 4.55 crore as secured loan and pay interest at 12 per cent per annum. The principal will be repaid in five annual instalments after a moratorium of three years.

(iv) ATL will prepare a balance-sheet as on 31.3.91 showing the liabilities of the company and the state government will assume all repayment liabilities of loans/interest except the liabilities on account of working capital up to Rs 2.30 crore. The state government will also bear all dues of sales tax, central excise, municipal/panchayat taxes and electricity dues on the date of the agreement.

(v) There will be no further inflow of funds from the state government to ATL in future. The state government will also not give any guarantee for any funds to be raised in future by ATL.

(vi) Sipani Automobiles will operate ATL for a minimum period of nine years or till they repay all the dues to the government.

(vii) SAL and ATL will engage workers at their discretion. SAL agreed to re-employ about 600-700 employees within one year of the date of signing of the agreement and increase it to 1,000. However, SAL and ATL shall have exclusive right to employ any personnel of their choice for running the unit.

(viii) The possession of the factory was handed over to SAL on 21.3.1991. On a writ petition filed by UP Engineers Association Auto Tractors Unit, Pratapgarh, the Allahabad High Court passed a stay order on 29.3.1991 prohibiting the state government and SAL to enter into any transaction, but vacated this on 11.04.1991. Since take over, Sipani have concentrated on the production of engines. In 1991-92 and 1992-93 a total of 1,249 and 1,541 engines were manufactured as compared to 273 in 1988-89 and 267 in 1989-90. In 1993-94 till December 93, 630 engines and 10 tractors were manufactured in the plant. More dramatic has been the financial turn around of the company. In 1991-92 it earned a net profit of Rs 26.26 lakh, in 1991-92 of 12.65 lakh and up to December 1993, it had earned Rs 10.25 lakh. This is in refreshing contrast to the annual loss of Rs 8 to 10 crore during 1988-89.

It is apparent that the impulse to bring about a change in ownership and managerial organisation of the two undertakings was because of large losses incurred by them over a number of years. In both the cases there were problems in the choice of technology and location, and failure of the managements to provide credible leadership, interference by the state government and inability of the enterprises to raise sufficient resources for fresh investment. These enterprises are located in backward districts and posting as chief executive of these units was not considered an important position for senior civil servants. The result was that most of the time civil servants posted to these organisations were trying to get out. Politicians used these enterprises as a source of patronage to enhance their influence by distributing jobs and favours. In this way they were seeking to maximise their influence rather than improve the productivity and performance of the enterprise. The interest of the corporations was far removed from their mind. With indifferent leadership provided by the management, many officials of the corporation are reported to have developed business interest in these enterprises. In this way politicians, executives as well as workers' leaders benefited from these enterprises. The loser was the state exchequer which continued to support these units by meeting their cash requirements.

TABLE 18: OPERATIONS OF AUTO TRACTORS

		1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Production envisaged in the project	T	500	2000	3500	5000	6000	6000	6000	—
report	E	—	200	1000	1500	2000	2000	2000	—
Annual	T	—	—	—	1000	500	350	450	5
target	E	—	—	—	100	635	850	1250	200
Production	T	151	381	721	450	400	175	113	36
	E	—	1	11	410	600	740	265	278
Sale	T	150	281	707	396	351	361	127	12
	E	—	1	8	246	616	775	273	267
Sale price per unit in	T	0.51	0.55	0.55	0.55	0.61	0.61	0.69	0.69
Rs lakh	E	—	—	0 25	0.25	0.25	0.27	0.29	0.29
Cost per unit	T	1.69	1.63	1.14	1.81	2.26	2.54	3 86	8.42
in Rs lakh	E	—	—	0.22	0 22	0.22	0.78	1 28	2.60

TABLE 19: FINANCIAL POSITION OF AUTO TRACTORS

(Rs lakh)

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Share capital contributed by the state government	750.00	750.00	750.00	750.00	750.00	750.00	750 00	750.00
Loan advanced by the state government	493.70	917.89	1204.78	1599 66	1986 54	2231.44	2727.23	3254.00
Total investment by the state government	1243.70	1667.89	1954.78	2349.66	2736.54	2981 44	3447 33	4004.00
Institutional finance	807.34	975.00	1269.58	1267.53	1434 16	1648 97	1883 64	2169.00
Total investment	2051.04	2642.89	3224.36	3617.19	4170.70	4630 41	5360 97	6173.00
Accumulated loss	583.20	928.53	1399.86	1943 80	2494 29	2999.83	3876.35	4794.00

Having decided that it was no longer viable to operate UPSCC and ATL as state enterprises, the state government did not adopt a uniform approach to divesting ownership of these enterprises. In case of ATL, the government closed down the unit, gave labour and management terminal benefits and then started looked for options to dispose of the assets. In implementing this decision they were fully supported by the board of directors of ATL. In case of UPSCC the plants continued to operate, while the options for transfer of state government shares were being discussed. Some nominees of the state government on the board of directors of UPSCC were not committed to the idea of privatisation. Many of them were reported to have cast doubt on the appropriateness of this decision. They felt that the operations of the corporation could be improved and there was no need to divest state ownership. This situation could have been corrected if the board of directors of the corporation was reconstituted with those who were committed to support such a decision. Also the key officials of the corporation were not closely associated in the discussions for considering different modes or the terms on which state government shares were transferred. No consultation was held with workers' representatives at any stage. Their views were not invited either on the reasons for losses suffered by the corporation or on the mode of privatisation. This created an apprehension that the government was unmindful of workers' interests. The transfer of management to Dalmias had to be effected with police assistance. This was done just before the assembly elections and the haste with which the operations were concluded and the manner of takeover by the private promoters created the impression that undue favours were being shown to them.

In case of UPSCC agreement was reached with Dalmias that they would acquire 51 per cent shareholding in UPSCC. However, in view of the court order prohibiting sale of assets of UPSCC, 49 per cent shares with book value of Rs 33.45 crore were transferred to them. At 75 per cent the value of these shares was assessed at Rs 25.09 crore. Dalmia paid Rs 5 crore in cash. The balance of Rs 20.09 crore was to be paid within 24 months. This cash was not to accrue to the state exchequer but was to be reinvested as loan to UPSCC to be repaid over nine years. The loans extended by the state government and liabilities of the state agencies were limited to Rs 25 crore. These were to be repaid over eight years period. The state government also agreed to write off sales tax liability of Rs 1.14 crore and stamp duty of Rs 11 lakh. On the outstanding loans to the financial institutions amounting to about Rs 100 crore, no commitment was given by the state government and the liability of the corporation would continue.

In case of ATL state government's contribution was Rs 7.50 crore. In addition it had extended long-term loan of Rs 5.13 crore and Rs 27.41 crore to meet cash losses. Sipani agreed to pay Rs 5.55 crore of which Rs 4.5 crore was to be reinvested by the state government over a period of eight years. The state government transferred ATL for Rs 1 crore of cash and Rs 4.55 crore as loan. Unlike in case of UPSCC the state government agreed to take over all dues of sales tax, excise, electricity dues, etc.

Another major difference in the two agreements was with regard to the liability towards workers. In case of UPSCC, the government had insisted that all the workers would have to be employed by the new management, but in ATL Sipani made it clear that while preference would be given to erstwhile ATL employees they would employ only as many workers as was considered necessary by them.

As already mentioned in case of ATL, the government decided to close down the factory and pay the workers retrenchment compensation. One may ask why this was not adopted in case of UPSCCL. One reason could be that compensation payment in case of ATL was established at about Rs 5 crore only, while in case of UPSCCL it would have been about Rs 50 crore. Such a large commitment of funds would have deterred the state government from this option.

III
Some Lessons

A few lessons emerge from this review. First, there are many obstacles to privatisation like developing a coherent strategy, choosing enterprises, valuation of assets, finding credible entrepreneurs capable of successfully running the enterprises. Second, there is need for transparency in the privatisation process. There is a danger of this being overlooked in the interest of speed. But if the consideration of alternative modes of privatisation, valuation of assets, selection of new owners are open, the potential for allegation of irregularities, collusion of corruption would be less. If some special concessions are to be granted to the owners, it is even more important that the process is transparent. Third, loss-making enterprises are likely to attract few private promoters. This may be due to an apprehension that even after divesting ownership the government had decided as to whom it would prefer to sell its shareholding and the exercise of selection was only a formality. In both UPSCC and ATL although a number of business groups showed interest to take over, they dropped out and only one group was left in both the cases. Fourth, even in advanced countries with sophisticated financial markets, it is difficult to determine the market value of the assets of loss-making enterprises. After years of neglecting investment and inadequate maintenance it may not be easy to reach a universally acceptable estimate of value of assets. In developing countries, this task is even more difficult. In order to assess their value, all assets of the unit proposed to be privatised should be catalogued. Once a list of plant and machinery is prepared, it should be valued at realistic market prices. Since expertise for this type of work is not likely to be available in the government, this task could be assigned to professional appraisers. In case of UPSCC no such catalogue of assets was prepared. Billimoria and Company estimated the value of assets mainly on the basis of annual reports and audited balance sheets of the corporation. This led to complaints that assets were undervalued and undue favours were shown to Dalmias. Fifth, there is a strong inertia to changing the system. The opposition to change comes from the managers of such enterprises, civil servants, workers as well as politicians. The management would like to keep the enterprise in public sector regardless of its performance. Sixth, it requires imagination and drive to implement the divesture of state ownership. In fact, besides the finance departments, there may be very few supporters of privatisation in the government. Opinion, therefore, should be created to support the process. For this it would be necessary to demonstrate gains to the economy by the state transferring the ownership of enterprises. Seventh, in the privatisation process workers should invariably be consulted. Workers feel that the decision to divest state ownership is taken primarily to reduce their number. They will be the only losers and would have to bear the burden of rationalisation and adjustment cost. This is so unless they feel that the decisions are equitable and they are not being unfairly treated. Eight, it may be better to close down the unit, give labour their leigitimate compensation and then proceed with the transfer of ownership to private groups. Governments are generally unwilling to close down the enterprises they own. However, in cases where surplus workers are in large numbers and their leadership unable to reach a settlement, this may be the only viable option. In case of ATL, government reached the conclusion that the business of the corporation could not be carried on profitably. It, therefore, shut down the operations. The transfer of ownership did not create opposition even though in this case the new owners decided to re-employ only half the number of erstwhile employees of ATL. Lastly, the transfer of ownership of large enterprises is not a routine decision. It can be implemented successfully in a stable political environment and when there is no doubt about government's fairness. When elections are about to be held, it would be best to postpone decisions on such issues.

Role of Design and Informal Share Markets in Success of Sugar Co-operatives

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Why have sugar co-operatives done so outstandingly well in south Gujarat and Maharashtra? Central to their success are three important features of their design which enable the interests of thousands of cane growers to coalesce into a powerful member organisation, which operates as an engine of wealth generation for its members and remains member oriented through a patronage cohesive governance structure. A major institution that supports patronage cohesive governance is the informal and yet dynamic market in the shares of these co-operatives in south Gujarat. The prices these shares command are important to their owners as (a) a form of wealth, (b) a performance index, and (c) an instrument of member control. As a robust if imperfect summary index of management performance on which information is available widely and openly, this market price of the co operative's share encourages the board and management to continually search for and adopt member-oriented policies.

I
Introduction

SOUTH Gujarat has a long tradition of successful entrepreneurship and of co-operative institutions. The co-operative movement began in the early years of the century with the establishment of the Surat District Co-operative Bank which was followed by the setting up of the several different types of urban as well as rural co-operatives. Early rural co-operatives dealt a lot in the ginning and pressing of cotton which was the mainstay of the area's agriculture up until mid 1970s when repeated pest attacks in cotton and the completion of the Ukai Kakrapar irrigation project combined to marginalise cotton cultivation and raise the profile of sugar-cane in the economy of the area. The successful Bardoli Co-operative Sugar Factory set up in 1957 had already introduced a new dynamics in the agricultural economy of south Gujarat, however, this did not work itself out fully until cotton became more-or-less extinct. The virtual explosion of co-operative sugar factories consequent to the Ukai-Kakrapar Canal Project, has dramatically transformed the agricultural economy of the region.

By 1991 Surat and Bulsar districts had 10 out of 14 sugar factories in Gujarat all owned by producer co-operatives, with a total crushing capacity of 60 lakh mt of sugar-cane per year, several new co-operative factories were under implementation and the government of Gujarat had decided to license 10 more sugar co-operatives. At an average yield of around 100 mt/ha, these co-operative factories in south Gujarat process the produce of roughly 60,000 ha of cane area. And at an average price of Rs 475/ mt, these co-operatives pump in approximately Rs 300 crore/year into the hands of their member-farmers, of which roughly Rs 150 crore is the surplus net of cash costs. By all accounts, sugar cane farming has made the villages highly prosperous. It has also engendered greater relative disparities in rural incomes.

A typical sugar co-operative plays a central role in the local economy and its members' lives. Unlike most Indian co operatives, a sugar co-operative in south Gujarat is completely member controlled—in *de jure* as well as *de facto* terms—with virtually no government interference and a relatively low profile of professional and technical staff who are firmly under the control of their elected boards. The technology of sugar manufacture and the perishability and seasonality of cane production, constrains the co-operative to restrict cane supplies of its members and compels it to enforce a rigorous time schedule. It dovetails members' cane farming operations and the factory's processing requirements through a tight regimen making the relationship very similar to contract farming. Members fall in line and accept this regimen because, with the help of the co-operative factory, sugar-cane has become the most profitable crop with virtually no price risk. Co-operatives also help farmers to simultaneously minimise yield risks with the help of such centralised activities as varietal selection, seed treatment, aerial spraying of pesticides, co-ordinated harvesting and transport.

We have sugar co-operatives done so outstandingly well in south Gujarat is a question many have tried to answer. Many have attributed their high performance to socio-economic and cultural characteristics of the region: erstwhile progressive rulers in the Gaikwads of Baroda, being the oldest base in India of the East India Company, priority given to commerce and economic growth by the people and so on. Finally, the area had communities like patidars, anavil brahmins and others which provided the leadership and entrepreneurial resources needed to establish and run co-operatives.

In exploring the same question, Attwoo and Baviskar (1987) compared the poo performance of the private sector suga mills and the co-operative cane suppl unions of north India with the successfu Maharashtra sugar co-operatives. The identified the cane supply relationshi developed by the Maharashtra co operatives as the critical distinguishin feature of their success. They pointed ou that for obtaining adequate cane supplie on a schedule which is critical for th viability of the co-operative, large farmer controlling the co-operatives have struck stable alliance with small and mediur farmers. This pragmatic alliance wa facilitated by the agrarian system of the regio with relatively loose social stratificatior These authors also showed that the politica structures evolved by sugar co-operative facilitated more direct and functional membe control on their management throug patronage cohesive[1] governance.

Attwood and Baviskar used, in additio to direct observation, the share holdin records of sugar co-operatives to draw thei inferences. Our fieldwork and discussion with members, leaders and functionaries o several sugar co operatives in south Gujara too supported their broad conclusion: However, we also learnt that a range c formal and informal mechanisms used t perpetuate the domination of large farme in the governance and management of co operatives accounted for the vigour an vitality of these organisations. Among them, we found two whose significanc has not been fully recognised in existin research: the political structures an processes evolved and used by sugar co operatives, and the informal but activ markets for the shares of these co operatives. We discuss these powerfu institutions and their decisive impact o the governance and management of suga co-operatives in this paper.

II
Operating System of Sugar Co-operative

India is perhaps the only country where cane is cultivated by independent farmers and not on factory-owned farm estates. But in south Gujarat, planting as well as harvesting are nevertheless closely co-ordinated by the sugar co-operatives. At one level, this co-ordination imposes a tight regimen and discipline on farmers; but on the other, by taking over several laborious operations such as harvesting and transport, spraying of pesticides, etc, co-operatives have also made cane farming easy for their members. We sketch below the logistics of the Chalthan Co-operative Sugar Factory's operation.

At the beginning of every year, the factory's board and managers determine the length of the upcoming crushing season which ranges between 180-220 days. This, together with the crushing capacity (5,000 mt/day) determines the quantity of cane required by the factory (10,00,000 mt). At an average yield of 40 mt/acre, thus the factory needs to bring some 26,250 acres of its members' land under cane. If the cane area of the members falls far short of this requirement, the factory runs the risk of low capacity utilisation, high average crushing costs and low cane prices to members; on the other hand, if, in the absence of effective co-ordination, members plant much larger area with cane, then the factory will have to reject a large output of cane which will have to find less remunerative markets in kolbu wallahs and khandsari units.

The second crucial logistical issue is of ensuring the right scheduling of arrival of cane at the factory gates on a daily basis so as to match the crushing schedule of the factory. Cane is perishable in the sense that once harvested, its sucrose content rapidly declines if not crushed within 24 hours. Without co-ordination, cane arrivals are likely to be higher than peak crushing capacity during the middle of the crushing season and lower during the beginning and the end of the season.

Attwood and Baviskar have shown that neither the cane supply unions of Uttar Pradesh nor private sugar factories have satisfactorily resolved either of these logistical problems. In a study of Bagpat cane supply union in Uttar Pradesh, for example, Batra (1988) has highlighted how inability to match cane supplies with crushing capacity and harvesting schedule with crushing schedule made it impossible for the union to compete with kolbus and khandsari units. Baviskar and Attwood have also shown that sugar co-operatives ensure that members plant the 'right' acreage with cane by linking cane supply rights with share holdings; and they ensure the 'right' harvesting schedule through centralised harvesting and transport operation.

In Chalthan, for instance, each of the total of 19,000 shares held by the members is entitled to 1.38 acres of cane area or 'ropan' in local parlance. Over years of experience, the co-operative managers have realised that only 90 per cent of the ropan allocations actually result in planting. Therefore, the ropan entitlement per share is adjusted upwards to 1.53 acres (1.38/0.9). Further, since one ratoon crop is allowed, the existing fresh plantation area against each share is deducted from this adjusted allocation to compute the new area a member can plant with cane during the season.

The month in which planting is to be done too is a major issue for the farmers and is therefore determined by the co-operative. October plantation is most preferred primarily because it releases land for an additional short-duration crop; December is the least preferred. In Chalthan, about 35 per cent of the total ropan is for plantation in October; another 35 per cent is for November plantation and the remaining 30 per cent is for December. Most of the cases of unused ropans are from December allocations. The co-operative asks members to list their requests for October plantation; a lottery is used to assign the scarce October ropan to members; the losers are automatically shifted to November ropan. For this too, there is often a lottery; and those who lose in this too get pushed to December ropan. That this arrangement is not satisfactory is evident from the high incidence of intentional burning of cane by late planting farmers which obliges the co-operative to harvest the cane before the due date. This interesting problem has been discussed by Manoharan (1989).

Most farmers are members of more than one sugar co-operative. They receive their ropan allocations from different factories by April every year and have to make their final planting commitments by August. Until then, each co-operative permits certain kinds of transactions in these ropan rights, and in shares themselves—to which ropan rights are linked and which derive all their significance and value from this linkage.

The market in these rights serve many needs of the members as well as the factory. Some farmers may have cornered more shares than they have land or plan to plant with cane; some may not want a particular month's ropan; they may not want to cultivate cane that year; many may have no share at all but want to grow cane for the factory. Therefore, farmers enter into all manners of exchange arrangements. Besides members, these exchanges help the factory management ensure that the bulk of the ropan allotted results in plantation.

Why do members subject themselves to such stringent discipline and tight regimen? After all, sugar-cane is very intensive in working capital; it locks up land for at least two years each time it is planted. Like cotton a decade earlier, sugar-cane too has been increasingly prone to pest attacks. The two major diseases that hit sugar-cane are white fly and root wilt. Root wilt has no known treatment and may halve the yield of a plantation crop to 20 mt/acre and that of the first ratoon to 5-10 mt/acre.

In spite of these problems, farmers in south Gujarat continue growing sugar-cane under the strict regimen imposed by their co-operatives because sugar-cane continues to offer to them the best economic deal. Our quick estimates for Chalthan suggested that in 1991, Rs 10,500/acre was approximately the cost of planting a fresh cane crop, and Rs 4,500/acre was the cost of raising a ratoon crop. Against this, the farmer got an output of 80 mt/acre over two crops (45 mt for plantation and 35 mt in ratoon). At a rate Rs 450-500/ mt, thus a Chalthan sugar co-operative member grossed around Rs 36,000-40,000/acre over the two-year period. This compared exceedingly well with Rs 12,000-15,000/year gross per acre from alternative crops.

Additional considerations in favour of sugar-cane were the relatively low family labour requirement. The farmers' primary responsibility is for ensuring timely irrigation. Though canal irrigation is available, several farmers in Chalthan's command had also invested in their own tube-wells and submersible pumps to take advantage of the system of flat rate of electricity charges and because of the rising ground water levels. The tube-wells also offered farmers greater control over the quantum and timing of irrigation. The exact cost of irrigation varied significantly over the command area, depending on source, depth of water-table, source of energy, fragmentation in total holdings, etc.

Harvesting, transport and marketing are critical operations for cane farmers everywhere. For members of co-operative sugar factories in south Gujarat, these are looked after by the factory. On an average, the Chalthan factory spends Rs 35/ ton on harvesting labour and another Rs 35/ton on transport. The co-operative schedules the harvest generally on the basis of plantation date and variety (early, mid-late, late, etc). There are some minor adjustments to ensure better recovery through maturity harvesting. In general, December plantations and ratoon crops are perceived by farmers as unfavourable as far as harvest scheduling is concerned. Hence, the rampant intentional burning of cane by members to jump the queue as we alluded to earlier. The factories have devised increasingly stricter penalties to minimise deliberate burning of sugar-cane.

We sum up this section by pointing out that the tight regimen for acreage allocation linked to shareholding and harvest scheduling which sugar co-operatives of south Gujarat

are able to enforce on their members account for their high processing efficiency and high price paid to members for cane, this, in turn, makes cane cultivation for the sugar co-operative by far the most attractive option for members and encourages them to comply with the regimen with minor deviations (such as intentional burning of cane) which can be contained through penalties and administrative measures The powerful logistical support provided by co-operatives makes them even more attractive to their members The 'upward ratchet' that so results is one important element of their design which accounts for the success of the sugar co-operatives of south Gujarat

III
Board Elections

The second important element in their design is their political structure which gives the sugar co-operatives of south Gujarat and Maharashtra highly patronage cohesive governance Our evidence on this aspect too was a vindication of the point that Attwood and Baviskar (1987) have already made that, compared to dairy co operatives where managers and technocrats have a high profile, sugar co-operatives in Gujarat and Maharashtra have primacy of member control through their elected leaders Direct election of the co operative's board by members is the primary element of their design which ensures this We note that this unitary structure that sugar co-operatives adopted was not common in other co-operatives of the area For example, cotton co-operatives, even at taluka level had a federal structure, for example, the well known Purushottam Farmers' Co-operative had individual farmers, village cotton sale co-operatives as well as PACS as its members, all these constituted the electorate for its board Federal structure was a rule also in co-operative spinning mills, rice and pulse mills and some early vegetable co-operatives although Surat's taluka milk unions such as in Choryasi had a strange admixture of producer as well as consumer representation

The command area of the factory is typically divided into 12-15 zones of roughly equal membership (but in some co-operatives, of equal area under cane) Members from each zone are entitled to nominate candidates for election to the board of which one per zone will be elected In many co-operatives, the bye-laws strongly stress the value of consensus Thus, a candidate who is unanimously elected by his zone straight goes to the board, however, if there is a contest, then all members from all zones will vote for the election from each zone Normally, candidates form competing panels and campaign In dairy co-operatives 'panel contests' have often served to introduce party politics in the co-operative political process since panels are aligned and identified as either 'Janata Panel' or 'Congress Panel' Our assessment was that, much greater stress was laid by members as well as contesting panels on past or promised performance Most panels tended to be elected more for the credibility and promise of their chairmen than on other considerations Finally, in case of dairy co-operatives, who will be the chairman depends largely upon which panel dominates the board and whom does the elected panel trust with leadership In sugar co-operatives, which panel gets elected will depend primarily on who their chairman-designate is, members are seldom in doubt about who the chairman will be from contesting panels It is claimed that this system, even while ensuring representation from each zone, does not promote zonal loyalties

Attwood (1988) has suggested that such political rivalries, both within and across co-operatives in a particular area in Maharashtra, drives such elected leaderships to expand, innovate and diversify We fully concur with this as well as the observation by Attwood and Baviskar (1987) that, unlike in dairy co-operatives of Gujarat, sugar co-operative elections are intensely fought, often generating more interest than even assembly and Lok Sabha elections

We also felt that (a) sugar co-operative elections highlight patronage issues important to members more than in most other co-operatives, (b) the intensity with which they are fought suggests the high level of centrality these co-operatives enjoy in their members' lives and in their respective domains, (c) sugar co-operative governance—in terms of their *realpolitik*—has many more features of the presidential form of national governance, whereas dairy co-operative have many features of the parliamentary form of electoral democracy For one, sugar co-operatives have direct election of board member by primary members, dairy co-operative unions have indirect election by an 'electoral college' consisting of the chairmen/management committee members of village co-operatives; second, if a majority of the primary members prefer leader A over leader B, in sugar co-operatives, chances are very high that he will end up as the chairman along with a board consisting of members he can work with, in dairy co-operatives, this may seldom happen As a consequence, in sugar co operatives, credit for high performance and discredit for non-performance get directly attributed to the chairman whose chances of re-election will rise or decline depending upon how patronage cohesive a governance his board has given to the co-operative, in dairy co-operatives, this linkage between performance and re-election is considerably weaker A chairman and board who maintain the loyalty of a segment of village co-operative chairmen can insulate themselves from the primary membership In any case, pleasing a few hundred village co-operative chairmen is easier than retaining the good will of several thousand members All in all, thus we felt that the political structures and mechanisms that have come to stay in sugar co-operatives in Gujarat and Maharashtra appeared to us capable of more patronage cohesive governance than those we see in federal co-operatives

But we differ with them crucially on interpretation of the operational implication—we consider both these—the structuring of the cane supply relationship as well as of the political mechanisms—to be aspects of the design-concept of sugar co-operatives We believe that members, leaders and managers of new co-operatives intuitively understand the value of these design features and therefore adopt them *in toto* or with minor modifications The fact that all sugar co-operatives in south Gujarat and Maharashtra have found it useful to retain these features in their design suggests their robustness Finally, we believe that if cane supply unions, or sugar co-operatives elsewhere or even private sugar factories adapt some of these design features, they too will be able to improve their performance which will then be limited only by the resource endowments of their domains [2]

TABLE. PRICE FORMATION IN SUGAR CO-OPERATIVE SHARES

Sugar Co-operative	Market Value of Share (Rs)	Ropan Per Share (acres)	Market Value/ Acre of Ropan (Rs)	Cane Price Paid (Net of Harvest and Transfers) (Rs/mt)
1 Bardoli	110 000-125,000	10-12	10,000 11,000	530
2 Chalthan	25,000	1 5	16,666	545
3 Sayan	32,000	2 25	14,200	511
4 Madhi	18,000-20,000	1 25	14,400-16,000	490
5 Maroli	8,000	0 63	12 700	486
6 Gandevi	32,000	4 00	8,000	515
7 Valsad	6,000	1 00	6,000	485
8 Mahua	8,000-10,000	1 00	8 000-10 000	455
9 Vyara	transfer not allowed	0 75	—	495
10 Ganesh	4,000-6,000	1 50	2,650-4,000	390

IV
Markets in Sugar Co-operative Shares

In its actual operation, besides the formal political mechanisms, member control over governance and management of sugar co-operatives is considerably aided by the existence of the interesting and ingenious market for sugar co-operative shares—an institution whose significance has been completely ignored by social researchers so far

Shares with a face value of Rs 500 are initially issued to agriculturalists within the design command of the factory Farmers may apply and get as many shares as they wish, however, a member is entitled to only one vote unless shares are registered in names of various members of a joint family In this latter case a family would control vote blocks as large as 20 30 in the extreme but five six votes per family are not at all uncommon This the official share registers of the co operatives do not reveal The tight linkage between the amount of cane a member can supply and the number of shares he owns or is able to mobilise coupled with the following three conditions has set the stage for the rise of a highly informal but differentiated markets in the shares of these co-operatives

(1) the profitability of cane supplies to the co-operatives (at 1990 prices of Rs 470-480/mt) has, over the past two decades remained consistently, predictably and substantially higher than either growing cane and for private khandsari units (@ Rs 230 250/mt in 1991) or kolhus manufacturing gur (@ Rs 50 150/mt in 1991) or growing other crops such as paddy or cotton With the rise of canal irrigation, sugar co-operatives have become the most powerful economic machines to transform the abundant water resources into wealth and economic prosperity for their members As a consequence there has been rapid and continuing shift in the cropping pattern of the area in favour of cane, and the pace of this change has been checked only by the limited crushing capacities of existing co operatives resulting in excess demand for ropan area

(2) Membership of sugar co-operatives is in letter as well as spirit, 'closed' The Bardoli factory for example has never issued shares to agriculturists other than its original members over the last 35 years Chalthan co operative enrolled some new members a few years ago when it expanded its capacity However, by and large, original members have strongly resisted open membership The only way for late comers to acquire membership is by purchasing shares from an existing member at their prevailing market price The co-operatives register such transfers under certain conditions and only if the buyer is a bona fide agriculturalist within the co operative's command

(3) The government has restricted the total crushing capacity in the state by its licensing policy It is clear that existing co-operatives would support the present policy which reinforces their members' allegiance to them by minimising competition Absence of any of these factors would eliminate or seriously modify these active informal markets There are basically three categories of transactions

(a) outright sale of a share which transfers the permanent right to supply cane every year Chalthan's Board, for example processes 60 70 applications for share transfers in each of their two-monthly meetings

(b) the sale of a particular season's ropan and the allowed ratoon against which the co-operative is obliged to harvest

(c) within a season exchange of ropan of different months

Outright sale is formally recognised by the co operatives and registered in their books but without formally taking cognisance of the premium paid The markets are conditioned by policies each co operative pursues All co operatives permit outright sale only within their areas of operation Many co operatives—such as Bardoli—stipulate that the share can travel only towards the factory so as to reduce the cost of transportation field supervision and extension support, this policy also ensures better control over cane supplies Such outright sales of shares occur at startlingly high prices The Bardoli share, the oldest one, with a face value of Rs 500 commanded in 1991 a market price of Rs 100-1 25 000 the Chalthan share commanded Rs 20-28 000 Sayan share sold at Rs 55-60,000 and that of Maroli Rs 5-8,000 There were considerable variations in the exact terms of transactions Much of this variation was explained by the absence of arbitrage

For example a share transfer accompanied by current ropan commanded a premium of Rs 3 5 000 in Chalthan Similarly if the seller transferred his deposit with the co operative the buyer expected a discount of Rs 1 000 or so The next two types of transactions we came across were even more elusive We could guess the extent of ropan transfers against payment Many farmers suggested a crude exchange system, when a farmer has more ropan than needed he permits friends/relatives to use his ropan free of charge but hoping for reciproca tion in future We heard people quoting Rs 1,000-4,000 per share of ropan of Chalthan October ropan of course commanded the highest price of Rs 3-4,000, followed by November at Rs 2-3,000 and December at around Rs 1,000 Here too, the policies of the co-operative affected the depth of the market as well as terms Bardoli formally prohibits such transfers of ropan, thus a buyer has to supply cane in the seller's name In this case, all compulsory deductions from cane price get credited to the seller's account Chalthan recently permitted formal transfer of ropan giving a fillip to the ropan market Chalthan had fairly large transfers of ropan during the last three years, this has resulted in the rapid increase in the ratio of actual area planted to ropan allotment, from 75 per cent to 90 per cent

Price Formation

These astoundingly high share prices basically reflect the high profitability of cane cultivation for sugar production relative to gur/khandsari production or growing other crops Informal discussions indicated that net income/acre of cane in late 1980s was around Rs 20,000 over a two-year period including the plantation crop and the first ratoon The other major crops in the area—paddy banana vegetables etc—are considerably less profitable In many parts of Sayan and Olpad talukas farmers prefar to grow cane for khandsari' units or even kolhus' rather than grow other crops

Price risks in vegetables and banana have tended to be high, for example, during the first half of 1991, banana prices fluctuated between Rs 0 50 and 1 50/kg In contrast, price risk is negligible for cane supplied to co operatives with consistently good performance Thus as an investment a co operative s share makes good economic sense for a farmer The Chalthan share with a market value of Rs 25,000 and current ropan of 1 5 acres guarantees a net incremental income of Rs 8-10,000/year to the buyer At a discount rate of 22 per cent-25 per cent and despite the uncertainty about the future of cane in the area, the prevailing share price adequately reflects its investment value The market is localised and additional capital is needed given the investment in land

More intriguing are the variations in share prices across co-ops The primary determinant of these is of course the ropan per share Thus most farmers explained that the Bardoli share sells at a much higher price of Rs 1,10,000 than Chalthan's Rs 25,000 because Bardoli s ropan per share is 10-11 acres compared to 1 5 acres (after expansion) in Chalthan But we found it intriguing that Sayan with a ropan of 2 25 acres sold at Rs 55-60,000 in 1991 more than twice the price of the Chalthan, more importantly, by 1992 Sayan's share had tumbled to Rs 32,000 Contrary to the local belief, we thought Bardoli was somewhat underpriced, it offered seven times Chalthan's ropan but commanded only four times the Chalthan price

We formulated a number of simple price-theoretic hypotheses to explain price differentials amongst shares of different sugar

co-operatives in south Gujarat. For example, Bardoli is underpriced (in terms of share price per acre of ropan) because (a) of its insistence that shares can 'travel' only towards the factory which reduces their effective demand, (b) only large farmers with 9-10 acres of ropan requirement can make effective use of the share, especially, in the light of (c) their policy of not allowing ropan transfers We inferred therefore that the Bardoli share would rise if they were to allow (a) transfer of shares anywhere within their command, and (b) formal sale of ropan Chalthan did both these in the last few years, and its share prices rose Finally, we also inferred that if Bardoli were to split its share into say seven or eight shares each with a ropan of around 1 2 acre, its price would not fall to Rs 15,000 but would settle at Rs 20,000-22,000/share This is because many small landholders would then find it easier to make effective use of the share, the total market for the Bardoli share would thus expand

Likewise, until 1991, the Sayan share sold at twice the price of Chalthan share because (a) most of Sayan s command had no overlap with any other factory so that the Sayan farmers were excessively dependent upon Sayan factory unlike Chalthan, (b) landholdings in Sayan are larger than in other talukas The total gross cropped area in its command too is large There is a good deal of unregistered cane grown for kolhus and khandsari units compared to which the Sayan factory offers a much better deal Since the phenomenon of burnt cane is a direct result of the mismatch of the harvesting schedules as desired by the factory *vis a vis* the schedule suiting the cropping patterns of member farmers, the higher the proportion of burnt cane arriving at a factory, the lower will be the market price

Above all, share price per ropan acre strongly depends upon the expectations members and other farmers have about the factors which have a bearing with overall performance of the factory, and its impact on the economics of sugarcane farmers In the Sayan area, for past several years, some disputes with government of Gujarat were holding up the commissioning of a new factory at Kamrej Between July 1991 and July 1992, these disputes were resolved The erection work for the Kamrej factory was begun in right earnest No sooner had this happened, than the Sayan share tumbled from Rs 55,000 to Rs 32,000 Since both the factories have large overlaps in their command, members who had invested in Kamrej shares were willing to divest some of their Sayan shares in the mere expectation of the commissioning of Kamrej

Similarly, member expectations about long-term ability to pay higher or lower cane price than at present affects share price If with capacity expansion from 7,500 to 10,000 mt/day, Bardoli is able to assure early end to crushing season, chances are high that its share will rise We also hypothesise that any concrete plans for expansion of capacity or anticipated potentials will result in expectations of higher ropan per share in future and hence a higher current share price premium per acre of ropan Co-operatives which consistently pay a slightly higher cane price will certainly command a higher premium, however, there are also minor differences in input subsidies, compulsory deposits per mt, interest on deposits, etc, across co-operatives which also may account for some of the share price differentials

In the long run, share prices of sugar co-operatives will get strongly affected by factors which may have little to do with their actual performance Thus if the incidence of wilt and other diseases increases in the Bardoli area, it may hit at the root of its sugar economy, and Bardoli's share may tumble notwithstanding its performance Similarly, if the current wave of delicensing encourages rapid growth of sugar factories in the co operative as well as private sectors it will at once expand the area under sugar-cane and reduce share prices of existing co operatives In the immediate run, however, share prices of co operative factories normalised for their ropan allocations reflect the sum total of following factors (a) the incremental productive value per acre of land created by sugar cultivation for the factory compared to the better of the two alternative uses of land namely, sugar cultivation for kolhus/ khandsari units or cultivation of alternative crops, (b) the extent of overlapping of command areas of different sugar co operatives, (c) policies followed by sugar factories which determine the norms and terms for transactions in share and ropan allocations, and (d) the expectations members and others have about how (a), (b) and (c) are likely to change in future

VI
Impacts of Informal Share Markets

Informal share markets of sugar co operatives produce in them dynamics which are different from other co-operatives In most co-operatives, a share is only a notional endorsement of one's membership and an entitlement to a single vote In a sugar co operative, however, a share signifies, in its true sense, the share in the joint productive capacity of the co-operative factory and the farmlands of its members, and a claim, in perpetuity, to a significant flow of incremental return Thus the price of a sugar co-operative's share has great significance for its owner as

Wealth a conduit of value It is fairly liquid since it can be sold and/or transferred easily, a good hedge against inflation People often sell a share to tide over a contingency and buy it back later

Index of Performance Although actua[l] transactions in the market are not as many as in corporate stocks, there was scarcely a farmer we met who did not mention the share price to highlight how well the co-operatives were doing

Instrument of Control By establishing a functional consensus around share price as a robust and sensitive summary index of management performance, the operation of these informal markets heighten the board's and managers' sense of accountability to members and their patronage interests

The most powerful obstacle to effective member control in co-operative organisations is the absence of a summary index of management performance about which information is available widely More, such information as is formally made available—through, for example, accounting statements—does not facilitate the emergence of functional consensus around an overarching performance index It is, for example, very difficult for the members of a dairy union to tell whether their co-operative is performing better compared to what it did five years ago or compared to the neighbouring co operative or compared to its performance potential Price paid for milk is often a very limited indicator, and if it gets widely used as a summary indicator of overall performance the co-operative's board and managers will easily raise milk price by curtailing technical and logistical support members find useful If a sugar co-operative tried such a strategy we believe the members will see through it and the resultant adjustments in the market price of its share will reflect members' feelings about it. If members in general think it a better arrangement to cut out subsidies on technical and logistical support and pay higher cane price, the price of the co operative's share will rise, but if members place high value on economies from centralised spraying of pesticides centralised harvesting and transport, etc then the new strategy will reduce the price of the co operative's share

An important reason why investor owned businesses strive to perform well is that through the institution of stock market, even lay investors can continuously judge and compare the performance of companies by comparing the market value of the share And the fact that investors do so puts pressure on company management to do things which raise market value of share In case of sugar co-operatives too the share price in t[he] informal market is a useful—if imperfect—index of performance It provides members continuous 'information' about the overall performance of the co-operative under a giv[en] leadership and the fact that leaders an[d] managers know that they are judged on t[he] basis of this price, they are under pres[sure] to ensure that it does not fall except f[...]

reasons they can easily explain and justify

The other major reason why sugar co-operative members expect and secure greater accountability from leaders and managers is members' high economic stake in the co-operative. Sumul dairy co-operative union, which operates in the same region, for example, pumps in roughly Rs 75 crore/year in milk payments, but over a diffused membership of 1.5 lakh families, thus, to an average Sumul member, the dairy co-operative signifies an annual cash flow of Rs 5,000. In contrast, the Chalthan sugar factory pumps Rs 45 crore in its 182 villages, but among less than 10,000 families at an average of Rs 45,000/family. If we go beyond averages and probe further, we would find even greater concentration of surplus from sugar co-operatives in small pockets of their command. In Sayan factory, for example, 30 per cent-40 per cent of shareholding and cane supply are concentrated in five villages around Kudset near Kim. In Bardoli co-operative's compact command in a 10 mile radius, total membership of 5,300 is spread over 144 villages, but five hundred shares are concentrated in a block of 10 villages. This concentration of economic stake contributes to the extraordinarily large profile that the sugar co operatives enjoy in the economies of a segment of their members. These together with the direct election of the factory's board of directors (BOD) by primary members may explain why over 70 per cent of sugar co-operatives' members participate in the BOD elections while elections in dairy co-operatives are relatively tame affairs. It is easy to find faults with such skewed concentration of shares within the membership as well as among villages; however, it is also important to note that this concentration and inequality are at the root of the high performance and drive that sugar co-operatives exhibit.

VII
Market Value of Producers' Co-operative

In many respects, sugar co operatives behave like member owned corporations than as classical co operatives. They exhibit a drive towards efficiency and value addition that we seldom see, for example, in co-operative banks or state marketing federations. The share price as a central performance index is typical of corporations. The one-man one-vote rule, the main feature of co-operative democracy too has been diluted somewhat by families commanding multiple voting rights and groups of families often linked by kinship ties using these vote blocks to exercise decisive influence on the elections of the board.

However, there are two crucial differences: first, the logic of sugar co-operative's

operation ensures the prevention of absentee-control, the hallmark of the modern corporation where the shareholder-owner neither has nor cares to have any linkage with the business other than through the value of the share. This makes investor-owned corporations behave somewhat like absentee landlords. Sugar co-operatives use shares as an instrument to tightly link processing capacity and cane cultivation and supply by members. They can never afford to allow their shares being transferred to non-cultivators. Even while turning a blind eye towards some aspects of share transfers, each co-operative ensures that the transferee is an agriculturist within its command area. Thus although sugar co-operatives violate the one-member-one-vote and open membership norms of co-operatives, they are essentially self-governed organisations of members.

Secondly, and even more crucially, the market value of the sugar co-operative share does not reflect the 'net worth' of the sugar co-operative firm in the corporate sense; it rather reflects the capacity of the co-operative to maximise the return on cane cultivation for members. When a farmer buys a Chalthan share, he is not merely buying a share in the ownership of Chalthan's factory or in the market value of its net assets; he is buying the right to the excess of a stream of income that he can generate in collaboration with the co-operative over what he can without being a member of the sugar co-operative.

While there are some systematic factors internal to each co-operative which explain some of these price differentials, we observed that there are significant external factors, as well as future expectations that affect these differentials. The existence of such premia reinforces the members' stakes in the co-operative; in fact members' deposits, of various kinds, in the co-operative are many times their paid-up share value. In Chalthan, for example, members' deposits amounted to Rs 33 crore compared to the equity capital of only Rs one crore (as of September 1990). Thus the co-operative has virtually become a banking institution also.

What would happen to the market value of the co-operative shares if the government were to delicense sugar industry as seems very likely? Many new co-operatives would come up with possibly large overlapping areas of operation. In the immediate future, prices of existing shares would tumble; however, as long as co-operatives pursue closed membership and tight linkage between shareholding and cane supply, informal markets for shares would continue to exist or even thrive. However monopoly premia present in today's share prices would disappear; and share price differences would reflect more accurately performance variations among co-operatives. Those with superior track record of recovery, more efficient transport and processing, superior marketing and better service to their members will command higher premia; and sugar co-operatives in general would emerge as more powerful vehicles of socio-economic change.

In the long run, delicensing would create in south Gujarat a situation comparable to what we find in south Maharashtra today. With a large number of co-operatives vying for cane, the tables will be turned on the managements of co-operatives which will lose the monopoly power which obliges their members to accept the tight regimen of supply linkage and harvest scheduling. Instead, co-operatives will compete with each other for member as well as non-member cane. Member loyalty will decline. Poaching on others' territories will become rampant; and non-member cane procured at substantially lower price will be the main source of surpluses to placate members. With its larger irrigation potential, south Gujarat co-operatives will for a long time avoid facing an acute problem of capacity underutilisation; however, the present neat command areas will disappear.

What would happen if delicensing pits sugar co-operatives against private sugar mills? Our assessment is that provided private mills are not able to extract undue advantage—for example, by evading the levy or taxes, which is often their main source of competitive advantage in many other sectors such as edible oils—sugar co-operatives designed as they are in Maharashtra and south Gujarat will give them a good run for their money. We conclude thus because the three key design features we discussed in this paper which explain the success of sugar co-operatives in this area are inconsistent with the structure of property rights which investors seek in forming a company. For instance, a private company would try to minimise the cost of cane at factory gates, as a result, it will have no incentive to build long-term relationships with a well-defined group of cane growers who therefore will not agree to subject themselves to the kind of regimen which ensures high processing efficiency of sugar co-operatives. More private mills are unlikely to make or support the kind of investments sugar co-operatives make in irrigation schemes in Maharashtra. In case of co-operatives, assignment of surpluses for such investments are consistent with priorities of owner-members; but in the case of private factories, it is not. This is perhaps why private sugar mills in Maharashtra and Tamil Nadu have not been able to as well as sugar co-operatives. Finally, if the development of sugar sector and of farmers involved in sugar cultivation is an important goal of public policy, then our analysis provides strong basis for reserving sugar sector for co-operatives but for increasing the competition amongst sugar co-operatives.

Notes

1 By 'patronage cohesiveness' we mean the characteristic of governance which encourages a co-operative's board of directors to cohese around patronage issues and to use patronage interests of members as the only and central talisman for deciding on any issue. Policies, practices and decisions which encourage greater member patronage are referred to as 'patronage cohesive'; those which do the opposite, as 'patronage uncohesive' [see, Shah 1992].

2 In a recent work, Baviskar and Attwood (1992) have quite misunderstood this contention (made earlier in Shah 1992) by confusing the term 'design-concept' of a co-operative with the layout and physical design of a co-operative's sugar factory. As would be clear from this discussion, 'design-concept' has nothing to do with the physical layout of a plant or even with the organisation structure. It refers to the pre-formation vision of what will an organisation do, why, how and for whom. The cane supply relationship and design of the political structure we discussed here are, in our view, unique features of the design concept of a sugar co-operative. For a group of farmers contemplating a new sugar co-operative, they offer a set of guiding principles they can use to decide how they will organise, what will be the relationship between members and the co-operative, who will be the members of the co-operative, how will the professionals who run the co-operative be governed by members, and so on.

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Analysis of Short-Run Price Instability of Cotton Hank Yarn

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This article shows that the lower counts cotton hank yarn, which are used to produce lower quality segment of handloom cloth, are subject to higher short-run price instability than the higher counts hank yarn which are used to produce higher quality handloom cloth. We argue that one of the dominant reasons for the higher price instability of lower counts hank yarn is that the spinning mill sector treats the production of these counts as a residual activity. This, in turn, leads to erratic supply adjustment and high price instability.

THE main victim of the growth of the powerloom sector is the segment of the handloom sector which produces lower quality cotton cloth like the janata cloth, bed sheets and coarse cloth, etc.[1] From the demand side, this part of the handloom sector faces severe price and quality competition from the powerlooms. On the supply side, one of the very severe problems this part of the handloom sector faces are constraints in the availability, upward price rise and very high short-run price instability of lower counts hank yarn, which are used to produce the lower quality handloom cloth. This problem is severe especially in those states where the public distribution system of hank yarn to the handloom sector is weak.[2]

Hank yarn is produced in different counts which range from 10s, 20s, 30s to 80s and above.[3] These different counts of hank yarn are used to produce different types and quality of cotton handloom cloth. The lower counts of yarn, below 40s, are used to produce lower quality handloom cotton cloth while the higher counts are used to produce higher quality segment of the handloom cloth.[4]

It is generally observed that the prices of cotton yarn are subject to very high fluctuations at short-time period intervals. From the supply side, the cotton prices are blamed (by the spinning mills) for the short-run price rise and fluctuations. On the demand side, the seasonality in the demand for cloth is generally observed to be one of the determinants of short-run price instability.

In this article, we show that the lower counts hank yarn, which go into production of the lower quality handloom cloth, are subject to higher price instability than the higher counts yarn. Secondly, we argue that in the very short-run, the cotton prices should not play a dominant role in the price movements of cotton yarn. Furthermore, the seasonality factor in demand for cloth, should not cause short-run price instability of yarn, because the seasonal demand for cloth exhibits a systematic and highly predictable pattern which should facilitate smooth supply adjustment.

One of the major determinants of higher price instability at lower counts of hank yarn could be the production adjustment behaviour of the spinning mills. If the relative profitability of production of lower counts is lower, the spinning mills might treat the production of lower counts as a residual or by-product activity. This, in turn, makes the supply of this yarn to come into the market erratically but not according to the demand conditions which leads to high price instability.[4]

I
Short-Run Price Instability of Cotton Hank Yarn

The cotton yarn prices are generally observed to be subject to steep changes on weekly and also on daily basis.[5] Table 1 shows the maximum and minimum values of hank yarn prices within different months for 1991. These prices are based on the averages of the Coimbatore, Madurai and Vellore markets. Columns 1 and 2 of Table 1 show the maximum and minimum values (of prices within months) and column 3 show the difference between the maximum and minimum values. From column 3, it is obvious that the yarn prices are subject to steep fluctuations on very short-run basis.

The analysis of the price instability on the basis of weekly or fortnightly data is not possible due to the limitations of the available time series data of prices and other relevant variables. Due to this, the analysis is based on monthly data.

Data

The monthly data is collected from various sources: (1) *Monthly Abstract of Statistics*, CSO, (2) *Handbook of Statistics*, Indian Cotton Mills Federation (1991), (3) AFCOSPIN annual, (4) IMF Financial Statistics, and (5) Handloom directorates, etc. The monthly data for cotton yarn production includes both hank and cone cotton yarn for various counts. For stocks of cotton yarn, the data is available only with respect to the stocks of the spinning mills. For demand equation, since the monthly income data is not available, the monthly industrial production indices are used as proxy income variable.

Estimation of Price Instability

The index of price instability is taken to be the extent of the deviations of actual price observations around the estimated time trend. The time trend equation is as follows:

$$\log Py = a + b\,(t) + u \qquad \ldots(1)$$

Py = price of hank yarn.[6]
t = time variable (months)

The estimated residuals of the time trend equation are used in measuring the extent of price instability.
The instability index;

$$IN = \sqrt{\Sigma_i u^2 / N}$$

N = number of observations.

The index is estimated for different counts of yarn for the period of January 1985 to September 1989 (N=57). All the estimated trend equations are statistically significant (see Appendix I). Table 2 shows the estimated price instability indices.

From Table 2 it can be observed that price instability (IN) is falling as we move up on the counts. The instability is the highest at the hank yarn counts of 10s and it is the lowest for the counts of above 80s. In the following, we attempt to trace out the possible dominant factors causing higher price instability at lower counts, with major emphasis on the supply side.

II
Demand Side

Seasonality of Demand

As mentioned earlier, the demand for cotton yarn is derived demand from the cotton textiles consumption. Household demand for cotton textiles can be taken to be a function of household income and the textile prices (or relative prices).[7] In the very

short run the household incomes can be taken to be stable or constant. Although the incomes and the corresponding expenditure levels of the rural poor, like the agriculture labour and small land owners,* exhibit a seasonal trend, one can take even this income levels do not chnge significantly in the very short run.

But the seasonal changes in demand for cotton textiles can be said to be more for the lower quality segment of the cotton textiles, because the low income groups expenditure might exhibit more seasonal pattern than the expenditure of the higher income groups. But one can say that the seasonality in demand shows a systematic and highly predictable pattern. The demand is generally high during the festival (October) and marriage seasons (the summer months in the south and the winter months in the north India, which also generally coincide with the agricultural income). Since the short run seasonal changes in demand exhibit predictable pattern, the spinning mills should be able to plan their production levels correctly in accordance with the expected changes in demand for yarn. If the supply does not adjust smoothly to the short-run changes in demand, it leads to price instability. The supply side factors like the spinning mills production response mechanism and the prices and availability, of different varieties of cotton might be more dominant factor for the price instability, especially at the lower counts, than the demand side factors in the short run.

III

Supply Side

Cotton Factor

In the price formation of cotton yarn, cotton price plays a dominant role because 60 to 80 per cent of total cost of production is accounted by cotton. The importance of cotton prices may vary for different counts of cotton hank yarn due to differences in the cotton intensity and use of different varieties of cotton in the production of different counts. Table 3 shows the cotton component in the total cost of production of different counts. It can be observed from Table 3, the cotton cost component is the highest at the lower counts of hank yarn (20s) and it declines as we move up on the counts which shows that the cotton factor might be more dominant for the price formation of lower counts hank yarn. In the long-run price formation, the importance of cotton cost component is undeniable. But in the short run price formation or fluctuations, the cotton cost component may not be as dominant as in the long run. This could be true especially when the time intervals in the price movements of cotton yarn are very short. This is because cotton price will have an effect on the cotton yarn production costs (prices) with a minimum of one month to four months forward time lag due to time lags between the purchase of cotton and the production time period of cotton yarn by the spinning mills. Furthermore, some of the dominant spinning mills in Coimbatore (which are generally the price leaders in the cotton yarn market) buy the total annual or half yearly requirements of cotton in October (the harvest time) when the cotton prices are the lowest. The cotton cost for these mills will be the price of cotton at the purchase time plus the cost of stock holding (interest plus the storage cost). For these mills, the short-run movement in yarn prices cannot be attributed to the cotton price, as it remains more or less constant from one crop to the next crop of cotton.*

Different varieties of cotton are used to produce different counts of cotton yarn. Higher counts yarn require higher quality

Table 1: Short-Run Price Instability of Hank Yarn Maximum and Minimum Values of Prices within a Month, 1991

Counts	January			February				March	
	1 Max	2 Min	3 (1–2)	1 Max	2 Min	3 (1–2)	Max	2 Min	3 (1–2)
10s	139	119	20	135	132	3	144	122	22
20s	208	160	48	208	165	43	210	172	38
30s	207	180	27	206	180	26	196	84	112
40s	265	230	35	265	230	35	280	225	55
60k	370	245	125	370	295	75	375	289	86
60c	445	310	135	455	385	70	455	385	70
80k	440	400	40	425	400	25	425	400	25
80c	565	510	55	630	510	120	560	495	65
100k	580	535	45	580	535	45	580	520	60
100c	710	650	60	710	650	60	725	640	85

Source: Handloom Directorate of Tamil Nadu, Madras.

Table 2: Estimated Price Instabilities (IN) for Different Counts

Counts	10s	20s	30s	40s	60s	80s	Above 80s	All Counts
IN	0.147	0.137	0.111	0.122	0.112	0.087	0.076	0.122
	(1.1)	(1.22)	(1.14)	(1.08)	(0.95)	(0.83)	(1.13)	(0.99)

Note: Figures in the brackets are coefficient of variance of the square residuals.
Data Source: Hand Book of Statistics, Indian Cotton Mills Federation

Table 3: Decomposition of Cost of Production of Hank Yarn, Percentage

(Cost per kg)

Item	20s	30s	40s	60s	80s	100s
Cotton	75.1	66.8	62.0	53.6	51.0	68.0
Wages	13.3	15.8	8.8	19.3	18.9	12.0
Power	4.5	6.6	7.8	10.1	10.8	7.1
Depreciation	1.4	2.1	2.6	3.6	4.0	2.5
Interest	1.2	2.0	2.4	3.3	3.8	2.3
	100	100	100	100	100	100

Data Source: A Survey of Spinning Costs, The South India Textile Research Association.

Table 4: Supply Equation 1, Hank Yarn—Log-Linear Estimations

Cotton Yarn by Countwise				b_3	R^2		D W
ln Q	5,5	0.024	–0.118	–0.09	0.33	6.5	1.46
(11–20)	(11.8)*	(0.7)	(2.9)*	(2.3)			
ln Q	5.6	0.0029	–0.120	–0,185	0.33	6.5	1.47
(21–40)	(13.8)*	(0,72)	(2.6)*	(2.21)*			
(1) ln Q	4.36	0.057	–0.134	0.130	0.34	7	1.47
above 40s	(10.83)*	(1.65)**		(3.4)*	(1.40)		
(2) ln Q	4.47	0.040	–0.12	–0.17	0.34	7	1.57
above 40s	(11.3)*	(1.64)**	(3.7)*	(2.07)*			

Figures in the brackets are 't' values
* Significant at 0.01 level.
** Significant at 0.10 level
(1) With prices of counts 60s
(2) With prices of counts 80s
N = 36 monthly data

cotton. As a result, the costs of stock holding, the relative prices and the availability of different varieties of cotton influence the relative profitability of different counts of yarn.[10] This determines the production decisions of spinning mills regarding different counts, which, in turn, determines the supply response to the changes in demand. Due to these reasons, if the relative profitability of lower counts hank yarn is lower, the supply response at the lower counts might be weaker. This could lead to higher price instability at lower counts, which will be discussed at a later stage.

Yarn Stocks and Supply Response

The stocks of cotton yarn held by the spinning mills or yarn traders could play a price stabilising role. The price stabilising role of stocks would be very significant when the production adjustment to demand changes is not smooth and if there are significant time lags involved in the production adjustment. If the stocks are released when the prices show a upward trend and are withheld in times of downward price trend, the prices should remain stable.

The stocks would be held if the expected rise in prices is higher than the cost of holding the stocks. The cost of holdi.ıg stocks is determined by the availability of working capital and the interest rate.[11] Secondly, the cost of holding stocks is also determined by the commodity characteristics like the volume (storage space) and the durability of the product.

It is observed that the spinning mills find the gains associated with holding the stocks of lower counts yarn are lower compared to the finer counts yarn.[12] If the stocks do not play significant role in supply response for the lower counts of yarn, it would be the production adjustment (or time lag) which determines the supply response to demand conditions. If the production response does not match the changes in demand conditions, it leads to price instability.

Production Adjustment and Supply Response

If the relative profitability of lower counts hank yarn is lower in comparison to the higher counts, the production of the lower counts could be treated as residual activity by the mills. In such a case the production levels of lower counts of yarn depends on the production levels of higher counts yarn, but not necessarily on the (expected) demand conditions for the lower counts. This aspect is illustrated as follows.

The production technology of any spinning mill could facilitate production of different counts of cotton yarn. If the relative profitability of higher counts is higher, the major part of production activity of the mills would be directed at the higher counts. When the demand for the higher counts of yarn goes down, instead of keeping the capacity idle, the mills would produce the lower counts. As a result, the production levels of lower counts yarn would be determined by the production (or demand) levels of higher counts yarn, but not by its' own demand conditions. Apart from this substitutability in production, there could be complementarity in production of different counts hank yarn. In such a case, some of the lower counts yarn might be treated as by-products of higher counts yarn in production.[14] In both the cases of substitutability and complementarity in production, the production levels of lower counts yarn would be determined mostly by the production levels of the higher counts but not according to their own demand conditions. Consequently, the supply of the lower counts comes into the market erratically but not on the basis of (expected) demand conditions. The erratic supply, in turn, could lead to higher price instability at lower counts hank yarn.

IV
Econometric Results

The econometric exercises are based on monthly data for three years—1987, 1988 and 1989. The supply equation is specified as follows:

$$\log Qi = a + b1\ \log(Py)i + b2\ \log(Pc)i + b3\ \log(S)i + i \qquad \text{... (2)}$$

$b1 > 0,\ b2 < 0,\ b3 < 0.$

Table 5: Production Adjustment Equation (2)

Count	a	b_1	b_2	b_3	b_4	b_5	b_6	b_7	$\bar{R}^2$	F	DW
Count	a	$\log(P_c)$	$\log\left\lvert\frac{PH2}{PH6}\right\rvert$	$\log\left\lvert\frac{PH2}{PH8}\right\rvert$	$\log\left\lvert\frac{Pyc2}{Pyc6}\right\rvert$	$\log\left\lvert\frac{Pyc2}{Pyc8}\right\rvert$			$\bar{R}^2$	F	DW
Log Q 11 - 20s	4.04 (16)*	–0.098 (4.07)*	0.288 (2.47)*	–0.199 (3.27)*	–0.073 (1.37)	–0.09 (1.11)			0.47	7.2	1.93
Count	a	$\log(P_c)$	$\log\left\lvert\frac{PH4}{PH2}\right\rvert$	$\log\left\lvert\frac{PH4}{PH6}\right\rvert$	$\log\left\lvert\frac{Pyc4}{Pyc8}\right\rvert$	$\log\left\lvert\frac{Pyc4}{Pyc2}\right\rvert$	$\log\left\lvert\frac{Pyc4}{Pyc6}\right\rvert$	$\log\left\lvert\frac{Pyc4}{Pyc8}\right\rvert$	$\bar{R}^2$	F	DW
Log Q 21 -40s	4.98 (18.4)*	–0.12 (4.7)*	–0.22	–0.30 (1.9)**	–0.21 (2.6)*	–0.07 (3.17)*	–0.20 (0.73)	–0.26 (2.5)*	0.51 (0.26)	6.3	1.8
Count	a	$\log(P_c)$	$\log\left\lvert\frac{PH6}{PH2}\right\rvert$	$\log\left\lvert\frac{PH6}{PH4}\right\rvert$	$\log\left\lvert\frac{Pyc6}{Pyc2}\right\rvert$	$\log\left\lvert\frac{Pyc6}{Pyc4}\right\rvert$			$\bar{R}^2$	F	DW
Log Q Counts above 40	3.91 (15.6)*	–0.11 (4.2)*	–0.109 (0.85)*	0.0013 (0.011)	0.016 (0.21)	0.18 (2.8)*			0.35	4.7	1.4
Count	a	$\log(P_c)$	$\log\left\lvert\frac{PH8}{PH2}\right\rvert$	$\log\left\lvert\frac{PH8}{PH4}\right\rvert$	$\log\left\lvert\frac{Pyc8}{Pyc2}\right\rvert$	$\log\left\lvert\frac{Pyc8}{Pyc4}\right\rvert$			$\bar{R}^2$	F	DW
Log Q Counts above 40	3.6 (12.7)	–0.10 (3.6)	0.06 (0.78)	0.06 (0.58)	0.02 (0.21)	0.02 (0.35)			0.36	5.0	1.6

Figures in the brackets are 't' values

* Significant at 0.01 level; ** Significant at 0.10 level

The Notations of the Variables

Q = The production (includes Hank and Cone yarn); Pc = Cotton price; PH2 = Hank yarn price count 20s; PH4 = Hank yarn price count 40s; PH6 = Hank yarn price count 60s; PH8 = Hank yarn price count 80s; Pyc2 = Cone yarn price count 20s; Pyc4 = Cone yarn price count 40s; Pyc6 = Cone yarn price count 60s; Pyc8 = Cone yarn price count 80s

Q = quantity of cotton yarn supplied
Py = price of cotton yarn
Pc = price of cotton[15]
S = cotton yarn stocks.

As mentioned earlier the data available for the quantity of cotton yarn is not segregated into hank and cone. Due to this reason, we have used the cotton yarn (which includes both hank and cone yarn) for the quantity supplied and prices are for the hank yarn. Table 4 shows the results obtained for three different counts cotton yarn. The signs of the estimated coefficients conform with the expected signs. The sign of the estimated coefficient of the price variable is positive in all the cases. This suggests the specification of the supply equation is correct. To make sure the specification of the supply equation is reliable, we estimated the corresponding demand equation for the data set. The estimated sign of the coefficient of price variable is negative and significant in the demand equation, estimated. (The results of the demand equation are presented in the Appendix II.) These results obtained for the supply and the demand equations suggest that the above specification of the supply equation is reliable.[16]

The noticeable aspect of these results in Table 4 is that, although the sign of the estimated coefficient is positive in all cases, but it is statistically insignificant for the lower counts. This can be interpreted, in support of the argument presented earlier for supply response and production adjustment, that the supply (or production) of lower counts cotton yarn, may not be responding to its own price signals (or demand conditions), if its production is treated as a residual activity by the spinning mills.

The coefficient estimated for the cotton price variable is statistically significant and, as expected, is of negative sign. This suggests that higher the cotton price lower will be the (profitability and) production level of cotton yarn. But it has to be taken into notice that the value of the estimated coefficient (the elasticity) is far less than 'one' in all the cases.

The following production adjustment equation is derived from the supply equation specified above.

$$\log Q = a + b1 \log(Pc) + b2 \log(P1/P2) + i \quad ...(3)$$

$b1 < 0,\ b2 \neq 0.$

As before 'Q' is the quantity of cotton yarn supplied and 'Pc' is the cotton price variable. The cotton price variable is introduced into the equation to identify the equation to be the supply equation.

In the above production adjustment equation, the cotton yarn price variable is taken to be the relative prices (P1/P2) between the different counts of yarn. This is because, as argued in Section III C, the production levels of lower counts might depend on the demand (or price) and production levels of higher counts of yarn, if the lower counts production is treated as a residual activity. The relative price variable is taken to capture this behaviour.

The results obtained for the production adjustment equation (3) are presented in Table 5. The important aspect of the results is that the estimated coefficients of the relative cotton yarn price variables are statistically significant at the lower counts of cotton yarn, while they are generally insignificant for the higher counts cotton yarn. These results and the results obtained for the supply equation (2) suggest that the supply of lower counts of yarn responds more to the price levels or demand and production levels of higher counts yarn than to its own demand and price signals.

In case of the results obtained for the production equation for the cotton yarn counts of 11-20 (row 1 in Table 5), the sign of the estimated coefficient associated with the relative price of hank yarn counts 20s and 60s is positive and statistically significant. This result suggests that if the relative price of yarn counts 60s goes up the production of yarn counts 11-20 goes down. On the other hand, the negative sign of the coefficient associated with the relative prices of counts 20s and 80s suggest the complementarity (or by-product relation) in the production of these counts. Similar interpretations could be applied to the rest of the results on the basis of the signs of the estimated coefficients.

These results, in general, suggests that the production of lower counts yarn might be treated as a residual activity by the spinning

Appendix I: Time Trend Equation
Log Py = a + b (time) + U

Hank yarn Price countwise	a	b	R^2	F	D W
10s	−0.34	0.0108	0.59	79	0.23
	(8.5)*	(8.9)*			
20s	−0.33	0.0107	0.61	89	0.18
	(8.9)*	(9.4)*			
30s	−0.29	0.13	0.66	107	0.19
	(9.5)*	(10.3)*			
40s	−0.35	0.0114	0.73	152	0.25
	(11.5)*	(12.3)*			
60s	−0.42	0.0132	0.79	207	0.30
	(13.9)*	(14.4)*			
80s	−0.42	0.013	0.87	371	0.33
	(17.6)*	(19.2)*			
Above 80s	−0.36	0.0119	0.86	361	0.44
	(17.4)*	(19.0)*			
All counts	−0.33	0.0106	0.66	111	0.11
	(9.9)*	(10.5)*			

Figures in the brackets are t values
N = 57. From 1985 to September 1989
* Significant at 0.01 level

Appendix II: Demand Equation Hank Yarn
Log Linear Estimations

Counts	a_2	$b_1 \ln(Py)$	$b_2 \ln(C)$	$B_1 \ln(I)$	$\bar{R}^2$	F	D W
ln Q	−0.56	−0.078	0.355	0.208	0.517	13.5	16.9
11–20s	(0.76)	(2.85)*	(4.41)*	(3.0)*			
ln Q	0.036	−0.078	0.376	0.184	0.52	13.5	1.67
21–40s	(0.04)	(2.81)*	(4.75)*	(2.87)*			
(1) ln Q	−1.2	−0.064	0.385	0.202	0.52	13.4	1.6
above 40s	(1.69)*	(2.57)*	(4.99)*	(2.96)*			
(1) ln Q	−1.41	−0.030	0.424	0.147	0.45	10.5	1.54
above 40s	(1.80)**	(1.41)	(5.2)*	(2.12)*			

Figures in the brackets are 't' values
* Significant at 0.01 level
N = 36 monthly data
(1) With the prices of counts 60s
(2) With the prices of counts 80s
Q = Quantity of cotton yarn demanded
Py = Cotton yarn prices
C = Cotton cloth consumed
I = Income (monthly industrial production indices)

mills. This, in turn, leads to the supply of lower counts cotton hank yarn to come into the market erratically but not according to their own demand conditions. This could be one of the dominant reasons for higher price instability at lower counts cotton hank yarn.

V
Conclusion

The empirical results of this paper show that the lower counts hank yarn are subject to higher short-run price instability than the higher counts. One of the very dominant reasons for this could be that the spinning mills, generally, treat the production of the lower counts as a residual activity. The major part of the production activity of the spinning mills is generally concentrated at finer and higher counts, given their higher relative profitability. Spinning mills produce the lower counts hank yarn when the demand for the higher counts is low. Consequently, the supply of the lower counts yarn depends more on the demand for higher counts than its own demand conditions. This type of erratic supply response for the lower counts hank yarn could be the major reason for higher price instability at these counts of hank yarn.

Notes

[The authors are grateful to Mihir Rakshit and Pronob Sen for very useful comments.]

1 See Goswami (1990).
2 In the state of Tamil Nadu, where the state public distribution is very strong, the handloom weavers in the state does not face the problem of price rise and non-availability of required counts of hank yarn. In those states, where the weavers depend mostly on the cotton yarn private traders, the price rise and instability is a severe problem faced by the handloom weavers.
3 Hank yarn is used exclusively by the handloom sector. Cotton cone yarn is used mostly by the powerloom and the mill sector. Hank yarn has to be converted into cone form to be used by the powerlooms.
4 The lower counts face the derived demand (from the cloth consumption) from the lower income, mostly the rural segment, of the population. The higher quality segment of the handloom cloth, which uses the higher counts hank yarn, faces derived (income elastic) demand from higher income segment of the population. This sector do not face competition from the powerloom and the mill sector as it has its own market segment or niche.
5 One of the other reasons for the price instability could be the speculative activity by the wholesale yarn traders. But we ignore this aspect in the paper.
6 Some of the dominant spinning mills in Coimbatore publish the list of daily prices of cotton yarn.
7 The price observations are normalised by the
8 See Murthy (1983) and also Goswami (1985).
9 The major part of demand for the lower quality segment of handloom cloth comes from the rural poor.
10 For the small spinning mills which cannot hold cotton stocks, the movements in cotton prices within a harvest year, play an important role in determining the cost of production and the resultant profitable price levels.
11 For example the incidental costs and (cotton) wastage in the production of finer counts is observed to be lower in comparison to the coarse counts.
12 The stock equation can be derived from a two period profit function of a firm (the spinning mills). If the quantity of stocks, 'St', are sold at the base period 't1' at price 'P1' the profits of the amount is:
$K1 = P1St - c(St)$ ... (1)
c(St) is the cost of producing the quantity of stocks.
If we take the firm as a price taker, the profits are maximum when:
$P1 = c$, which implies;
$P1St = c(St)$ ... (2)
If the stocks are sold at the next period 't2' at the next periods (expected) price, 'P2', the profits associated with the stocks are,
$K2 = P2St - [c(St) + r(St)]$ ... (3)
where r(St) is the cost of holding the stocks.
By substituting (2) into (3) we get the net profits of holding stocks;
$(K2 - K1) = St\,(P2 - P1 - r)$ ... (5)
The stocks will be held if and only if
$St\,(P2 - P1 - r) > 0$ or
$(P2 - P1)/r > 1$.
13 The spinning mills are generally reluctant to hold on to the stocks of lower counts yarn. Some of the spinning mills reported that they are reluctant to produce lower counts hank yarn because of high costs of holding the stocks. If the buyers do not lift the output immediately, the mills incur the high costs of holding the stocks. We estimated an equation of stocks; taking stocks of cotton yarn as a function of lagged price variables and bank rate of interest. Interest rate is taken to reflect the costs of stock holding. The estimated parameter associated with interest rate came out to be very significant with (expected) negative sign, mainly in the case of lower counts yarn. This can be interpreted that higher the interest rate less important will be the role of stocks as price stabilisers.
14 The complementarity arises in the utilisation cotton wastage (in the production of higher counts) towards the production of lower counts yarn.
15 The causality between cotton yarn price and cotton price could be other way round because the cotton price is determined by the supply and demand for cotton and demand for cotton comes from the production of cotton yarn. Since cotton is an agricultural output, we assume that the cotton prices are mostly supply determined in the short run in order to justify our specification of the supply equation.
16 Similar equations are estimated for cotton cone yarn also, the results are quite similar.

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The Blotted Copybook

S Guhan

My Presidential Years by R Venkataraman; Harper Collins Publishers India, New Delhi, 1994; pp xii + 671, Rs 395.

I

R VENKATARAMAN's 654 page account of his five years (1987-92) as India's eighth president makes heavy demands on the reader's time, patience and stamina. Its length alone is not a major deterrent for the discriminating reader can quickly traverse large parts of the book devoted to the author's numerous foreign and internal tours; his non-substantive discussions with foreign and domestic dignitaries; the grandeur of Rashtrapathi Bhawan's halls, gardens and artefacts; investitures, banquets and functions; and the outpourings of official wisdom on occasions such as the opening of parliament sessions, governors' conferences, R-days and I-days. RV himself has the consideration to say, in the prologue, that excerpts from his speeches on various occasions "may make tiresome reading and may be skipped without much loss". This helpful advice applies to much else in the book.

As far as the substantive parts of the book are concerned, it is the structure not the length that is the real problem. While these occupy no more than about a third of the volume, the treatment is so relentlessly chronological that references to the same or related issues are widely dispersed. It is as if pieces of different jig-saw pictures are buried helter-skelter in a mass of sawdust. Painstaking effort is required to pick out and piece them together to arrive at any kind of a meaningful construct. Nor is this all for many pieces of the jig-saw are also chipped or are missing. All autobiographical accounts of Eminents are self-serving and RV's is no exception. Like all of them, he indulges in *suppressio veri* and *suggestio falsi*. Very often he fails to explain his motivations or decisions; nor does he bother to adequately take note of, or respond to, criticisms to which his actions were exposed from time to time during his tenure. The reader, therefore, has to reconstruct the events described with the use of what is stated, what is circumstantial, and what can be read between and behind the lines eking these out with independent knowledge of events, personalities and issues. Fortunately, the period covered is a recent one and there are enough chinks in the armour of the narrative to make this possible; for a careful reader, the cats keep coming out of the bag.

In approaching the book, it is necessary never to forget that the political filling and the presidential crust of RV are inseparable. Prior to becoming president, RV had had a long and varied political past. Starting life as a trade union leader, he was a member of the very first Lok Sabha (1950), minister for industries for 10 years in the Congress government in Tamil Nadu (1957-67), member of the Planning Commission, a critic of the Emergency who switched over as an Indira loyalist, member of parliament from south Madras elected with the support of the AIADMK in 1977 and that of the DMK in 1980, defence minister, finance minister and vice-president. In this long journey, it is natural that RV, the politician, should have accumulated numerous debts to discharge, loyalties to be proven, and scores to be settled. It is unrealistic, therefore, to expect that he would have been able to change his political stripes and transform himself into a strictly non-partisan, constitutional president on his elevation to that office in 1987 at age 77. As this review will amply show RV, the president himself did not want to be anything other than RV the Congress politician although his assiduous attempt is to project the image of a head of state as close as possible to the British monarch. He does not quite succeed in bringing this off: again and again, the Gandhi cap keeps tumbling out of the Queen's tiara.

RV was very much the right man in the right place at the right time when the Congress Party nominated him for the presidency in mid-1987. While his antecedents went back to the Nehruvian era, he had had time and opportunity to establish loyalty not only to Indira Gandhi but also to Rajiv. In government, his reputation was that of a sound administrator. In parliament, he had ably handled the Rajya Sabha as its vice-chairman cultivating good personal relations with leaders of all political parties in the process. In the Congress, he was an elder and one of the few left with a reputation for sobriety and dignity. His training as a lawyer, command of English and affable manners were other assets. With all this, it was natural for RV to play a number of roles while purporting to be no more than the symbol of the State. He was the Grey Eminence to the Congress Party; a readily available source for administrative advice; a mentor to Rajiv regardless of whether Rajiv was prime minister (1987-89), opposition leader (1990), or proxy prime minister to Chandra Sekhar (1990-91); a port of call and a sounding board to politicians of all hues; a communication link between the government and the opposition at each turn of the screw during 1987-92; and a president who could claim to be the helmsman when the ship of state was tossed in the tempestuous waves of constitutional crises.

There is rich evidence in the book of RV playing all these diverse roles with gusto. His advice extended to all the outstanding domestic and international issues of the period: Punjab, Kashmir, Assam, the Mandal agitation, Sri Lanka and relations with China. On high appointments, he has advised on the selection of governors and judges; he opposed the appointment of Jag Mohan to the Rajya Sabha; it was on his suggestion that Manmohan Singh was chosen as finance minister by Narasimha Rao. He advised the finance secretary and the banking secretary on financial administration, the Reserve Bank governor on managing the balance of payments and sent formal notes on containing inflation and on the reform of direct taxes. Even the speaker of the Lok Sabha and the chief election commissioner were not in immune from his advice. He mediated between prime minister Narasimha Rao and finance minister Manmohan Singh in persuading the latter to withdraw his threatened resignation on the fertiliser subsidy issue. After calling on him with 'glistening eyes' Manmohan went back consoled by RV's advice that 'politics rests on innocuous compromises'. Other pieces of advice have extended to how border disputes should be settled and why Sanskrit should not be deleted as an optional subject in CBSE examinations. The range is very wide indeed attesting to how often RV's advice was sought and/or how freely it was forthcoming.

RV did not, by any means, confine himself to giving advice on the country's political and administrative issues. On these, his experience was an asset and his *locus standi* can be conceded. He also kept open house in Rashtrapati Bhawan for politicians within and outside the Congress. He conveyed Arun Nehru's desire for reconciliation with Rajiv through Fotedar and later listened to Arun Nehru's grumblings against V P Singh. Dinesh Singh was another who sought his help in patching up with Rajiv. He advised Madhava Rao Scindia on how to deal with allegations. He listened to Bhajan Lal's complaints of harassment by Devi Lal when the latter was the Haryana chief minister. Harideo Joshi sought his help for continuing as chief minister of Rajasthan. Even while out of power, Rajiv shared with RV his desire to get rid of Veerendra Patil in Karnataka. The president discussed the state of the Congress Party with fellow veterans like Kamalapati Tripathi, Uma Shankar Dikshit and Sanjeeva Reddy. He endorsed Vazhappadi

Ramamurthi's resignation from the cabinet on the Cauvery issue so that "the reputation of the Congress in Tamil Nadu as the champion of its rights" could be maintained but advised Rangarajan Kumaramangalam — to whom RV admits to being "friend, philosopher and guide" —against following suit since "a token protest by Ramamurthi was enough". Through Karunakaran he advised Rajiv on what the Congress stand should be in staking claim to office in 1989. Later he not only advised Karunakaran on how the Congress should elect the successor president to Rajiv but also conveyed that Narasimha Rao was the most appropriate choice. Later still, his ear was available to disappointed office-seekers in Narasimha Rao's own cabinet.

The most glaring instance of RV's continuous involvement in Congress politics during his presidential tenure is contained in the detailed advice he gave to Rajesh Pilot who sought his counsel on how to strengthen the Congress organisation. "I told him," says RV, "that interaction between the party and the government should be strengthened, that the Working Committee must meet every month and thrash out national issues, that the AICC should meet once every six months and hear non-official views instead of delivering sermons to them, and that the general session of the Congress should be held once a year as was done in pre-Independence days." This is indeed a far cry from the concept of the president as a constitutional monarch. Can you imagine Buckingham Palace advising the Conservative or the Labour Party on how its annual conference in Brighton or Blackpool must be run?

RV's narrative also makes it clear that throughout he believed in furthering Rajiv's best interests. As vice president and chairman of the Rajya Sabha he had saved Rajiv from a major crisis by disallowing the discussion of the president's right to information under Art 78 of the Constitution. During the last few months of Zail Singh's presidency Rajiv was gravely threatened. The Bofors issue had blown up and, as RV himself discloses, there was a real possibility of substantial defection in the Congress Party and talk of Zail Singh planning to dismiss Rajiv. In these circumstances the overriding concern for the Congress was to have as president one who could be depended upon to shield and support Rajiv. RV, in addition to his other credentials, perfectly filled the bill. His terms of reference, as far as the Congress was concerned, was "to preserve, protect and defend Rajiv Gandhi". This was in fact made explicit while offering the post to him. Kamalapati Tripathi said "I hope you will not dismiss the prime minister" and, after RV's election, Narasimha Rao followed up with "we have taken all this trouble to ensure that we are trouble-free for the next five years".

RV thus was, at the same time, Rajiv's client and his patron. It is worth dwelling a little bit on the tensions and contradictions of this complex relationship. As client, in true Tamil Nadu style, RV draped Rajiv "with a traditional silk zari '*ponnadai*' which made him (Rajiv) look rather grand". The president broke protocol, overruling the objections of his staff, to receive Rajiv on his return from Colombo after signing the accord with Sri Lanka in order to express concern about the attack made on him. Rajiv himself was surprised for he had not received any injury having successfully ducked the naval rating's attempt to bludgeon him. However on RV's part it was important to demonstrate fealty as much as concern. As mentor, RV advised Rajiv on many occasions and on many issues not only when Rajiv was prime minister but even after he became the leader of the opposition. He advised him on how to handle parliament on the Bofors issue and in the case of the Thakkar Commission report. Later he advised him about tabling the CAG report on Bofors and when best to go for parliamentary elections in 1989. He refused sanction to Shanti Bhushan to prosecute Rajiv. When Rajiv moved into the opposition RV held his hand with advice on what positions the Congress should take on Jammu and Kashmir, the Punjab elections, the confidence motion on V P Singh and on giving support to the Chandra Shekhar government.

With all this, it is also clear that RV had a poor opinion of Rajiv as a parliamentarian, administrator and politician. He refers to the 20 reshuffles that Rajiv made to his cabinet before the one in February 1988 contrasting it with Kamaraj who enabled RV to continue as industries minister in Tamil Nadu for an entire decade. Having commented on Rajiv's "backstage operators", he is appalled when they moved up front to create unseemly scenes in the Rajya Sabha with Rajiv doing nothing to stop them provoking vice-president S D Sharma to tears. On the handling of the Defamation Bill, RV bemoans "Rajiv Gandhi's experience with parliament was rather limited. His close associates were also novices in parliament." The frustration of the mentor was not only that Rajiv did not consult him on several issues but that he did not seriously follow up advice—sought or unsought—that was given. Clearly there was a technology gap in addition to a generation gap. On one occasion RV complains "Rajiv Gandhi had a habit of taking notes of points made during discussions on small slips which he always carried in his pocket. I was told that he fed them into the computer for reference later. But nothing came out of these discussions." RV's frustrations with Rajiv are most poignantly summed up in the following passage:

"Rajiv used to discuss some issues relating to the states with me but not necessarily all matters relating to all the states. Likewise, he used to discuss some names for inclusion in the cabinet but not each and every name. He was fully conversant with modern techniques of administration buttressed by computers, graphs and charts. His scientific mind would not accept the fact that human behaviour rarely conformed to graphs and charts. He had a fixed view that the older generation had failed the nation after independence. However much I remonstrated to him that it was the older generation which had transformed a benighted backward medieval India into a modern industrial one and also brought the country abreast with the world in science and technology, it made no impression on him. It must be said to his credit though that at all times he received my views with utmost consideration and respect. I often sent notes and memoranda on matters relating to administration but never worried as to whether they were accepted or not. They were like 'fire and forget' missiles."

At a more substantive level RV felt deeply let down by Rajiv reneging within three months on his assurance of "unconditional support" to the Chandra Shekhar government "certainly for one year and perhaps for the duration of the parliament's tenure". When RV first heard from H K L Bhagat in February 1991 that the support was likely to be withdrawn he "was shocked beyond words". "He was desperate to save the [Chandra Shekhar] ministry for at least another six months but his last ditch attempts to do so with Rajiv's emissaries and finally with Rajiv himself proved to be of no avail. With the withdrawal of Rajiv's support, Chandra Shekhar resigned early in March leaving RV to note: "I did not accept the resignation without feeling sorry for Chandra Shekhar. He was under constant strain from the pressures of the Congress Party which I am afraid assumed that it was the real government and Chandra Shekhar only a proxy. The office hungry coterie of the Congress Party used to misguide Rajiv Gandhi that Chandra Shekhar's attempts at building up a good image could prove deleterious to his image. Looking back after two years, I realise my naiveness (*sic*) in accepting the Congress assurance of 'unconditional support' to Chandra Shekhar."

Obviously the emotional bond between RV and Rajiv (whatever that was) had clearly ruptured by this time for when RV receives news of Rajiv's assassination in June 1991 all that he has to say is "I was shocked and did not want to believe it". Contrast this with RV's fulsome reaction to the death of M G Ramachandran: "An indescribable affinity had developed between us. He had the highest regard for me but more than that there was genuine affection between us. At his death I felt overcome by uncontrollable

grief and hastened away from the sorrowful scene" RV's final encomium to Rajiv ('a vibrant youth with a smile adorning his charming face', etc) is in stilted officialese, very much like good certificates recorded in the character rolls of promising young civil servants Furthermore, RV does not show the good grace to stop with pronouncing *bonum* on the *nisi* The very next paragraph refers again to Rajiv's inexperience in parliamentary matters and how because of it his image of 'Mr Clean' suffered an 'eclipse' In sum, in RV's assessment, Rajiv did not prove to be quite the 'Suitable Boy' for India's prime ministership

II

With this background, it is time to turn to RV's conception of the constitutional role of the president and how he applied it in practice to the legal and constitutional issues he had to deal with Given the adventuristic inclinations of Zail Singh his immediate predecessor it was to be expected that RV would take pains to emphasise his resolve to function strictly within the four corners of the Constitution He has variously described himself as 'a copy book president who would act strictly according to the rules', he has pointed out that the president is 'a shorthand' or 'euphemism for the union government only a symbol of the state' and not its executive authority and has claimed that he has consistently resisted all attempts to make the office of the president a second centre of authority for the country' At the same time RV realises that the copy-book president does not have to entirely degenerate into a rubber stamp or an ornamental symbol After reiterating that "the president was not an appellate or supervisory authority over the prime minister and his cabinet", RV goes on to observe that the president could return the cabinet proposals for reconsideration if he noticed any infirmity in them He could also, like the Crown in England advise guide and warn' the cabinet but should abide by the decision of the council of ministers"

This view of the presidency, modelled on the relations in Britain between the crown and the executive, is useful so far it goes There are, however important differences between the two countries First, Britain does not have a written Constitution while ours is a very detailed one limiting the role for conventions *vis a-vis* that entailed by the letter of the Constitution Second, the structures of the polity in the two countries are different the UK, for instance, is unitary while India is a federation This means that British parallels are not available in a number of areas for eliciting the conventions that need to be followed Third, and most important the Queen in England, as Ivor Jennings pointed out, "is not a politician, she is not controlled by politicians, she is just the daughter of her father" In India, in contrast, the president is elected to his office through a political process He too, like the British monarch, is expected to keep himself above partisan politics but to do so he needs to himself believe in being non-partisan and show the will and effort to rise above his political antecedents and affiliations Fourth, and quite apart from the British model, the president will need to be true to both the spirit and the letter of the Constitution He has to reconcile both of his primary responsibilities in situations in which they might come into conflict The first is to act in accordance with the aid and advice of the council of ministers as required by the letter of Art 74(1) The second, and the more comprehensive responsibility, is that which stems from his oath of office 'to preserve, protect and defend the Constitution and the law', in effect to be true to the spirit of the Constitution

It is in this background that we will have to evaluate RV's record in dealing with the constitutional and legal problems that confronted him Was he non-partisan? Were his interpretations of the Constitution substantive or procedural? What were the motivations and reasoning behind the courses of action he took? Did he take all steps available to him to preserve, protect and defend the spirit of the Constitution within its letter utilising the status of his office to 'advise guide and warn' and resorting to the provisions of the Constitution which allowed him scope for intervention? The reader can answer these questions for himself from the discussion that follows

The controversy that RV had to immediately deal with on assuming office related to the postal bill on which Zail Singh had openly expressed his reservations RV could have returned it to parliament for reconsideration but instead he sent it to the attorney-general for opinion This was in October 1987 .He then took no action to follow up the matter for more than two years and comes back to the subject only after Rajiv had quit with the bland statement that Rajiv's government had not communicated to him the attorney general's advice that the bill offended the Constitution Early in January 1990, V P Singh suggests that the bill could be returned to parliament for reconsideration of Clause 16 which conferred the power to intercept postal articles RV "immediately acceded to the avice" bringing "the unpleasant episode to an end Quite patently, RV was much more worried about embarrassing Rajiv than about a serious invasion of privacy

Early in 1988 the 59th Amendment to the Constitution was tabled proposing *inter alia* to introduce 'internal disturbance' as a ground for declaring an Emergency in the Punjab This met with strong opposition from the press, jurists and opposition parties Not being able to persuade Rajiv to settle for an amendment that would extend the permissible period for president's rule from one to three years in Punjab, RV discovered that although the amendment bill had been submitted to him under Act 111 of the Constitution the relevant Article was 368(2) The former would have required him to take a stand on whether to give assent or return the bill for reconsideration while the latter, dealing as it did with a constitutional amendment, made the president's assent obligatory RV's delight at this discovery is hardly disguised Once again he was off the hook

In September 1988, the Defamation Bill was adopted by parliament RV expressed his reservations in informal discussions with a group of ministers but he did not take it up with Rajiv, much less make it clear that his assent would not be forthcoming for this black legislation Faced with very strong opposition from the media and in parliament, Rajiv himself did not proceed with the bill Once again, RV's sigh of relief audibly comes through in the narrative

In October 1988 RV had to deal with the mercy petition of Kehar Singh under Art 72 of the Constitution The sentence of death on Kehar Singh had been confirmed by the Supreme Court but there were considerable well argued grounds to presume his innocence However, as RV himself discloses, pressure was exercised on the president by Rajiv's emissaries on more than one occasion to reject the mercy petition RV's initial move was to find a legal basis which while compelling him to reject the petition would, concurrently, save him from the charge of conniving in a miscarriage of justice This became available in the attorney general's opinion that Art 74 applied to mercy petitions as well At this juncture, Ram Jethmalani requested the president to give him an opportunity to make a final representation on behalf of Kehar Singh RV turned down the request on the procedural ground that precedents did not require him to do so This was challenged before the Supreme Court by Jethmalani In December 1988, the Court while disallowing oral representation as a right, pointed out that the president was free to himself scrutinise the entire record and come to a different conclusion from that arrived at by the Court in regard to the guilt of the accused and the sentence imposed Despite the Supreme Court's open invitation to him to do so, RV chose not to apply his mind to the facts of the case If he had been convinced that Kehar Singh's guilt had not been proved beyond doubt, he could have asked the cabinet to reconsider its advice, or threatened to resign, or even resigned rather than being a party to sending a possibly innocent man to death All that RV did was to take refuge once again under Art 174. Kehar Singh's mercy petition was reject and he was executed in January 1989 RV

was relieved that the execution, which took place after Guru Nanak's birthday in November, did not 'mar' a prayer congregation arranged in Rashtrapati Bhawan to mark that occasion. Such was RV's response to a situation which should have caused an intense moral dilemma to any ordinarily decent person.

Shanti Bhushan's application to the president for permission to prosecute Rajiv on Bofors based on documented material in the press proved particularly troublesome to RV. Here again, his first ploy was the by now familiar move to duck under Art 174. He tried hard to do so but two repeated opinions from the attorney-general confirmed that the president in this case *had to act on his own discretion* and not on the advice of the council of ministers. In fact, this should have been obvious for the cabinet was not likely to accede to the prime minister's prosecution. It was, thereafter, that RV went through Shanti Bhushan's application and came to the conclusion that "the allegations were just arguments based on surmises". If such was the case, it is not clear why he took all the trouble he did to ascertain the legal position in the first place. What is clear is that the positions that RV took on the Kehar Singh case and in the Shanti Bhushan case were mirror images of the same syndrome. In the former, RV took refuge under the law to ignore the facts while in the latter, when the law did not provide the way out, he interpreted the facts to arrive at the pre-ordained conclusion. *De jure* in one case and *de facto* in the other he did precisely what Rajiv would have wanted done.

The only case in which RV used the proviso to Art 74(1) to seek reconsideration of the cabinet's advice was in regard to the dates for parliamentary elections in Assam and Punjab. Here, the Congress was 'bitterly opposed' to clubbing Punjab and Assam with general elections to parliament; this coincided with RV's own views in the matter; and the Chandra Shekhar government in April 1991 was at its fag end. Rocking the boat when it was itself capsizing did not demand excessive courage on RV's part.

RV takes much pride and satisfaction in piloting the country through the changes of government that occurred in 1989, 1990 and 1991. It is in these contexts that he refers to his role as an 'emergence lamp' which comes into operation when electricity fails and becomes dormant on its restoration. The emergency lamp flickered more often than it remained steady. In 1989, the straightforward option following British precedents available to RV was to call upon the largest single party which was the Congress, but RV shrewdly realised that that would invite public criticism as favouring a party that had lost the mandate of the people. This dilemma RV neatly got around by persuading Rajiv, through official and political emissaries, to unilaterally forgo the claim to form a government. In 1990, RV's decision to install Chandra Shekhar as prime minister was thoroughly questionable. This government of defectors had no mandate whatsoever and derived its primary support from no more than 57 MPs. RV approved Chandra Shekhar tabling the motion of confidence in parliament although the Speaker had not decided upon the legitimacy of the split in the Janata Dal. RV did not demand or obtain from Rajiv a cast iron written commitment to support the Chandra Shekhar rump for any specified reasonable length of time. The high cost to the nation in the uncertainty and corruption that followed is well known. However, RV not only did not anticipate it but goes out of the way to express his high regard, among other things, for Chandra Shekhar's 'integrity' and his 'sorrow' when the ignorable government met its well deserved early end in March 1991. Later, in June 1991, the choice of Narasimha Rao as prime minister posed no problem: he was the leader of the largest single party and was able to secure the needed majority in parliament.

On two occasions during these changes RV mooted the idea of a national government and systematically pursued it with the leaders of all major parties. The first was in 1990 when the Janata Dal government fell and the second was after Rajiv's assassination and prior to general elections in 1991. These exercises in political gerrymandering went well beyond the proprieties of a constitutional president. Nor did the objective situation on either occasion call for a national government as the one and only way to hold the polity together. Quite understandably, RV's initiatives for a national government have led to speculations. Did he want to become the prime minister himself? Or, at least, ensure that Rajiv would not come back as prime minister? RV's disclaimers on both counts cannot be taken as the last word and one will have to wait for the full and true story to come out in due course.

How did RV deal with the imposition of president's rule in the states under Art 356 of the Constitution and what lessons could be learned on the role of the president in such cases from his practice? Of the nearly 100 cases of the use of Art 356 so far as many nine took place during RV's tenure. Five of them (Tamil Nadu 1988, Nagaland, Mizoram, Meghalaya and Karnataka 1989) were in Rajiv's period; two (Karnataka 1990 and Pondicherry) in V P Singh's period; and the other two (Tamil Nadu 1989 and Haryana) during the Chandra Shekhar regime.

Stripped of the specific circumstances that attended them, the underlying issue in the Tamil Nadu 1988, Nagaland, Mizoram, Meghalaya, Pondicherry and the two Karnataka cases was that the governors did not give an opportunity to an existing incumbent or to a new claimant to prove his majority in the legislature by a floor test, i e, on the basis of a majority of members present and voting in the house. It is to RV's credit that he clearly comes out with the view that the floor test should be the sound criterion for deciding on the choice or viability of governments. He did made a valiant attempt in the Karnataka 1989 case, when S RBommai was the chief minister, to persuade the government to accept this position. Once again, he showed some 'hesitation' when V P Singh clamped president's rule in Karnataka in 1990 when Veerendra Patil was the chief minister. However, on neither occasion did he press for a formal reconsideration under the proviso to Art 74(1). In all other similar cases—Tamil Nadu 1988, Nagaland, Mizoram, Pondicherry and Meghalaya—he simply rubber stamped the cabinet's decision without a formal or informal remonstrance or even a mental reservation. (Curiously, RV's otherwise elaborate narrative does not even refer to the imposition of president's rule in Meghalaya on October 11, 1991. We are only informed that on October 8 he attended the Air Force day and that on October 13 the "First Lady organised the festival of dolls in Rashtrapati Bhawan and invited all the VIP ladies of Delhi". Sandwiched as it was between these two momentous events, distant Meghalaya must have slipped from the president's consciousness.)

It is interesting that three of these cases—Karnataka (1989), Nagaland and Meghalaya—were later to be subjected to judicial review by the Supreme Court along with the dimissals of the BJP governments in Himachal Pradesh, Madhya Pradesh and Rajasthan. The Supreme Court in its judgment of March 1994 struck all three of them down as unconstitutional although no practical relief could be given since fresh elections had by then been held and new governments formed in all three states. The court also passed strong strictures both against the governors and against the union government. In the Karnataka 1989 case, P B Sawant and Kuldip Singh J J observed:

> We are of the view that this is a case where all cannons of propriety were thrown to wind and the undue haste made by the governor in inviting the president to issue the proclamation under Article 356(1) clearly smacked of mala fides. the proclamation issued by the president on the basis of the said report of the governor and in the circumstances so obtaining, therefore, equally suffered from mala fides. A duly constituted ministry was dismissed on the basis of material which was neither tested nor allowed to be tested and was no more than the *ipse dixit* of the governor. The action of the governor was more objectionable since as a high constitutional functionary, he was expected to conduct himself more fairly, cautiously and

circumspectly Instead, it appears that the governor was in a hurry to dismiss the ministry and dissolve the assembly The proclamation having been based on the said report and so called other information which is not disclosed, was therefore liable to be struck down

Interestingly, when the Meghalaya case went up to the Supreme Court, even the attorney-general who appeared for the union government did not seek to defend the imposition of president's rule The court disposed of it with the following stricture

The unflattering episode shows in unmistakable terms the governor s unnecessary anxiety to dismiss the ministry and dissolve the assembly and also his failure as a constitutional functionary to realise the binding legal consequences of and give effect to the orders of this court What is worse the union council of ministers also chose to give advice to the president to issue the proclamation on the material in question It is not necessary to comment upon the validity of the proclamation any further save and except to observe that *prima facie* the material before the president was not only irrational but motivated by factual and legal *mala fides* The proclamation was therefore invalid

The Nagaland proclamation was also held unconstitutional on the ground that no opportunity was given to chief minister Vamuzo to test his strength on the floor of the house

In Haryana, Chauthala lost his majority within five days of getting re elected as chief minister in March 1991 He refused however to accede to the governor s advice to prove his majority and recommended the dissolution of the assembly Chauthala's case was similar to that of Chandra Shekhar at the same time at the national level except that the latter knowing that he too did not have a majority, had resigned and recommended the dissolution of parliament But then what was sauce for the goose was not the same for the gander and, instead of ordering fresh elections in Haryana, the state was brought under president's rule

The dismissal of the DMK government in Tamil Nadu in January 1991 was the most flagrant abuse of Art 356 in the entire history of the Constitution Unlike in the other cases, the issue here was not the loss of support to the government The dismissal took place on the ground that law and order had broken down in Tamil Nadu, due to LTTE activities, to such an extent that it was not possible to carry on its government in accordance with the Constitution This was entirely concocted and wholly baseless There was no such breakdown of law and order, the governor, S S Barnala, not only did not give any report of internal disturbance but positively refused to give such a report, the Tamil Nadu government had all the time been co-operating with the centre in tackling the activities of Sri Lankan militants and had done so on its own as well, while dismissing the government, no evidence was provided in the presidential proclamation for a breakdown of law and order, no such evidence was provided to parliament either when seeking approval for the proclamation, nor does RV's narrative contain anything more than the usual rumours, gossip and innuendo on the subject Soon after the dismissal, I had gone into the full circumstances of the Tamil Nadu case (in *Frontline*, Madras, February 16, 1991) and had commented as follows on the president s role

Under Article 74 the president himself had no option except to act on the advice of his council of ministers In the bottom line, he was only a rubber stamp but he reached the bottom line pretty fast and without much resistance He did not find it necessary to discuss the situation with the governor who was available in New Delhi nor did he advise the prime minister and his cabinet to reconsider the matter although he was entitled to do so under Article 74

The president could have very well argued for not dissolving the legislature for even in the event of a breakdown' of law and order the legislature could have been suspended for a while when law and order was being restored and the democratic process revived thereafter But this is surely a naive question for the real purpose of the Chandra Shekhar government which was being blackmailed by the Congress(I) and the AIADMK, was not the imposition of president s rule for restoring 'law and order but the dissolution of the assembly which is what the blackmailers wanted All in all the president showed utter disregard for the spirit of the Constitution Morally and substantively he was not true to his oath of office which required him to preserve, protect and defend the Constitution and the law' It could certainly be said that he acted 'wantonly'

This conclusion is fully corroborated, in fact strengthened, by RV s recital of the sequence of events that culminated in the dismissal of the Tamil Nadu government on January 30, 1991 He admits to the intense political pressure brought on him by the Congress and AIADMK By end-January 1991, relations between Rajiv and Chandra Shekhar had irretrievably soured, the latter was prepared to submit to any kind of blackmail from the Congress to continue in office, and RV himself was keen on Chandra Shekhar s government being kept alive for as long as feasible, and if this required the dismissal of the DMK government in Tamil Nadu, he was hardly the one to be displeased about it It was not surprising, therefore, that RV acted with amazing alacrity in the matter Appropriately, Chandra Shekhar disclosed to RV his intention to murder democracy and federalism in Tamil Nadu when both were together at the Martyrs' Day function at Rajghat on the morning of January 30 RV asked him to come over 'immediately' to Rashtrapati Bhawan and told him to submit his proposals Later, in the evening, "the prime minister said he wanted the presidential proclamation issued the same day and that papers would be reaching me [i e, RV] late at night' Around 9 30 pm when V P Singh and other National Front leaders met the president to represent that the dismissal of the Tamil Nadu government would be "illegal, immoral and unconstitutional" RV simply told them that although the dismissal was contemplated he had not received any proposal Even if this was true, RV did not indicate that it was imminent He pointed out his constitutional obligation to accept the advice of the cabinet When some members of the delegation suggested that he might advise the government against such action, RV did not react Within a few minutes of the departure of the opposition leaders (presumably at around 10 p m), the proposals, according to RV's account, were put up to him He went through the file "carefully" and "pondered over the constitutional position" He came to the conclusion that it was his duty to act on the advice of the cabinet and it was for parliament to go into the merits of the decision Thereupon, "I issued the proclamation dismissing the DMK ministry immediately' Apparently all this must have taken place at lightning speed for All India Radio announced the decision in its news bulletin at 10 20 pm that night

The imposition of president's rule in Tamil Nadu came in for very strong criticism in the press all over India Ten opposition parties joined together to boycott the presidential address on account of his "shameless assault on the Constitution and the institutional structure of democracy" and accused the president of 'having abdicated his primary responsibility of upholding the Constitution in letter and spirit" All this is derisively dismissed in RV's book with the observation that the "hysteria was both exaggerated and biased"

In the ultimate analysis, RV might not have been able to prevent the unconstitutional application of Art 356 to Tamil Nadu in 1991 bound as he was by Art 174 But, in this case it was not that he tried (albeit feebly) and failed (as in the Karnataka episodes) or did not try at all (as in the other states) but that he was an active accomplice in defrauding the Constitution

III

The public image that RV conveys in visage, attire and speech is one of simplicity and dignity He seeks to buttress this image in several self-congratulatory passages in the book "All I wanted", he says, "was to serve the country honestly, diligently and effectively When C Rajagopalachari laid down office as the last governor-general of India, Pandit Nehru said of him that he was a man who looked upon a palace as a cottage

and a cottage as a palace. I was determined to emulate his example and remain my essential modest self, not overawed by the pomp and panoply of residence in Rashtrapati Bhawan" However, numerous passages in the narrative reflect the vainglory of Lord Curzon rather than the simplicity of Rajen Babu or Rajaji. RV was continually overawed by the "sheer majesty of Rashtrapati Bhawan, its massive structure, extraordinarily high ceilings and long winding corridors". So was he by the bodyguards "all six feet and over" with their "blue-and-gold turbans and white long coats with gold girdles" mounted on "fine bay horses no less distinctive than their riders". He was thrilled by the "gleaming black six-door limousine" in which the president rides to parliament where, on arrival, the usher announces the "Mahamahim Rashtrapatiji" in "stentorian tones" Nor should one miss the 640 kg silver chair in the Ashoka Hall seated on which the president receives the credentials of ambassadors. There is an enormous amount of such trivia wrapped in tinsel throughout the book.

RV was a glutton when it came to foreign tours. Starting with the Soviet Union in March 1988, he visited 18 other countries before concluding with China in May 1992 Major countries included the then USSR, Germany, the UK and China. But the smaller ones were not neglected: Mongolia, the Netherlands, Finland, Cyprus, Czechoslovakia, Bhutan, Zimbabwe, Zambia, Tanzania, Seychelles, Portugal, Malta, Vietnam and the Philippines Funeral visits were made to Pakistan and Japan and one more to the latter for Akihito's coronation. The wonderful sights that RV and his family saw at the expense of tax-payers in India and in the host countries included: Lake Baikal in Siberia; the dykes in the Dutch North Sea; the Arctics in Lapland; the romantic coasts of Portugal and Cyprus; the Grand Harbour of Malta and Ha Long Bay in the South China sea; the Paro valley in Bhutan; the Bird Island in Seychelles; Victoria falls in Tanzania; an air cruise around Mount Kilimanjaro; train rides (superfast) in Germany and (royal) in Britain: palaces in Portugal, Malta, Manila and Xian; and, of course, the Great Wall of China. Only a bumper issue of the National Geographic magazine can do justice to them and it is a pity that the reader has to be content with RV's pallid accounts of his voracious tourism.

Rights towards the end of it all RV cancelled proposed visits to Chile, Turkey and Italy on grounds of economy. He realised that his entourage typically consisted, in addition to 3 family members, of 24 persons from his official and personal staff. This was in addition to a dozen security men and the aircraft security personnel. RV says "However much I tried to reduce the numbers, I could never succeed". It is not clear why since Art 174 could not have stood in the way! RV also discovers that the visits to Chile, Turkey and Italy alone would have cost around Rs 10 crore to the exchequer. Extrapolated, the visits to the 20 countries he covered during his presidential tenure would have cost about Rs 60 crore or Rs one crore a month on foreign visits alone. This must, however, be offset by the saving of Rs 15,000 a month in staff salaries for effecting which RV takes credit early in his account.

To the reader who has stayed with me thus far I shall end with an apology and a piece of advice. The apology is for the length of the review but let me add in extenuation that it is only 3 per cent of the length of the book. The advice is not to waste time in going through this dull and depressing volume. And, certainly, not to spend money in buying it. I am sure RV will not mind either for he is reported already to have earned Rs 10 lakh in royalties.

Water Development and Management

B D Dhawan

Water for Sustainable Development in the 21st Century edited by Asit K Biswas, Mohammed Jellali and Glenn Stout: Oxford University Press, Delhi, 1993; pp 273, Rs 395.

WE are in the midst of the last decade of the 20th century. How the problems of this closing century might become more formidable in the next century has lately become a topical subject for conferences and seminars. The volume under review carries a set of papers, presented at the VIIth World Congress of the International Water Resources Association (IRWA) at Rabat in Morocco during May 1991. The theme for this Congress was nothing else but the very title of this volume.

This volume consists of three parts. Four main lectures delivered at the Congress constitute part I. The papers relating to issues in water resources policy, numbering 11 in all, are set out in part II. The final part III consists of nine papers under the heading of water resources management. All these selected papers comprise one-tenth of the over 200 papers prepared for the Congress which was attended by 700 participants from 55 nations. Readers must bear in mind that not only the peer-review process of selection of papers for the volume has been adopted by the three editors but also the editors seem to have played quite a role in extensively modifying the papers. In that case, a reader must think twice before faulting a paper's author for any incongruencies in exposition of ideas or in the statistics presented. Let me cite a concrete case to substantiate the remark.

Unabated growth in population is repeatedly stressed in the volume as the key causal factor behind water becoming a scarcer resource in the next century. "Present estimates indicate that the current world population is likely to double to 10.64 billion by the year 2050, out of which the less developed countries will contribute 8 per cent or 9.29 billion... While it is not easy for most individuals to grasp the real meaning of billions of people, it should be seen in its proper perspective. If we resettle all 5.368 billion people of today's world (early May 1991 estimate), in an African country like Zambia whose area is 7,53,000 km², a family of four will have an area of 561 km² which is a typical single family one-storey house in North America with a front and a backyard" (p 9). Here, two mis-statements can disturb a discerning reader. One, the contribution to doubling of world population by 2050 from the less developed countries is neither going to be as low as 8 per cent, nor as high as 9.29 billion. Two, a family would have 561 square metres of earth (not 561 square kilometres) when the world population is mapped on the Zambian land mass.

The central message of this volume can be stated as follows. Water can no longer be treated as a cheap or low-cost resource in today's world. Not only sizeable cost is entailed in tapping it for human use but mankind faces everywhere a rising supply cost curve, marginal resource cost of developing newer water resources is presently two or three times that of the already tapped ones. No less importantly, there are substantial 'external' effects or costs of water use, e g, waste water from household and industry sectors has to be treated before its disposal to water bodies whose users otherwise have to suffer the effects of using polluted waters. Environmental and social concerns (eg, for the dam oustees) have further added to costs of water resources development projects. In the face of these rising costs, financial resources with the public bodies are getting frittered away in huge subsidies in maintaining the existing works. So water pricing needs to be addressed squarely Without right prices, neither adequate investment resources are likely to flow into the water sector nor water users would find it worth their while to economise in the use of water. The need for such economising is the greatest in irrigated

agriculture which absorbs almost three-fourths of total water supplies in Asia. With right pricing, this sector can potentially spare much water for the rest of the economy. According to El Ashry's paper it now takes about 1,000 tons of water to produce one ton of grain (2,000 tons in the case of rice grain).

Two papers in the part I merit readers' attention. One is the presidential address by Asit K Biswas. He identifies four principal causes of the water crisis all over the globe. The academicians' clamour for setting water prices right for all consuming sectors does not appear to enthuse him. And he is much perturbed over increase in international conflict on water in the next century – nearly 47 per cent of river waters (80 per cent in Africa) are shared by two or more nations. The second paper is by Malin Falkenmark who has some pithy and provocative observations on issues in development and environment. He is appalled by the "past water illiteracy among environmental experts". "Today's predicament is an extremely blurred picture of the field of environment and development. The international dialogue contains more words than genuine understanding."

The part II begins with an interesting paper by Mohamed T El Ashry on the problems of water resource management in the arid and semi-arid regions with particular reference to the western US, north west Mexico and Aral sea region of Central Asia. Salinity, waterlogging and ground water depletion are major problems here. Water table in Mexico is reported to be receding at the rate of 1.5 metres (about 5 feet) per year. The Aral sea and the surrounding regions are experiencing extensive environmental degradation, thanks to the full exploitation of the two major rivers (Amu Darya and Syr Darya) of this region for development of irrigated farming dominated by cotton crop. Because of lack of flow of these rivers into Aral sea, water level dropped from 53 to 39 metres during 1960-89. (The Aral sea problem is discussed in greater detail by Genady N Golubev in his paper in the part III.)

Hiroshi Hori writes about the super scale water resources projects for which Global Infrastructure Fund (GIF) has been created in Japan. Merits and demerits of storing Ganga-Brahmaputra waters for use in southern and western India are spelt out by him. Gert A Schultz is worried about the impact of land use changes on river flows: increased imperviousness of catchments will give rise to more severe floods and also to more severe low flows. Biomass strategy of watershed development in drylands is commended by J Lundqvist, K R Datye and M Falkenmark. For a landholding of 1.2 ha in semi-arid parts of Maharashtra, about 0.4 ha is considered for crop activity only—the rest is earmarked for tree crops. Water harvesting through check dams, earth bunds, and wells is of crucial importance. (This paper needs to be read along with another paper in the part III, wherein S Y Kulkarni highlights benefits for developing water resources in dryland areas through big dams with particular reference to the Mula project from western Maharashtra.) The importance of big dams is underlined by Jan A Veltrop, with striking data for the world as a whole and by continents. Over 85 per cent of the 36,000 big dams (height above 15 metres) were built during the last 35 years, with a total storage capacity for 6000 km³ of water which hardly constitutes one sixth of the total flows in the rivers.

Farmers in particular and all users in general in low rainfall regions suffer from uncertainties of water supply. Norman J Dudley and Warren F Musgrave plead for reservoir sharing rights. "Capacity Sharing (CS) is a system whereby users are allocated long-term or perpetual rights to percentage shares of reservoir inflows and percentages of empty reservoir capacity or space for storage of their inflows. It is as if each user owns a small reservoir on his own small stream." The concluding paper in the part II is the statement by the IWRA Committee on Water Strategies underlining the imperative of eradicating water blindness through educational efforts at all levels (including press seminars for journalists) which the reviewer too strongly commends.

Ground water depletion has two dimensions: quantitative and qualitative. Till recently there has been much concern about quantitative depletion. A Das Gupta focuses on the qualitative aspect, namely, ground water contamination or damage. He too strongly pleads for the imperative of education in this area. "The public should be educated on a long term basis about ground water and pollution. In many cases private entities disposing waste water are unaware of the impact of their operation on ground water quality. Protection of ground water quality requires a long range perspective by water users and potential polluters, often difficult in today's climate."

The salient features of water management in Japan are brought out by Y Takahasi in his paper. The flood damage here was sought to be mitigated through embankment works as well as dams. Between 1951 and 1978 over 750 big dams were built. As a result, there are now few major rivers without dams, notwithstanding the rise of anti-dam movement. There are three noteworthy papers on Egyptian water management problems. A Abu zeid and S Abdel-dayem report that drained water constitutes over one-third of surface irrigation water in the Nile Delta. M S Semaika and R A Rady explore the consequences of global warming for crop activity in Egypt. Because of marked rise in irrigation (evapo-transpiration) needs of crops owing to increase in temperature, agronomists have to explore raising crops of shorter duration in the less hot parts of the year. How exploitation of seeped-in canal waters in the Nile Delta/Valley through tube-wells can both augment water supplies and serve as a means of drainage is briefly explained by K Hefny, Fatma Attia and Albert Turnhot. The underlying stock of ground water is of the order of 500 billion m³ (three times the storage of Lake Nasser formed by the Aswan dam) to which annual recharge occurs at the rate of 8 billion m³ (about 3 billion m³ flow back to the Nile river).

S Y Kulkarni reports a rate of return of 19 per cent for the Mula project. Over three-fourths of the returns is in the shape of increased income from crop activity (much of it is from raising new crops, especially sugarcane, which cannot be grown without dependable source of irrigation). The noteworthy aspect of this ex poste evaluation is that it is inclusive of indirect benefits from canal waters, notably from improved ground water availability from seeps-in canal water that promotes ground water-based farming. Unfortunately, many errors have crept into the paper as it is printed, e g, employment impact of canal irrigation is mentioned in per cent days (it should be person days). A patient reader, however, can figure out the corrections for the errors of commission/omission.

The IWRA needs to be applauded for promptly bringing out the papers in published form. Academic people especially from the developing countries, cannot attend international conferences. They would find such volumes worthwhile reading, especially in widening their horizons and in identifying nuggets of similarities or dissimilarities in problems of water development and management in different countries of the world.

Variations in Educational Performance in Tamil Nadu

A Vaidyanathan
Manabi Majumdar

Drawing primarily on the census data, this paper maps the inter-taluk variations in the level of literacy in the state of Tamil Nadu as well as changes in this respect over time. The data show significant variations across taluks in terms of literacy achievements during the period between 1971 and 1991. To take the analysis one step further, this paper presents, albeit in a limited manner, some facts on educational facilities and literacy status in the villages of two Tamil Nadu districts. The underlying motivation of such disaggregated study is to develop useful typologies of taluks/villages which may, in turn, constitute the basis for both designing micro studies as well as discerning macro trends.

I
Introduction

THE purpose of the present study is to map the inter-taluk variations in the level of literacy in the state of Tamil Nadu as well as changes in this respect over time, drawing primarily on secondary data. In particular, the rural literacy scene in the taluks is our focus of attention. That the rural population is educationally the most disadvantaged in our country is old news. But the multiple socio-economic and political handicaps which debilitate their educational aspirations are not equally strong across the rural universe.

There exist considerable spatial variations in the level of educational achievement (measured here only in terms of rural literacy levels), sufficiently intriguing to merit closer scrutiny. The underlying motivation of our present exercise is to trace out the magnitude of such variations across the taluks of Tamil Nadu (both in initial levels and subsequent rates of performance) as well as to identify, albeit in a limited manner, the relevant socio-economic factors that might account for such disparate performance records.

To take the analysis one step further, this paper offers, at the end, some facts on educational facilities and literacy status in the villages of two Tamil Nadu districts, namely, North Arcot and South Arcot. This sequential and progressive move from the taluk to the village level constitutes an attempt to make clear what is known and what is not known empirically about literacy achievements in the micro-setting of villages. Such analysis at the disaggregated level, we hope, would help in developing useful typologies of taluks/villages which, in turn, may constitute the basis for both designing micro studies as well as discerning macro trends.

II
Tracing the Terrain of Literacy in Tamil Nadu: A Profile of Taluks

The decennial census reports give data on the overall literacy rates by sex, for rural and urban areas right up to the village/town level.[1] The primary census abstracts also provide information on nature of school facilities, distance, road density, access to public transport and the like. We present below the results of an analysis of literacy

Table 1: Number of Taluks by Level of Literacy in Rural Tamil Nadu, 1971-1991

Literacy Rate (Per Cent)	Number of Taluks (overall rural literacy)			Number of Taluks (rural male literacy)			Number of Taluks (rural female literacy)		
	71	81	91	71	81	91	71	81	91
0-10	0	0	0	0	0	0	5	0	0
10-20	5	0	0	0	0	0	66	30	1
20-30	41	15	1	5	0	0	37	61	24
30-40	56	53	14	22	13	1	3	18	63
40-50	9	40	65	52	29	14	2	3	20
50-60	4	6	29	32	60	50	3	4	3
60 and above	1	3	7	6	15	51	0	1	5
Total no of taluks	116	117	116	116	117	116	116	117	116
Tamil Nadu (state avg (per cent))									
Total	39.5	46.8	54.3*	51.8	58.3	63.8*	26.9	35.0	44.6*
Rural	32.1	38.5	47.6	45.1	51.2	58.2	19.0	25.8	36.7
Urban	56.4	63.4	68.1	66.8	72.5	74.9	45.4	54.0	60.9

* The 1991 literacy rate for population aged seven years and above has been recorded to be 62.7 per cent, the corresponding sale and female literacy rates are 73.7 per cent and 51.3 per cent respectively.

Souce: Calculated from Census of Population: 1971-1991.

Table 2: Mean Change in Male-Literacy Ratio in Rural Tamil Nadu, 1971-1991

Overall Rural Literacy Level in 1971 Per Cent	Mean M/F Literacy Ratio 1971	Mean M/F Literacy Ratio 1981	Mean M/F Literacy Ratio 1991	Mean Change in Gender Disparity: Between 71 and 81 (M/F 81-M/F 71)	Between 71 and 81 (M/F 91-M/F 81)	Between 71 and 91 (M/F 91-M/F 71)
10-20	3.0	2.4	1.8	-0.61	-0.56	-1.17
20-30	2.8	2.3	1.7	-0.52	-0.51	-1.03
30-40	2.5	2.1	1.6	-0.46	-0.44	-0.90
40-50	1.9	1.6	1.4	-0.27	-0.22	-0.49
50-60	1.3	1.2	1.1	-0.08	-0.08	-0.16
60 and above	1.2	1.1	1.0	-0.07	-0.07	-0.15
All taluks Avg	2.1	1.8	1.4			
Cv	33.1	28.6	21.7			

Source: Calculated from Census of Population: 1971-1991.

as well as the growth therein over the period 1971 to 1991 and a few associated characteristics in rural areas of all the taluks in Tamil Nadu. The data show significant variations across taluks and villages in literacy rates both overall as well as among different groups of population (rural-urban, male-female) during the period between 1971 and 1991.

But, before we carry on, we must mention some adjustment which had to be made in the data: the Indian census data on literacy prior to 1991 pertain to the whole population, while in the 1991 Census persons aged seven and above are considered. For this reason, strictly speaking, comparisons between 1991 and earlier census figures are not quite appropriate. Adjusted figures are available for 1981 and 1991 at the district, state and national levels; similar adjusted numbers for the taluk level for 1971 or 1981 have not been thus far available. To get around this problem—admittedly in a less than ideal way—we have derived the overall literacy rates in 1991 by dividing the number of literates (aged 7+) by the total population, assuming that the number of literates in 0-6 age group is negligible.

Table 1 gives the distribution of all the taluks in Tamil Nadu by levels of (rural) overall, male and female literacy in 1971, 1981 and 1991. The overall literacy rate in rural Tamil Nadu has recorded a significant rise from 32 per cent in 1971 to 38.5 per cent in 1981 and 47.6 per cent in 1991. The increase has been relatively faster in the 80s. Female literacy in the rural areas—which nearly doubled from 19 per cent in 1971 to 36.7 per cent in 1991—rose considerably faster than male literacy (45 per cent to 58 per cent). Literacy rates—both overall and by sex—rose faster in rural areas compared to urban areas. The sex disparity as well as rural-urban disparity have thus narrowed.

Shifts in the frequency distribution of taluks in terms of overall literacy levels between the three census periods reflect the rise in the overall literacy rates. In 1971, nearly four-fifths of the taluks had a literacy rate ranging between 20 and 40 per cent. In 1981, slightly less than 80 per cent of taluks registered literacy rates between 30 and 50 per cent; by 1991, about 80 per cent taluks had literacy rates ranging between 40 and 60 per cent.

The shift is much more marked in female literacy rates. The modal value of the literacy rate in 1971 was 10-20 per cent (nearly 60 per cent of all taluks fell in this category). By 1991, the modal frequency was in the 30-40 group (again comprising 60 per cent of all taluks).

Table 2 delineates differences in male-female literacy rates in the three census years: In 1971, male literacy rate in rural Tamil Nadu was twice that of females, but with a wide variation around the mean. Interestingly, taluks with a low overall literacy rate showed a higher gender disparity, compared to high literacy taluks. There is in fact a strong inverse relation between the overall literacy rate and gender disparity in literacy. In other words, higher level of male literacy goes with higher level of female literacy *and* with lower level of gender disparity.

Over time the gender disparity had declined appreciably in all taluks. The dispersion in gender disparity across taluks has also declined. The decline has been much steeper among taluks with low level of literacy in the base year, compared to those whose populations were more literate. Indeed, the rate of decline in gender disparity is inversely related to the base level of literacy.

Table 3 portrays the rural literacy landscape of 1971 (which is treated as the base year in the present analysis) as well as the change in the educational terrain in the following two decades. There is a clear inverse relation between the extent of

TABLE 3: RELATION BETWEEN BASE YEAR OVERALL RURAL LITERACY LEVELS IN 1971 AND CHANGES BETWEEN 1971 AND 1991—TAMIL NADU TALUKS

Rural Overall Literacy Level 1971	Number of Taluks	Mean Rural Overall Literacy	Mean Rural Male Literacy	Mean M-F Literacy Ratio	Mean Proportion of SC-ST to Total Rural Population	Mean Increase in Percentage Points in Literacy Rate: Between 71 and 81	Between 81 and 91	Between 71 and 91
10-20	5	18.3	27.2	3.0	13.4	6.5	9.9	16.4
20-30	41	26.6	38.9	2.8	24.7	6.6	8.8	15.4
30-40	56	34.7	49.5	2.5	22.6	6.1	8.5	14.6
40-50	9	42.7	56.1	1.9	22.3	7.4	6.9	14.3
50-60	4	55.6	62.1	1.3	6.5	5.6	8.4	14.0
60 and above	1	63.3	70.1	1.2	7.4	4.3	6.0	10.3
All taluks	116	32.7	45.9	2.5	22.3	6.3	8.5	14.8

Note: The actual number of taluks has increased since 1971 (both in 1981 and more in 1991), but for the sake of comparability, we have incorporated the newly created taluks into the original ones from which the former have bifurcated/trifurcated.

Source: Calculated from Census of Population: 1971-1991

TABLE 4: MEAN LITERACY RATE AND DISPERSION AROUND THE MEAN IN RURAL TAMIL NADU, 1971-1991

	Across All Taluks								
	Overall Rural Literacy (Per Cent)			Male Literacy (Per Cent)			Female Literacy (Per Cent)		
	1971	1981	1991	1971	1981	1991	1971	1981	1991
Avg	32.7	39.1	47.5	45.9	51.7	58.3	19.4	26.3	36.5
CV*	24.5	21.4	16.6	18.4	15.7	12.3	43.6	35.6	25.1

Overall Rural Literacy in 1971 (Per Cent)		Across Clusters of Taluks**: Overall Rural Literacy (Per Cent) 1971	1981	1991	Male Literacy (Per Cent) 1971	1981	1991	Female Literacy (Per Cent) 1971	1981	1991
10-20	Avg	18.3	24.8	34.8	27.2	34.6	44.3	9.1	14.6	24.5
	CV*	6.1	6.4	10.7	6.1	6.0	9.7	6.1	7.2	13.0
20-30	Avg	26.6	33.2	42.2	38.9	45.6	53.2	14.0	20.5	30.7
	CV*	9.5	12.5	10.4	10.2	11.8	9.9	13.1	16.9	12.7
30-40	Avg	34.7	40.7	49.0	49.5	54.6	60.5	19.9	26.8	37.4
	CV*	8.2	9.1	6.7	6.7	5.9	4.9	15.4	16.1	10.8
40-50	Avg	42.7	50.1	57.1	56.1	62.1	66.8	29.7	38.5	47.6
	CV*	5.7	10.5	7.9	4.4	7.0	5.2	12.1	16.5	11.9
50-60	Avg	55.6	61.2	69.6	62.1	66.4	73.1	49.1	56.2	66.2
	CV*	4.7	3.9	3.3	5.1	4.2	3.4	4.3	3.6	3.1

* The coefficient of variation (CV) is standard deviation expressed as a percentage of arithmetic mean, a standard measure of dispersion free from the unit of variables.

** These were the clusters existing in the base year 1971. We record the relevant statistics in 1981 and 1991 for the same sets of taluks. To belabour one obvious point, these taluks will not necessarily fall under the same intervals in 1981 or 1991 and that the average overall literacy in 1981 and 1991 may not tally with the upper bounds of the intervals.

TABLE 5: DISTRIBUTION OF TALUKS BY LEVELS OF AND CHANGES IN LITERACY, 1971-1991

Taluks at Very Low Level (10-20 Per Cent in 1971) Recording

Low Change: Cluster I						Medium Change: Cluster II						High Change: Cluster III					
71-81 Increase in Percentage Points		81-91 Increase in Percentage Points		71-91 Increase in Percentage Points		71-81 Increase in Percentage Points		81-91 Increase in Percentage Points		71-91 Increase in Percentage Points		71-81 Increase in Percentage Points		81-91 Increase in Percentage Points		71-91 Increase in Percentage Points	
Benkanikottai	5.6	Benkanikottai	5.4	Benkanikottai	11.0	Palacode	6.5	–		–		Krishnagiri	7.9	Krishnagiri	13.4	Krishnagiri	21.3
						Hosur	6.0	–		–				Palacode	10.8	Palacode	17.3
						Sankari	6.6	–		–				Hosur	10.5	Hosur	16.5
														Sankari	9.3	Sankari	16.0

Taluks at Low Level (20-35 Per Cent in 1971) recording

Low Change: Cluster IV						Medium Change: Cluster V						High Change: Cluster VI					
71-81 Increase in Percentage Points		81-91 Increase in Percentage Points		71-91 Increase in Percentage Points		71-81 Increase in Percentage Points		81-91 Increase in Percentage Points		71-91 Increase in Percentage Points		71-81 Increase in Percentage Points		81-91 Increase in Percentage Points		71-91 Increase in Percentage Points	
						Tiruvanamali	6.5	Kallakurichi	8.2	Omalur	14.1	Uthankari	8.1	Uthankari	10.1	Uthankari	18.1
Bharnapuri	4.0	Tirukoilor	4.7	Tirukoilur	9.2	Vedasundur	6.0	Chengam	8.1	Kallakurichi	13.1	Harur	7.9	Dharmapuri	12.5	Dharmapuri	16.4
Omalur	4.8	S B Palyam	7.7	Yercaud	6.0	Manamadurai	6.3	Salem	8.0	Chengam	13.2	Tirupattur	7.0	Omalur	9.3	Harur	17.4
Kallakurichi	4.9	Yercaud	4.3	Uthukottai	12.5	Palladam	6.3	Villupuram	8.8	Bhavani	12.6	Tiruchencode	8.0	Harur	9.5	Tirupattur	17.3
Chengam	5.1	Madurantham	7.1	Virudachalam	11.7			Attur	7.3	G S Palyam	13.1	Bhavani	9.1	Tirupattur	10.3	Tiruchencode	18.2
Tirukoilur	4.5	Rasipuram	7.5	Polur	11.6			Aoiyambadi	8.5	Mettur	12.9	Salem	7.5	Tiruchencode	10.2	Tiruthani	16.4
Bhavani	3.5	Uthukottai	7.2	Mudakulathur	12.2			Usilampatti	8.3	Gingee	14.2	Cuddalur	7.0	Tiruthani	11.1	Salem	15.6
G B Palyam	5.4	Sirkali	7.3	Melur	12.1			Erode	8.7	Vedasundur	14.8	Orathanadu	10.7	Mettur	9.2	Tiravanamali	15.6
Tiruthani	5.3	Avinasi	7.7	Chyyar	12.5			Polur	7.8	Gummidapoondi	13.8	Maduranthan	8.0	Tiruvanamali	9.1	Cuddalur	16.2
Mettur	3.7	Sankarankoil	6.6	Sirivilipattur	11.7			Dharapuram	7.9	Rasipuram	14.3	Villupuram	7.5	Cuddalur	9.2	Madurantham	15.1
Tindivanam	4.1	Melur	7.4	Tirachuli	9.9			Uthiremerur	8.2	Attur	14.7	Pattukattai	11.4	Gingee	10.1	Villupuram	16.3
Gingee	4.1	Thirunelveli	6.9	Sivagiri	9.5			Gudiyatham	8.0	Usilampatti	13.1	Attur	7.4	Orathanadu	9.5	Pattukottai	21.3
Tercaud	1.7	Tiruvallur	7.4	Shenkottai	11.3			Palani	7.8	Pallipattu	13.1	Rasipuram	6.8	Pattukottai	9.9	Anyambadi	16.2
Gummidipoondi	4.4	Sirivilipattur	6.8					Ponneri	8.4	Uthiremerur	14.9	Aniyambadi	7.7	Gummidipoondi	9.4	Erode	18.9
Usilampatti	4.8	Tirachuli	7.4					Wandavasi	8.6	Sankarkoil	14.5	Erode	10.2	Namakaal	9.7	Namakaal	19.3
Uthokottai	5.3	Sivagiri	7.6					Vedasundur	8.8	Dindigul	14.5	Namakaal	9.6	Virudachalam	9.5	Arakonam	17.1
Viradachalam	2.2	Palladam	5.7							Wandavasi	13.5	Arakonam	8.0	Pallipati	9.2	Bharapuram	16.1
Pallipattu	3.9									Periyakulam	13.0	Dharapuram	8.2	Arakon	9.1	Paramakudi	17.2
Polur	3.8									Tirupathur	14.5	Paramakudi	7.2	Paramakudi	10.0	Walajapet	21.7
Dindigul	5.0									Ilyankudi	14.8	Walajapet	12.1	Walajapet	9.6	Sirkali	29.9
Mudukulathur	2.2									Palladam	14.0	Sirkali	13.6	Dindigul	9.5	Avinasi	15.5
Melur	4.7											Avinasi	7.8	Aranthagi	12.8	Gudiyatham	18.9
Sivaganga	5.4											Uthiremerur	6.7	Mudukulathur	10.0	Palani	15.4
Wandavasi	4.9											Sankarankoil	7.9	Devakottai	13.9	Aranthagi	20.3
Periykulam	3.7											Gudiyathan	10.9	Manamadurai	9.2	Devakottai	21.0
Cheyyar	2.0											Palani	7.6	Sivaganga	12.5	Thirunelveli	20.7
Sirivilipattur	4.9											Aranthaqi	7.5	Arani	9.1	Manamadurai	15.5
Tirupather	4.7											Devakottai	7.1	Periakulam	10.1	Sivaganga	17.9
Tirachuli	2.5											Thirunelveli	13.8	Ramnathpuram	11.7	Ponneri	16.1
Sivagiri	1.9											Ponneri	7.7	Chyyar	10.5	Arani	16.7
Ilyankudi	(−1.33)											Arani	7.6	Chengalpet	8.9	Papanasam	15.4
Shenkottai	1.5											Papanasam	9.7	Tirupathur	9.8	Ramnathpuram	20.2
												Ramnathapuram	8.5	Rajapalayam	8.9	Chengalpet	19.0
												Chengalpet	10.1	Sriperumbudur	9.8	Tiruvallur	15.1

(Contd)

Table 5 (Continued)

Low Change Cluster IV						Medium Change Cluster V						High Change Cluster VI					
71-81 Increase in Percentage Points		81-91 Increase in Percentage Points		71 91 Increase in Percentage Points		71 81 Increase in Percentage Points		81 91 Increase in Percentage Points		71 91 Increase in Percentage Points		71 81 Increase in Percentage Points		81-91 Increase in Percentage Points		71-91 Increase in Percentage Points	
												Tiruvallur	7.7	Tiruvadani	11.1	Rajapalyam	15.7
												Rajapalyam	6.8	Peruerani	10.2	Sriperumbudur	16.7
												Sriperumbudur	6.9	Ilyankudi	16.1	Tiruvadani	17.8
												Tiruvadani	6.7	Shenkottai	9.8	Peruerani	17.5
												Peruerani	7.3			Orathanadu	20.2

Taluks at Medium Level (35 Per Cent-45 Per Cent in 1971) recording

Low Change Cluster VII						Medium Change Cluster VIII						High Change Cluster IX					
71 81 Increase in Percentage Points		81 91 Increase in Percentage Points		71-91 Increase in Percentage Points		71 81 Increase in Percentage Points		81 91 Increase in Percentage Points		71 91 Increase in Percentage Points		71 81 Increase in Percentage Points		81 91 Increase in Percentage Points		71-91 Increase in Percentage Points	
Karikudi	4.9	Mayuram	5.8	Chidambaram	12.9	Pollachi	6.6	Kovilpatti	8.6	Pollachi	14.0	Mayuram	12.9	Karikudi	9.1	Mayuram	18.7
Chidambaram	4.4	Pollathi	7.4	Virudanagar	11.9	Aruppukottai	6.0	Chidambaram	8.5	Uthamalpet	13.1	Uthamalpet	7.3	Tirumangalam	9.3	Kovilpatti	16.2
Virudunagar	5.1	Udemalpet	5.8	Tenkasi	11.8	Madurai M	6.3	Arcot	8.0	Karikudi	14.0	Kovilpatti	7.6	Tiruthuraipoo	9.4	Manargudi	17.0
Tenkasi	5.0	Manargudi	7.1	Arcot	12.1	Srivaikundam	6.0	Thanjavur	8.1	Madurai S	13.6	Manargudi	9.9	Ambasamudram	9.7	Ottapedram	17.5
Arcot	4.1	Ottapedram	7.3	Tirumangalam	11.8			Madurai N	8.3	Madurai N	14.6	Ottapedram	10.2			Coimbatore	15.4
Tirumangalam	2.5	Coimbatore	5.6	Uthamalpet	10.8			Kamuthi	8.1	Vilathikulam	13.9	Coimbatore	9.8			Tiruthuraipoo	16.5
Uthamapalyam	5.1	Virudanagar	6.8	Aruppukottai	11.7			Nilakottai	8.5	Ambasamudram	14.6	Madurai S	6.8			Nagapattinam	15.8
Kodaikanal	4.0	Mudurai S	6.8	Kodaikanal	9.8			Vellore	8.3	Srivaikundam	14.0	Tiruthuraipoo	7.1			Saidapet	18.2
Kamuthi	(–1.6)	Tenkasi	6.8	Kamuthi	6.5			Nagapattinam	7.4	Nannilam	14.1	Thanjavur	8.9			Nangunneri	15.4
Nilakottai	5	Uthamalpet	5.7	Nilakottai	9.0			Srivaikundam	8.0			Nagapattinam	8.4			Thanjavur	17.0
Vellore	2.1	Aruppukottai	5.7	Vellore	10.4							Vilathikulam	6.9				
Sathur	(–0.3)	Kodaikanal	5.8	Sathur	6.8							Saidapet	11.4				
Ambasamudram	4.9	Sathur	7.1									Nannilam	7.7				
		Vilathikulam	7.0									Nangunneri	10.3				
		Saidapet	6.8														
		Nannilam	6.4														
		Nangunneri	5.1														

Taluks at High Level (45 per cent in 1971) recording

Low Change Cluster X						Medium Change Cluster XI						High Change Cluster XII					
71-81 Increase in Percentage Points		81 91 Increase in Percentage Points		71 91 Increase in Percentage Points		71 81 Increase in Percentage Points		81 91 Increase in Percentage Points		71-91 Increase in Percentage Points		71-81 Increase in Percentage Points		81-91 Increase in Percentage Points		71 91 Increase in Percentage Points	
Vilavancode	5.1	Tuticorin	5.0	Thovala	12.8	Tiruchendur	6.4			Tiruchendur	13.3	Tuticorin	11.2	Vilavancode	9.5	Tuticorin	16.2
Thovala	5.2	Tiruchendur	6.9	Agasteeswaram	10.3	Kalkulam	5.8			Vilavancode	14.6			Kalkulam	9.6	Kalkulam	15.4
Agasteeswaram	4.3	Thovala	7.6														
		Agasteeswaram	6.0														

Source Calculated from Census of Population, 1971-1991

increase in literacy rates and the initial level of literacy: that is to say, low literacy taluks have recorded greater rise in overall literacy rates than those which already had high literacy in the 70s; as well as during 1971-1991 taken as whole. But this relation is not seen, at any rate as strongly, in the 1980s. In general, the taluks at lower levels of literacy in the base year (1971) have registered a greater positive change—a tendency that keeps our hope about a better literacy profile alive.

In Table 4, we report the average rural literacy (overall, male and female) across all taluks during the 1971-91 period and the dispersion around the mean. This is followed by a presentation of corresponding statistics for different clusters.

Several interesting features attract our attention: not only does the mean rural literacy show a secular increase (in all the three cases of overall, male and female literacy rates), but the dispersion around the mean (reflected through changes in the CV) is also steadily declining (the tendency being particularly pronounced in the case of female literacy). This implies that the gap between low-literacy and high-literacy taluks is gradually shrinking.[2]

The trends within different clusters show a more complex pattern, however. The dispersion around the mean (especially in case of overall and female literacy) seems to have increased over time for the taluks which were at the lower end of the distribution (10-20 per cent class) in 1971, and consistently fallen in the 50-60 per cent group. In other categories, variations in overall as well as female literacy rates seem to have increased in 1981, before falling. The extent of reduction in intra-cluster variability between 1971 and 1991 is rather small in several categories.

Table 5 classifies the taluks by the level of literacy in 1971 and the change during the subsequent two decades.

The overall literacy rate in Tamil Nadu in the base year was reported to be 39.5 per cent. On this basis, we have grouped taluks into four strata in terms of literacy levels in 1971 as follows:

10-20 per cent: very low
20-35 per cent: low
35-45 per cent: medium
45 per cent + : high

Again, the mean increase in percentage points of overall literacy across all taluks happens to be:

1971-81 6.3
1981-91 8.5
1971-91 14.8

Based upon these averages, we characterise, somewhat arbitrarily, change during 1971-81 and 1981-91 in the following way:

1971-81 Period
low : <5.6
medium : 5.7-6.6
high : >6.6

1981-91 Period
low : <7.7
medium : 7.8-8.8
high : >8.8

1971-91 Period
low : <13.0
medium : 13.1-15.0
high : >15.0

In all the above cases, our aim has been to put the various means roughly at the mid-points of the medium range.

The exercise yields a 12-fold classification of taluks, capturing the interesting and complex relationship between the original position of taluks (base year level of literacy) and their pace of progress in literacy.

Inter-decadal variations exemplify several patterns of change across taluks. For example, some taluks have sustained their forward march along the road of literacy throughout the entire period under study; some other taluks have progressed fast during 1971-81, losing the momentum in the next decade. Others have had a reverse experience, that is to say, they have effected a less than satisfactory growth in the 1971-81 period but have picked up the tempo of expanding literacy in the following decade. There are still a handful of taluks which have been sadly tottering behind the rest, featuring a low rate of change over the entire time interval considered (Table 6).

The good news is that the majority of the taluks (54 per cent) with low level of literacy in the base year have recorded high change (Table 5) in the 1971-91 period; while about 29 per cent of the remainder has featured moderate change. The disturbing news is that 16 per cent of the low-literacy taluks has continued to remain in the 'low-level low-change' trap.

Special attention needs to be devoted to these taluks that fall in the 'low-level low-change' category. On the one hand, we will be forced to investigate the factors—socio-economic and facility variables—that continue to prevent these taluks from overcoming their initial educational backwardness. On the more optimistic side, we expect to draw some useful insights from the experience of those taluks that have covered a significant ground, that is to say, having started from a low level they have overcome their initial disadvantage to a noticeable extent (by effecting a high rate of change). Such analysis, we hope, will throw light on the factors—socio-economic, political or policy interventions—that have facilitated their significant achievements. Similarly, attention needs also to be paid to those cases that have already been at a comfortable level of

TABLE 6: TWO IMPORTANT GROUPS OF TALUKS—STANDING STILL OR MARCHING FORWARD
(Overall Rural Literacy in 1971-1991)

Taluks Standing Still: Recording Low Change through 1971-1991 (LLL)				Taluks Marching Forward: Recording High Change through 1971-1991 (HHH)			
VL (71)	Denkanikottai	L (71)	Tirukoilur	VL (71)	Krishnagiri	L (71)	Harur
			Tiruchuli				Tirupattur
M (71)	Tenkasi		Srivilliputtur	M(71)	Tiruthuraipoondi		Tiruchencode
	Uthamapalayam		Yercaud				Cuddalur
	Kodaikanal		Sivagiri	H(71)	Kallakurichi**		Orthanadu
	Sathur		Melur				Pattukottai
	Virudanagar						Namakkal
							Arakonam
H(71)	Agasteeswaram*						Paramakudi
	Thovala*						Walajapet
							Aranthagi
							Arani
							Chengalpet
							Rajapalyam
							Sriperumbudur
							Tiruvadani
							Pereurani
							Devakottai
							Ramnatha-puram

Notes: * Since these taluks were already at a high level of rural literacy, slow change in their cases need not be very disturbing.
** The actual pattern of change for this taluk is KHH, but this itself is commendable, given its high initial position.
VL-Very Low, L-Low, M-Medium, H-High, LLL-Low in every decade, HHH-High in every decade, MHH-Medium, High degrees of change in three consecutive decades.

Source: Calculated from Census of Population, 1971-1991.

literacy yet maintained their educational drive unabated by recording a reasonable amount of change

SOME INTERESTING ASSOCIATIONS

Annex Tables 1, 2 and 3[3] give the talukwise data on literacy and some of the related socio-economic characteristics for the three census years A simple correlation type analysis using figures grouped from the above set (Table 7) of the taluk level statistics suggests, for example, the following

(a) In all years, as we move from taluks with low to high overall literacy, the overall rural worker participation rate declines (this tendency is more pronounced in 1981 than in 1971 or 1991),

(b) In 1981 (the only year for which the taluk level irrigation data were readily available) there seems to be a positive association between mean literacy levels and the irrigation ratio as well as the proportion of workers in non-agricultural activities (the latter relationship holds for all the years)

(c) There is no significant association with land-man ratio or with the proportion of SC/ST in the total rural population However, it is noteworthy that the taluks which have attained 50 per cent (and above) overall rural literacy appear to have noticeably low proportion of SC/ST in the rural population

The above observations are based on grouped data However, since within each cluster of taluks (classified by literacy levels) there is a dispersion around the central tendency of each of the characteristics, it is necessary to undertake much more disaggregated analysis of the observed tendencies

In Table 8 we plot the various permutations and combinations of 'Levels and Changes in the Levels' of literacy in all the taluks and then enumerate changes in few other relevant variables. The purpose is to ascertain whether any significant relation exists between these concomitant changes

From the results reported in Table 8, the associations between the aforementioned changes do not seem to be obvious However, two important trends seem worth noticing First, within the group of low-literacy taluks (in 1971), the rate of increase in overall rural literacy appears to be negatively related to increases in SC/ST and Main Worker proportions That is to say, the taluks (in this category) recording higher rates of literacy increase have also registered lower increase in SC/ST and Main Worker population. Second, this pattern holds, though in a less pronounced manner, for the medium-literacy taluks also

Surely, the observed correlations are only indicative of the type of relations one might explore with this data set It is necessary to systematically spell out hypothesis regarding the various socio-economic characteristics and their role in determining supply of or demand for education in order to permit more sophisticated analysis of this body of data on the basis of well-developed hypothesis of causal relations. Secondly, in order to capture the true relation between socio-economic variables and literacy, we might have to lag the

TABLE 8 SELECTED CHARACTERISTICS OF TALUKS RECORDING LOW, MODERATE AND HIGH CHANGE IN OVERALL LITERACY RATE BETWEEN 1971 AND 1991

Number or Taluks	Overall Rural Lit Level (Percentage) 1971	Mean Lit (Percentage) 1971	Mean Δ 71 91	Mean SCST/ R Pop 1971	Mean Δ 71-91	Mean MW/ R Pop 1971	Mean Δ 71-91
Taluks Recording Low Change (<13 percentage points)							
1	Very low (10 20)	17 7	11 0	16 5	1 1	36 5	7 2
12	Low (20 35)	30 7	10 8	27 9	3 5	39 4	8 5
12	Medium (35 45)	38 4	10 4	20 1	2 4	40 1	9 0
2	High (45+)	61 6	11 5	8 4	1 9	31 2	0 51
Taluks Recording Moderate Change (13 1 15 0 percentage points)							
1	Very Low	—	—	—	—	—	—
21	Low	28 3	13 9	21 1	3 2	39 6	7 8
9	Medium	39 1	14 0	16 4	2 0	37 9	8 7
2	High	53 6	13 9	6 7	2 8	29 2	1 6
Taluks Recording High Change (>13 percentage points)							
4	Very Low	18 5	17 8	12 7	0 91	39 1	6 4
39	Low	29 3	17 6	23 6	1 8	37 4	6 8
10	Medium	38 5	16 8	26 4	2 9	38 0	4 9
2	High	51 7	15 8	11 1	1 5	33 9	1 3

Source Calculated from Census of Population 1971 1991

TABLE 7 APPARENT ASSOCIATION BETWEEN OVERALL RURAL LITERACY RATES AND A FEW SELECTED SOCIO ECONOMIC CHARACTERISTICS OF TALUKS, 1971-91

Literacy Level (Per Cent)	1971 Mean SCST to R Pop	1971 Mean MW/ R Pop	1971 Mean Agr+ Culti/ RMW	1981 Mean SCST to R Pop	1981 Mean MW/ R Pop	1981 Mean Agr+ Culti/ RMW	1991 Mean SCST to R Pop	1991 Mean MW/ R Pop	1991 Mean Agr + Culti/ RMW	Literacy Rates and Irrigated Area within Clusters of Taluks, 1981: Overall Rural Literate (Per Cent)	Mean Rural Literate	Mean Percentage of Irrigation to Total Agricultural Land
10-20	13 4	38 6	87 0	—	—	—	—	—	—			
20-30	24 7	38 8	80 6	23 5	44 3	80 0	—	—	—	20 30	27 2	32 1
30-40	22 6	38 4	77 8	26 3	44 5	81 0	25 9	46 5	80 1	30-40	35 5	34 8
40 50	22 3	37 4	66 6	24 0	43 2	72 7	25 4	47 4	78 6	40 50	43 7	50 1
50-60	6 5	29 8	59 8	18 4	31 4	75 9	25 8	42 5	73 7	50 60	54 7	46 0
60+	7 4	30 2	57 4	7 0	29 9	58 3	11 6	34 2	62 6	60+	63 5	69 0

Note R Pop—Rural Population, MW—Main Workers, RMW—Rural Main Workers Agr—Agricultural Labourers, Culti —Cultivators Irr—Irrigated Land Agr—Agricultural Land

Source Calculated from Census Reports, 1971-1991

former set of variables, since the former characteristics might have been different when the current literates have actually gone for schooling.

III

Facilities and Performance: A Village-Based Tale of Two Districts

In this section, we engage in a deeper probing into the domain of villages in the districts of North Arcot and South Arcot. As in the case of taluks, the village level data for the two districts (Table 9) for the year 1981 also suggest that, on the average, villages with higher literacy tend to have a higher irrigation ratio and higher proportion of people in non-agricultural activities. Also, while the disaggregated data seem to suggest positive association between land-man ratio and literacy rates, the relation between literacy on the one hand and worker participation rate and proportion of SC/ST in the total population on the other show more complex pattern. Admittedly, the analysis of village-based figures is far from complete. Indeed, a village-centred study of changes in literacy status as well as in the associated characteristics (of the kind done here at the taluk level) will be of great importance.

Furthermore, we need to use more extensively the information on supply-side factors presented in census reports. As a quick but necessarily incomplete illustration, here we utilise village-level information (for the year 1981) pertaining to school facilities in the selected districts and then try to trace their effects on the literacy records of villages.

In Table 10 we delineate the distribution of villages in terms of availability of educational facilities within village. In both North Arcot and South Arcot districts, comparatively smaller villages have lesser facilities. Precisely put, a large proportion of villages in the size class of less than 500 have no educational institutions within the village (34 per cent and 36 per cent for North Arcot and South Arcot districts respectively).

It perhaps needs mention here that having a primary school within the village is not enough to ensure enrolment at the elementary level. Indeed, a plausible argument is that non-availability of a middle school within village may depress enrolment even at the primary level. We find that a negligible proportion of small villages have middle or high schools within the village boundary (2.7 per cent and 6.3 per cent for North Arcot and South Arcot districts respectively).

In general, the availability of middle or higher level schools increases with an increase in the village size. While this pattern holds for both North Arcot and South Arcot, quite intriguingly in South Arcot district (which incidentally has a lower overall rural literacy level than North Arcot in 1981—32.16 per cent and 36.14 per cent respectively), smaller villages are better endowed with educational institutions than their North Arcot counterparts. The picture is, however, somewhat different between the two districts in the larger sized villages.

How are these villages endowed with different school facilities faring in terms of their literacy status? A brief summary of literacy records of villages, cross-classified by village size and educational facilities can be found in Tables 11 and 12. Several interesting features draw our attention here. First, size of the village, by itself, does not seem to determine either the level of overall literacy or that of male and female literacy. When the level of educational institutions is controlled, neither overall, nor male, female literacy rates record a noticeable or systematic change across different size classes of villages.

Second, and more interestingly perhaps, accessible educational facilities appear to have a positive relationship with literacy performance. That is to say, within each size class of villages (with a handful of exceptions), the literacy achievements of villages with primary school are better than those with no school at all (in terms of all literacy indicators considered here) and the similar records of villages with middle or higher level institutions are even more impressive than those having primary schools alone. This is true for both North Arcot and South Arcot districts.

Additionally, gender disparity in literacy (measured here through male-female

Table 10: Educational Facilities in the Villages of North Arcot and South Arcot Districts by Village Size

(Per Cent)

Village Size	Proportion of Villages with North Arcot District			Proportion of Villages with South Arcot District		
	No Edn Instn within Village	Only Primary Sch within Village	Up to Middle or Higher Edn Instn within Village	No Edn Instn within Village	Only Primary Sch within Village	Up to Middle or Higher Edn Instn within Village
<500	34.05	63.2	2.70	35.92	57.73	6.29
500-1000	7.30	86.32	6.37	6.29	79.29	17.42
1000-2000	1.93	75.32	22.74	1.66	66.20	32.14
2000-3000	—	45.99	53.31	—	42.37	57.63
3000-5000	—	23.83	76.17	—	27.37	72.62
5000 +	—	6.97	93.02	—	23.21	76.78

Source: Calculated from Census Reports, Village and Town Directory, 1981.

Table 9: Socio-Economic Characteristics of Villages in South and North Arcot Districts of Tamil Nadu Classified by Overall Rural Literacy 1981

Literacy	No of Villages	Population Per Hect	Irr+Unir Total Area	Cul Was Head	Irrigation Ratio	Percentage of SCST	NW/ Population (Per Cent)	Cul+A Lr Percentage of MW	A Lr Percentage of Cul+A Lr	Population
0-10	96.00	3.96	67.58	0.88	22.89	76.28	41.26	82.10	28.05	137107.00
10-20	223.00	3.67	65.21	0.56	35.17	33.95	43.14	89.85	37.16	31180.00
20-30	743.00	4.16	67.51	0.45	44.04	21.85	44.97	87.69	42.09	126630.00
30-40	1143.00	4.45	67.27	0.58	47.38	22.17	43.12	82.69	45.87	207294.00
40-50	661.00	5.35	66.28	0.54	53.70	24.14	40.17	74.17	49.57	134402.00
50-60	224.00	6.54	65.28	0.48	59.05	25.37	36.70	67.93	54.34	49257.00
60-70	29.00	5.58	44.51	0.46	33.41	16.97	28.44	44.12	48.10	4790.00
70-80	2.00	0.32	16.74	0.01	8.73	9.00	7.25	15.66	3.69	46.00
80-90	6.00	0.10	6.78	0.03	7.93	6.41	15.96	7.86	3.66	201.00
90-100	6.00	0.02	4.88	0.90	3.71	1.67	5.55	8.83	4.30	41.00

Source: Census Reports, 1981.

literacy ratio) is also much higher in the villages (again within each size category) with nil of inadequate educational facilities than in their better endowed counterparts Clearly, accessible facilities make a difference in terms of educational performance, in particular for girls Put simply, higher the access to facilities, better the literacy performance and lesser the sex disparity

We, however, hasten to add that these observed associations are only suggestive of possible causal relations among factors which remain to be properly tested For example, to mention once more, better educational access in the smaller villages of South Arcot notwithstanding, their literacy records are less impressive than their North Arcot counterparts The complementary as well as conflicting relationships between facilities and performance define the complexity of the problem. Thus, our findings here are more suggestive than definitive; they are modest in that they simply raise some important questions without answering them

In the above exercise, we have sought to capture a glimpse of the complex pattern that exists between educational performance and other relevant features. A lot of ground can be gained by undertaking similar kinds of analysis on a larger scale

IV
Conclusions

It is evident that available secondary sources provide a wealth of data on spatial and temporal variations in educational levels and progress Mapping of variations in these respects provides a basis for assessing the

TABLE 11 LITERACY LEVELS IN THE VILLAGES OF NORTH ARCOT DISTRICT BY VILLAGE SIZE AND EDUCATIONAL INSTITUTIONS, 1981

Village Size		No Educational Instn within Village				Only Primary School within Village				Up to Middle or Higher Edn Instn within Village			
		Tot Lit Per Cent	M Lit Per Cent	F Lit Per Cent	M/F Ratio	Tot Lit Per Cent	M Lit Per Cent	F Lit Per Cent	M/F Ratio	Tot Lit Per Cent	M Lit Per Cent	F Lit Per Cent	M/F Ratio
<500		(63)				(117)							
	Mean	30 56	42 84	17 55	3 49	33 35	46 37	19 89	2 90				
	CV	55 30	49 99	83 30	59 89	38 11	35 92	52 80	59 12				
500 1000		(31)				(366)				(27)			
	Mean	30 88	44 39	17 23	3 91	34 40	48 13	20 30	2 83	39 28	53 84	24 25	2 51
	CV	38 34	30 20	69 87	81 39	32 92	28 28	50 50	46 23	23 95	19 40	40 36	36 09
1000 2000		(12)				(467)				(141)			
	Mean	32 21	44 28	19 84	2 42	33 70	47 63	19 50	2 83	38 77	53 02	24 32	2 75
	CV	30 90	27 02	42 41	21 30	28 46	24 44	44 99	49 87	25 98	20 79	43 57	114 98
2000 3000						(132)				(153)			
	Mean					33 83	47 19	20 31	2 75	36 53	50 44	22 43	2 65
	CV					29 91	26 26	41 29	89 35	25 95	20 52	44 10	70 51
3000 5000						(51)				(163)			
	Mean					32 07	44 61	19 23	3 08	37 98	51 41	24 22	2 44
	CV					34 87	28 60	52 18	111 41	25 86	21 1C	39 22	70 39
5000+										(80)			
	Mean									39 81	52 48	26 76	2 14
	CV									23 84	19 67	35 49	29 92

Note Figures in brackets indicate the number of villages
Source Calculated from Census Reports, 1981

TABLE 12 LITERACY LEVELS IN THE VILLAGES OF SOUTH ARCOT DISTRICT BY VILLAGE SIZE AND EDUCATIONAL INSTITUTIONS, 1981

Village Size		No Educational Instn within Village				Only Primary School within Village				Up to Middle or Higher Edn Instn within Village			
		Tot Lit Per Cent	M Lit Per Cent	F Lit Per Cent	M/F Ratio	Tot Lit Per Cent	M Lit Per Cent	F Lit Per Cent	M/F Ratio	Tot Lit Per Cent	M Lit Per Cent	F Lit Per Cent	M/F Ratio
<500		(97)				(156)				(17)			
	Mean	27 11	38 40	15 02	4 17	31 65	44 42	17 81	3 67	36 25	47 75	24 04	2 37
	CV	54 44	45 69	90 09	83 18	43 47	35 10	66 49	90 39	37 97	36 17	52 18	49 73
500-1000		(39)				(473)				(108)			
	Mean	23 51	34 60	12 03	3 58	30 29	43 35	17 11	3 22	32 08	44 94	18 82	2 99
	CV	41 23	38 23	58 51	52 87	38 51	33 67	59 78	62 12	35 33	29 92	53 88	59 51
1000 2000		(13)				(517)				(251)			
	Mean	31 10	44 00	17 42	3 20	29 88	43 38	16 21	3 18	31 72	44 64	18 27	3 13
	CV	46 13	35 26	82 01	35 33	31 53	27 34	49 62	46 40	33 38	27 19	53 38	123 88
2000-3000						(136)				(185)			
	Mean					30 20	43 01	16 98	3 35	32 17	45 26	18 75	2 82
	CV					31 22	24 92	57 49	105 01	29 94	24 05	49 86	37 41
3000-5000						(49)				(130)			
	Mean					31 91	45 45	18 16	2 80	33 55	46 40	19 89	2 70
	CV					26 79	22 60	42 48	32 78	27 89	20 50	48 57	37 03
5000+						(13)				(43)			
	Mean					32 65	48 81	19 90	2 87	41 01	53 05	28 55	2 15
	CV					39 81	21 18	53 62	39 08	29 31	22 16	45 00	35 19

Note Figures in brackets indicate the number of villages
Source Calculated from Census Reports, 1981

existence of any systematic patterns as well as the association between various indicators of educational performance and socio-economic factors which affect the demand for and the supply of educational facilities.

As we have seen, some of the relevant socio-economic characteristics, influencing demand, for example, include: per capita income and its distribution, land-man ratio, per cent of irrigated land, proportion of SC/ST in the total population, per cent of non-agricultural employment, extent of work involved in collection of water, fuel and child care. On the supply side, school facility characteristics (indicating both the volume and quality of services) such as distance to the nearest school, incidence of single-teacher, single-room schools, per cent of trained teachers constitute relevant focus variables.

Some information on these factors is available and can be used more extensively. Exploiting the available information will not only provide useful insights, it would help more effective use of limited resources for fresh surveys by limiting such enquiries to those aspects which are not covered (or are poorly covered) by existing sources. It would also help in developing typologies of districts/taluks/villages (based, for example, on the initial levels of achievement and the pace of progress in the last 20 to 30 years). Micro studies planned on the basis of such typologies can then be used to speak meaningfully about macro trends.

Notes

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1 Scheduled Caste and Scheduled Tribe Literacy statistics are available up to taluk level; in this paper, however, we have not utilised this information.

2 However, one disconcerting factor is the standing of the taluks *vis-a-vis* the state overall literacy average. Despite the improvement in the rural literacy scene over time, the rural literacy rate in a large number of taluks falls below the state average. Whether urban literacy has primarily pushed the state average up is clearly an issue for further investigation.

3 These tables will be available to readers upon request.

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Urban Informal Sector and Communal Violence

Case Study of 1992 Riots in Calcutta

Ishita Mukhopadhyay

This snap-shot study of the impact of the post-Ayodhya riots on the informal sector in Calcutta reveals that the more stable formal sector tended to ensure its economic security by dumping goods and other consumables in the informal sector with which it had linkages. As a result the latter sector suffered a worse economic loss.

THIS study focuses on workers employed in the urban informal sector as victims of communal violence. The victims in such cases have always been the poor in the society. The study looks at the impact of riots on the informal sector as this sector hosts a majority of the urban poor. The field is the informal sector of Calcutta, and effect of the post-Ayodhya riots, 1992, has been studied. The snap-shot study reveals an acute impact on the whole of the informal sector and a differential impact on the various categories of it.

I

The specific purpose of the study is to look into the economic factors precipitating social crimes such as communal violence. As Calcutta is a major city with highest population density,[1] it has a huge informal sector. 'Informal sector' has been defined here as the unorganised sector which is outside the periphery of full labour enactments.[2] Generally, the boundary of this sector is obtained by the standard exclusion principle—what is not covered by the sphere of formal sector is informal sector. The sector includes petty self-employed units, small units of factory production, employing seven to 10 persons, shops and other establishments. The entire sector is a heterogeneous mix. The workers here are not protected by labour legislation rules. The sector, thus, may include a segment of the rich also. However, for the purpose of present study we have ignored that segment. We have considered only the poor within the sector.

The informal sector has been a primary target of attack in the post-1986 urban riots. Even the December 1992 riots in Calcutta were concentrated in areas where the vast majority of the poor is engaged in informal sector activities. However, what has been observed in Calcutta can hardly be generalised for the entire country. West Bengal is a centre of strong leftist movements, with a stable regime of the Left Front for 17 years. The state is also known for communal harmony. There exist strong resistance movements against communal violence. These blunt the sharp effects of communal violence observed elsewhere. However, neither Calcutta nor the state of West Bengal can remain isolated from the mainstream of socio-economic currents operating in the country whatever be the political will of the state government or of the people. There was a series of the post-December 6 communal riots in the country. As these riots affected the poor, the direction, if not the magnitude, of the impact observed in Calcutta has resemblance with that in the rest of the country.

The paper starts with a brief survey of the economic factors conditioning the post-1986 communal riots in the country, and an introduction to Calcutta's informal sector. Then we pass on to the main findings of the study.

II

The communal violence that broke out in India in the wake of December 6, 1992 was the culmination of a series of events starting from 1986. The nature of the post-1986 communal violence has been different as compared to the one before this period. One of its characteristics has been pre-planned attacks on people engaged in urban informal industrial sector. Observers of the post-1986 riots in Meerut, Moradabad, Ahmedabad, Aligarh, Delhi and Hyderabad [Engineer 1984, 1987, 1990, 1992] reveal that there were attacks on petty producers, shops and such other establishments. In the case of Maharashtra, riots were concentrated in the areas inhabited by hawkers, vendors, petty shopkeepers, and even construction labour. The cause of the violence there, as identified by Guru (1993), was large-scale migration to Bombay and mushrooming of slums. Studies on Surat riots [Chandra 1993; Sheth 1993; Lobo and D'Souza 1993] show that there was a continuous increase of workers in marginal industries in the decade preceding the phenomenon. Victims included cart-drivers, loom-operators and other similar workers engaged in the informal sector. A study on gender and communal riots [Mehta and Shah 1992] covering Baroda reached the same conclusion. According to this study, the people most affected by riots included footwear sellers, 'badala' embroidery workers and the like. The studies point out that informalisation of production in urban industrial areas has been a dominant precipitating factor behind communal violence in cities.

III

The vast, heterogeneous stretch of the rapidly growing informal sector in Calcutta has been an area of investigation for many researchers.[3] Hence the field of the present study is an already well-identified and well-located one. A report prepared by Bose (1974)

TABLE 1: LOSS OF ECONOMIC VIABILITY, MIR MEHER ALI LANE
Number of Observations. 97

Table 1(a)

Occupation	Category of Jobs	Index of Loss of Economic Viability: V V > 2000	V <= 2000 V > 1000	V <= 1000 V > 100	V <= 100
Scrap plastic	I	3	5	14	0
Strap moulding	I	2	1	0	0
Strap cutter	I	0	6	3	0
Waste battery	I	0	0	1	0
Rubber cutter	I	0	1	6	0
Vendors	I	0	0	10	0
Shop owner	I	0	0	5	0
Shop owner	II	0	1	9	0
Waste paper	II	0	0	1	0
Vehicle puller	II	0	0	9	0
Others	II	4	2	12	1

Table 1(b)

Rank	Occupation	Average V
1	Strap moulding	2388.8887
2	Maid servant	2291.6666
3	Strap cutter	1259
4	Scrap plastic	958.694
5	Scrap leather	949.9999
6	Waste paper	900
7	Scrap rubber	878.3068
8	Odd jobs	784.7618
9	Vendor	667.3610
10	Waste battery	666.6666
11	Shops (I)	575.7777
12	Shops (II)	513.6666
13	Vehicle puller	438.8888

Table 1(c)

Types of Units	Average V
I	1043 0868
II	650.3295

serves as a starting point for any extensive work on informal sector in Calcutta Other studies include those by Banerjee (1990), Mukherjee and Racine (1990) and Romatet (1990) West Bengal State Planning Board made an extensive and intensive survey on the sector in 1990 These, along with some studies on the informal sector in third world countries[4] [Sethuraman 1977, Bromley 1978a, 1978b, etc] hint at the general characteristics of this sector

The studies broadly indicate that there exist two categories of the informal sector in Calcutta, as in the other cities of the third world One type corresponds to the section which is attached or tied to the formal sector by a putting-out arrangement The other type is the residual that is unattached to the formal sector This consists of self-employed units, having an independent production system One of the striking features of the industrial sector in Calcutta is the large number of backyard workshops that have grown around formal sector firms The formal sector firms subcontract to the small workshops who are able to produce and sell more cheaply than the formal sector sources of supply This is evident in the case of footwear production, tailoring and other activities This category of informal sector is tied to the formal sector However, there also exists a sizeable volume of employment in the other category This includes shopowners and individuals selling goods, sellers of personal and domestic services transport operatives, repair personnel, craftsmen, professionals and others This category is unattached to the formal sector

From the existence of these two categories it is obvious that there is an element of complementarity between the formal and the informal sector Often the formal sector maintains its own stability at the expense of the tied appendage of the informal sector As this latter category of the informal sector lies at the tail-end of the production process, exploitation here is the greatest This additional dimension of exploitation is missing in the case of the other category of the informal sector, although deprivation and impoverishment exist The paper examines whether there was a differential impact of communal violence on the two categories along with the general impact

IV

The present study took the detailed information of the informal sector in the city of Calcutta Metropolitan Area (CMA) from the study conducted by the State Planning Board (1990)[5] We selected directly, and indirectly riot-hit areas from amongst the areas of the concentration of the informal sector As mentioned earlier, riot-hit areas generally coincided with the areas of the concentration of the informal sector Areas of the concentration of the informal sector are Dumdum, Beliaghata, Bhowanipore, Bahgajatin and Behala [Survey 1990] Directly riot-hit areas were Beliaghata and Metiaburuz[6] Indirectly riot-hit areas were Dumdum, Bhowanipore, Bahgajatin and Behala Samples were structured, in the sense that they were drawn from both of these two types of areas Chosen sub-areas under directly riot-hit areas were Dhobiatalao, Meher Ali Lane and Mir Meher Ali Lane in Beliaghata and Kashyappara in Metiaburuz Chosen sub-areas under indirectly affected zones were along B T Road in Dumdum and Chakraberia in Bhowanipore

Directly, riot-hit areas were areas of direct communal violence and attack, whereas indirectly riot-hit areas did not witness any direct communal violence, but were victims of long drawn curfew hours and rumours regarding violence in other parts of the city

The total sample size in the two categories of city areas was 383. The size of the samples

TABLE 2 LOSS OF ECONOMIC VIABILITY MIR MEHER ALI LANE
Number of Observations 82

Table 2(a)

Occupation	Category of Jobs	Index of Loss of Economic Viability V: V > 2000	V <= 2000 V > 1000	V <= 1000 V > 100	V <= 100
Scrap plastic	I	0	1	38	0
Strap moulding	I	0	0	2	0
Strap cutter	I	0	3	5	0
Waste battery	I	0	0	2	0
Rubber cutter	I	0	0	1	0
Vendors	I	0	0	7	0
Shop owner	I	0	1	5	0
Shop owner	II	0	2	1	0
Waste paper	II	0	0	3	0
Vehicle puller	II	0	0	0	0
Waste metal	II	0	0	4	0
Others	II	1	4	2	0

Table 2(b)

Rank	Occupation	Average V
1	Maid servant	1720
2	Strap cutter	958 3332
3	Shops (I)	837 0370
4	Strap moulding	791 6666
5	Waste paper	783 3333
6	Odd jobs	750
7	Waste battery	725
8	Waste metal	691 6666
9	Scrap plastic	638 0181
10	Vendor	599 5237
11	Scrap rubber	555 5555
12	Shops (II)	120

Table 2(c)

Types of Units	Average V
I	719 6000
II	551 1111

TABLE 3 LOSS OF ECONOMIC VIABILITY, DHOBIATALA
Number of Observations 77

Table 3(a)

Occupation	Category of Jobs	Index of Loss of Economic Viability V: V > 2000	V <= 2000 V > 1000	V <= 1000 V > 100	V <= 100
Scrap plastic	I	9	9	4	0
Waste battery	I	1	1	5	0
Scrap rubber	I	1	1	2	0
Vendors	I	0	0	7	0
Shop owner	I	1	3	0	0
Shop owner	II	0	2	15	1
Vehicle puller	II	0	1	7	0
Others	II	1	4	2	0

Table 3(b)

Rank	Occupation	Average V
1	Scrap plastic	2345 4544
2	Scrap rubber	1533 3332
3	Shops (I)	1350
4	Odd jobs	1302 721
5	Scrap battery	1175 2747
6	Shops (II)	779.1666
7	Vehicle puller	714 9305
8	Vendors	560 6150

Table 3(c)

Types of Units	Average V
I	1392 9355
II	932 2727

drawn from the respective areas was: Meher Ali Lane (D): 97; Mir Meher Ali Lane (D): 82; Dhobiatalao (D): 77; Akra Road (D): 26; Chakraberia (I): 46; and B T Road (I): 55. (The brackets indicate the category of the city areas—D for directly hit, and I for indirectly hit.)

The survey was conducted by addressing questions to the affected persons in the chosen areas. The specific technique that was used to generate information was primarily structured questionnaires. However, these were supplemented with many open-ended questions or non-structured questionnaires.

The objective was to assess the nature and extent of economic loss of the victims. The victims were classified into owner-employers, self-employed and workers in the two varieties of areas. Questions were addressed to the workers to check the opinions offered by the owner-employers. To gather information regarding economic loss of the victims, data relating to average monthly income was sought to be gathered. Treating this as imputed income (I), monetary loss (R) to the riot-affected individuals, reported by themselves, was expressed in terms of the imputed income. The index (R/I = V) in percentage terms was then taken as an index of 'loss of economic viability' of the individuals. With this index, it was possible to categorise the incidence of economic loss that was experienced by the victims in the two areas (D and I). The cases where V > 100 per cent, the monetary loss exceeded income. Hence the victim is said to suffer from an absolute amount of capital loss. This capital loss is mainly in the form of loss of machinery and other capital goods. When victims suffer capital loss, we say that the victim has entered into a zone of long-term non-viability in terms of productive capacity. Thus higher the index, greater is the degree of loss of economic viability of the individual unit.

From the set that comprises the informal sector, from which the sample space is generated, we identified two subsets: Type I and Type II. Type I is the portion of the informal sector attached to the formal sector in a putting-out arrangement. Type II is the set of isolated, individual, self-employed units unattached to the formal sector. The effect of communal riot has been analysed with respect to differential impact upon these two categories.

The data compiled from the structured and non-structured questionnaires were pooled to obtain the estimated V. V was computed for the different areas with respect to individuals belonging to different occupations. The data was arranged separately for each area due to the peculiarity of the phenomena in the different areas.

Three kinds of tables (A, B and C) are constructed for each of the four directly affected areas. Type A tables arrange the data of V with respect to different occupations. Four ranges of V are considered V <= 100; 100 < V <= 1000; 1000 < V <= 2000; V > 2000. The number of victims with respect to each occupation is then arranged by fitting the individuals into the separate ranges of V. It has already been mentioned in preceding paras that as V increases, more is the capital loss incurred and, hence, more non-viable the informal unit becomes. Type B tables rank the occupations according to the average degree of non-viability. Higher the rank, greater is the non-viability of the unit. Type C tables pool the average V for the two categories of informal sector, Type I and Type II. The three types of table do not appear for the indirectly affected areas as for all units belonging to these areas V <= 100. Thus for the indirectly affected areas, data of average V for the different occupations are given in two separate tables for each of the two areas. In these tables also, the different occupations are ranked according to V. Higher the rank, larger is V. The findings of each area are discussed below.

Findings

Meher Ali Lane located in ward no 57 consists mostly of workers engaged in scrap plastic, scrap rubber, cutting of rubber materials. The wage payment of workers are on a daily basis.

In Table 1(A), we observe that with respect to all occupations, V lies between 100 and 1000. With respect to workers in waste battery, waste paper, vendors, vehicle puller, the entire set of sample observations fall in this zone. Among those engaged in scrap plastic units, rubber cutters, shop owners and others engaged in odd jobs, most of the sample observations again fall in this zone. This is also confirmed by Table 1(B) where we find that majority of occupations suffer a loss of economic viability with 100 < V <= 1000. A shop owner and another engaged in other jobs suffered the least loss of economic viability. From the non-structured part of the questionnaire we know that the shop owner was saved by accident and the particular individual engaged in other occupations was a barber, who had only his box of tools as capital good. Hence he had nothing to loose. Those who suffered the greatest loss of viability were three scrap plastic men, two strap moulders and four engaged in other occupations.

Table 1(C) assigns the type to each occupations. Scrap plastic, scrap rubber, strap moulding, strap cutter, a few shop owners, waste battery and vendors all belong to Type I. However other shop owners, waste paper, vehicle pullers and others belong Type II. As the Type I units are attached to the formal sector, they have avoided the risk of the riot and has shifted to the informal sector units the uncertainty of loot and plunder. This was true for most of the vendors who were fruit sellers. As soon as the news of demolition of the mosque on December 6 spread, fruits were dumped on to fruit sellers by retailers. They badly suffered with V nearing 1000 as the entire stock was looted. This was also true for other units belonging to Type I category. Thus average V for Type I exceeding the average V for Type II.

Table 5. Loss of Economic Viability, Chakraberia

Sl No	Occupation	Average V
1	Rickshaw puller	24.5454
2	Fuchkawala	23 3333
3	Electrical repair	19.9999
4	Motor mechanic	13.2208

Table 6: Loss of Economic Viability, B T Road

Sl No	Occupation	Average V
1	Rickshaw puller	20 5600
2	Van puller	17 1503
3	Bidi binding	14.6666
4	Machine operator	13.3333
5	Odd jobs	13.2222
6	Wiring workers	12.6984
7	Shops	10 6190
8	Sales man	0.0

Table 7 Comparison of Human Hour Losses in Two Types of Areas

Areas	Average No of Days Lost
Directly Affected (D)	
a) Meher Ali Lane	48 3333
b) Mir Meher Ali	53.215
c) Dhobiatalao	40 4117
d) Akra Road	32 1071
Indirectly Affected (I)	
a) B T Road	5 4060
b) Chakraberia	5 0

Table 4: Loss of Economic Viability, Akra Road (Kashyappara)
Number of Observations: 26

Table 4(a)

Occupation	Category of Jobs	Index of Loss of Economic Viability: V			
		V > 2000	V <= 2000 V > 1000	V <= 1000 V > 100	V <= 100
Shop owner	I	2	2	1	1
Shop owner	II	12	2	5	1
Vehicle puller		0	0	1	0

Table 4(b)

Rank	Occupation	Average V
1	Shops (II)	3406.7251
2	Shops (I)	1862 4998
3	Vehicle puller	135.3333

Table 4(c)

Types of Units	Average V
I	1862 4998
II	1780 0292

Mir Meher Ali Lane comprises ward no 57. Most of the informal sector workers were engaged in the business of scrap materials. The payment is made on a daily basis. Mir Meher Ali Lane also duplicates the findings of Meher Ali Lane. We find a concentration of sample observations of Type V in the region where 100 < V <= 1000. With the exception of three strap cutters, three shop owners and five individuals engaged in other occupations, the entire set of sample observations fall in that region. Table 2(B) also confirms this result. Table 2(C) arranges the data into Type I and Type II categories. This again reveals that average V for Type I is higher than average for Type II. From the non-structured part of the questionnaire we find houses were burnt, products of the productive units were burnt and looted, cycles, machinery, tools and implements were either burnt or looted in the entire area.

In Dhobiatalao area we find more or less scattered arrangement of V with respect to different occupations. Here also we find a concentration of sample observations in the zone where 100 < V <= 1000. Among those who worked in scrap plastic units, most incurred a massive loss of economic viability with nine units registering V > 2000 and 9 registering V in the range 1000 < V <= 2000. This is again a Type I informal sector, that is, it is attached to a formal sector and the formal sector has shielded itself from the uncertainty by dumping goods in the informal units. Here also we find a solitary shop owner who was accidentally saved.

In Mir Meher Ali Lane and Dhobiatalao almost all units suffered a positive loss of economic viability in the sense that V > 100.

In Akra Road, most of the units were tailoring shops, small stationery stores, etc. Table 4(A) reveals that most of these suffered loss of economic viability with V > 2000. The entire set of shops were rendered non-viable. Again as the tailoring units work on a putting-out arrangements with the formal sector, we find the phenomena of the dumping of commodities and raw materials, just before the riot. This was evident from the answers received from the non-structured part of the questionnaires. Table 4(B) and 4(C) also corroborate the same.

We find a marked difference in the effect of the riot on the indirectly affected areas. In both the areas—Chakraberia and B T Road, we find V for each unit to be much less than 100. In these areas the loss of affected population consisted of human-hour losses caused by long curfew hours. The loss was not of long-term economic viability. The affected persons in the directly hit areas suffered a loss of long-term economic viability due to loot and arson of the machines.

We also find a difference between the directly affected and indirectly affected areas in respect of number of days lost by the workers. Table 7 gives the average number of days the workers could not attend to their jobs in the two distinct areas. The higher average in case of directly affected areas is due to the massive loss of long-term economic viability of productive units. But in case of the indirectly affected areas the loss of human hour was only due to the curfew hours.

The differential impact of the communal violence upon directly and indirectly affected areas only point to the fact that the riot was not allowed to spread beyond the areas of initial attack. This means that the riot was sporadic. The second feature brought out by the study is the differential impact of the riot among the affected population in the informal sector itself. The part of the informal sector that is tied to the formal sector suffered a greater loss of economic viability than the independent units. This is due to the fact that formal sector units have maintained their own stability by using these poor sectors as dumping grounds. Thus these units were rendered non-viable. The self-employed category or Type II also suffered a tremendous loss, but the degree is much less. Hence the study shows that riots are manifestations of attack on poor by vested interests and are never free of class-biase.

Notes

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1 Population density of Calcutta is 88,135 per sq km, *Human Development Report* 1992.

2 See Bromley, R (1978a) and Sethuraman S V (1977).

3 The events in Russia as well as in many European countries prove that ethnic clashes are rampant.

4 The earliest sample survey of informal sector enterprises in the bustees of Calcutta and Howrah was carried out during the summer of 1973 by Calcutta Urban Services Consortium.

5 Studies on informal sector in Africa, Daker, Freetown, Colombia, Lagos, etc. exist. A seminar was held from March 27 to April 12, 1977 in Accra, Ghana where constraints faced by this sector were pointed out and discussed.

6 Survey (1990).

7 The area 'Metiaburuz', was not covered in any of the earlier surveys. However in Metiaburuz also, we have a concentration of informal sector.

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Spatial Dimension of Acceleration of Economic Growth in India

Ravindra H Dholakia

This study of 20 state economies of India over the period 1960-61 to 1989-90 reveals that the phenomenon of acceleration in economic growth is spatially dispersed and covers about two-thirds of the national economy. The study also finds that most of the states experiencing growth acceleration are relatively less well off. There are marked tendencies for convergence of long-term economic growth rate among Indian states. The growth experience and development strategies differ significantly among states. The leading states also show different patterns of growth. In the Indian industrial sector, the existence of a sharp north-south divide is further corroborated.

I
Introduction

INDIA has experienced marked acceleration in economic growth around the late 70s and early 80s. A sharp increase in the long-term growth rate of real domestic product from less than 3.5 per cent in the earlier period to more than 5 per cent in the later period is reported in several studies [e g, Nagraj 1990 and 1991; Bhargava and Joshi 1990; Ganesh 1992; etc]. Ganesh (1992) has examined the sectoral dimension of such acceleration in India's growth rate. He considered the standard three sector classification of the primary, secondary and tertiary sectors. Goldar and Seth (1989) considered spatial variations in the growth of the registered manufacturing sector of 12 major state economies. Their findings reveal considerable variation in the growth experience of state economies in India. They also traced the deceleration in industrial growth after the mid-60s and the recovery after the mid-70s to the intertemporal variations in industrial growth experienced by five state economies of Bihar, West Bengal, Orissa, Rajasthan and Uttar Pradesh which account for about one-third of India's registered manufacturing sector. However, there is hardly any effort to address the question of identifying the regions which might have triggered the acceleration in overall growth. It would also be informative and important to examine whether the acceleration in the Indian growth rate is on account of the economically better off states or economically poorer states. Similarly, it needs to be investigated whether the phenomenon of acceleration is confined only to a small geographical region or covers a large region; whether it is concentrated in some specific parts of the country or is geographically widespread. In the present paper, an attempt is made to investigate these questions.

The next section is devoted to the discussion of the methodology followed and data used in the present study. In the third section, we examine the question of the regional spread of the phenomenon of acceleration of the overall growth of real domestic product in India. The question of identifying the state economies which might have led the acceleration in the Indian growth rate is investigated in the fourth section. There we also examine the behaviour of growth paths of individual state economies in the primary, secondary and tertiary sectors separately. The fifth section is devoted to the discussion of growth experience of the lagging state economies. The sixth and final section summarises the main findings of the study.

II
Methodology and Data

Methodologically there are two distinct questions which one can address: (a) To establish that the time trend has shifted from a given year. It involves dividing the time series into sub-periods with the given year as a dividing line and establishing that the trend rates of growth in the two sub-periods differ significantly. In this case, the given year or the dividing line is chosen exogenously of the data set. Generally, in practice, it is chosen quite arbitrarily. (b) The other question is to identify the exact year in which the time-trend has shifted, if at all. In this case, the year of shift in the trend is treated endogenously and the year is identified with the help of the given time series data only. In the case of India, most of the studies investigating the acceleration in the growth rate have addressed the first question of establishing whether India experienced a shift in her time-trend during the exogenously chosen year which differed from study to study. [See, Nagraj 1990 and 1991; Bhargava and Joshi 1990; Goldar and Seth 1989; etc.] Only Ganesh (1992) attempted the second question of identifying the year of shift in the time trend from the given time series data.

The standard methodology adopted to address the question (a) of establishing a shift in the trend during the chosen year is to fit a kinked trend line with the kink occurring at the chosen year. This is accomplished by fitting the following regression equation [Gujarati 1988, p455]:

$$\text{(1)}\quad \ln Y_t = a + bt + c\,(t-t^*)\,D + u_t$$

where Ln Yt represents natural logarithm of income (or dependent variable) in the year t, t^* is the chosen year of shift in the trend, D is the dummy variable which takes value 1 for years after t^* and zero otherwise, u_t is the error term, and a,b and c are coefficients to be estimated. The coefficient b represents the growth rate and the coefficient c can be interpreted as the magnitude of the shift in the growth rate after the chosen year t^*. The statistical significance of the coefficient c would, thus, establish whether the time trend shifted during the chosen year. The sign and value of c would establish respectively the direction and magnitude of the shift if found statistically significant.

In order to investigate question (b) of identifying the year of shift, the usual procedure would be to apply the switching regression technique and then carry out the test suggested by Quandt (1958). Ganesh (1992) followed the same procedure but following Moschos (1989), applied a test equivalent to the one suggested by Quandt (1958). The whole procedure consists of estimating regression equation (1) given above separately for alternative values of t^* around the likely point of shift in the trend. The most appropriate year of break is then identified as the optimal value of t^* for which the corresponding regression has maximum r-square [Silber 1974] or has maximum t-value of the coefficient c in the abovementioned equation (1) [Moschos 1989]. We have used the same procedure with switching regression technique but after correcting for the first order autocorrelation through Cochrane-Orcutt

iterative method. [For details, see Gujarati 1988, pp 383-84.]

While considering the regional aspects of growth acceleration, it may be of interest to establish whether state economies also experienced the shift in their growth path during the same year in which the nation as a whole experienced the acceleration in the growth. This exercise which is carried out in the following section, would help to examine the geographical spread of the phenomenon of growth acceleration. Obviously, one does not expect that the phenomenon would be spread over all the state economies in the country. By establishing the regions experiencing the growth acceleration simultaneously with the national economy, it would be possible to test the hypotheses about the proportion of the economy, the geographical concentration in the economy, and the nature of the state economies (rich or poor) experiencing the phenomenon of growth acceleration. However, in order to identify the state economies, or a part thereof, which triggered forces ultimately leading to the growth acceleration of the national economy, we have to identify the years of break of time trend in different sectors of each economy. By considering the sequencing of the optimal time points showing the break in the time trend of different sectoral incomes in different states, valuable insights in the process of growth acceleration of the national economy can be gained. Both these exercises have been carried out and the results are discussed in the following two sections.

The basic data used in the present study are obtained from the various volumes of the CSO publication on *Estimates of State Domestic Product*. It is possible to get a comparable set of reasonably long time series of data on SDP for 20 state economies in India. These 20 states are mentioned in the first column of all the tables given here. The concept of SDP used in the present study is a net domestic product concept and is based on income originating in the state rather than income accruing to the state. The three-sector classification is also considered in the study. The primary sector consists of agriculture and allied activities, fishery, forestry, and mining and quarrying sub-sectors. The secondary sector includes manufacturing, construction, and electricity, gas and water supply. The tertiary sector comprises the rest of the sub-sectors. The CSO publications on SDP do not provide data on SDP at uniform constant price figures for a given state over the whole period from 1960-61 to 1989-90. In order to have a consistent set of data on SDP and its sectoral break up for each of the state economies at 1980-81 constant prices, the usual procedure of linking the indices by changing the base of constant prices is followed. For Madhya Pradesh, however, the SDP estimates are at 1970-71 prices. Table 1 provides the basic information on the period for which SDP data are obtained for each state for the present study.

III
Regional Spread of Acceleration of Growth

Ganesh (1992) has identified the year 1981-82 as the most appropriate year of break in the time trend of real income in the Indian economy. His finding is based on a long time series of gross domestic product (GDP) at 1980-81 prices from the year 1950-51 to 1989-90. In order to examine the question of regional spread of the phenomenon of acceleration in the overall growth of real income in India, therefore, the year 1981-82 may be considered as the given point of break in the trend rate of growth for each of the state economies. Following the kinked trend line (equation 1) method described in the previous section, it is possible to estimate the regression with the help of overall real SDP for every state economy. The results are reported in Table 2.

The results reported in Table 2 indicate that the kinked trend line equation fits very well to the state level real SDP series. The goodness of the fit revealed by the r-square statistic is excellent in the case of every state economy without exception. Similarly, the basic trend rate of growth (coefficient b in the equation 1 above) is also statistically highly significant in all the 20 state economies. It is only the shift parameter c of equation (1) above indicating the extent of acceleration or deceleration that turns out to be statistically significant only in a few state economies. In as many as 14 out of the 20 state economies, the shift parameter does not turn out to be statistically significant even at 10 per cent level of significance. Thus, the phenomenon of the break in the trend rate of growth observed for the Indian economy in the year 1981-82 is not evenly spread regionally but has occurred only in some parts. The states where clear acceleration in the growth is established in the year 1981-82 are Karnataka (1.14 per cent), Madhya Pradesh (3.68 per cent), Maharashtra (1.74 per cent), Tripura (1.70 per cent), Uttar Pradesh (2.61 per cent), and West Bengal (2.17 per cent). Bihar (1.67 per cent) and Assam (1.87 per cent) also experienced acceleration in their trend rate of growth but the level of statistical significance of the shift parameter is somewhat less satisfactory in their cases, though with more than 85 per cent level of confidence one may conclude about the positive shift in their time trend during 1981-82. All these states except Karnataka experienced the acceleration in their growth rate at a rate well above the one experienced by the Indian economy (1.63 per cent). This is not surprising because a large number of states did not experience any shift in their trend rate of growth during 1981-82. Hence the national average gets pulled down as compared to the states where the shift in the trend can be established during 1981-82.

Once it is accepted that the phenomenon of growth acceleration from 1981-82 can be established only in six to eight states out of 20 state economies in India, it is interesting to examine the characteristics of those six to eight state economies. Firstly, it is worth noting that these states are geographically spread and cover a large area. In terms of the zones, these states cover all the five zones, viz, north, east, west, south and central. Secondly, most of these state economies are large in terms of population, geographical area, employment and income. They in aggregate, account for approximately 60 to 70 per cent share in the Indian economy. Thus, although the phenomenon of growth acceleration from 1981-82 in the Indian economy was not evenly spread geographically, it is reasonably widespread. Thirdly, all these states except Maharashtra are not economically very well off as compared to the national average. In fact, Bihar, Madhya Pradesh and Uttar Pradesh are among the poorest states in terms of per capita income in the country. Moreover,

TABLE 1. TIME SERIES DATA ON SDP BY STATES CONSIDERED IN STUDY

States	Time Period	No of Observations
1		3
1 Andhra	(1960-61 to 1988-89)	29
2 Arunachal	(1970-71 to 1989-90)	20
3 Assam	(1970-71 to 1989-90)	20
4 Bihar	(1960-61 to 1989-90)	30
5 Gujarat	(1960-61 to 1989-90)	30
6 Haryana	(1965-66 to 1989-90)	25
7 HP	(1967-68 to 1989-90)	23
8 J and K	(1960-61 to 1988-89)	29
9 Karnataka	(1960-61 to 1989-90)	30
10 Kerala	(1960-61 to 1989-90)	30
11 MP	(1960-61 to 1989-90)	30
12 Maharashtra	(1960-61 to 1989-90)	30
13 Manipur	(1960-61 to 1990-91)	31
14 Orissa	(1960-61 to 1989-90)	30
15 Punjab	(1965-66 to 1989-90)	25
16 Rajasthan	(1960-61 to 1988-89)	29
17 TN	(1960-61 to 1989-90)	30
18 Tripura	(1960-61 to 1989-90)	30
19 UP	(1960-61 to 1989-90)	30
20 W Bengal	(1960-61 to 1988-89)	29

Source: CSO: *Estimates of State Domestic Product*, different volumes.

these states had the basic trend rate of growth much below the national average of 3.52 per cent prior to 1981-82. The extent of acceleration experienced by these states in their growth rate is also phenomenal. The growth acceleration in the Indian economy seems to have been regionally more equitous ultimately.

Several of the lagging states have started growing relatively rapidly after 1981-82 as compared to the earlier phase. On the other hand, the states which grew rapidly during the period prior to 1981-82 have not experienced significant increase or decrease in their long-term growth rates. The inter-state variation in the long-term economic growth in India seems to have reduced considerably after 1981-82. The tendency for equality in the overall growth rate of incomes among states has interesting implications on factor efficiency and hence on factor rewards and resource allocation across states. Assuming that the richer states are saving and investing a greater proportion of their income than the poorer states, equality of their growth implies one of the following: (i) the incremental capital-output ratio (ICOR) is higher for the richer states and lower for the poorer states; or (ii) capital moves from the richer states to the poorer states. If capital flows from the richer to the poorer states, the labour migration in the reverse direction would reduce because more jobs would be created in the poorer states and less in the richer states. If, however, capital does not flow from the richer to the poorer states, the capital would be earning the same rate of return in the richer states as in the poorer states. But, then, higher ICOR in the richer states would imply a lower labour cost per unit of investment in the richer states than in the poorer states.* Thus, the richer states would be specialising in more capital-intensive commodities and the poorer states in more labour-intensive commodities. Such a pattern of growth would also check the labour migration from the poorer to the richer region because the relative factor prices would also tend to equalise among states. What is more important to note is that under such conditions of growth, the globalisation and liberalisation of the Indian economy would impose much higher burden and pain of structural adjustment and restructuring on the richer states as compared to the poorer states. It is quite possible that the poorer states would stand to gain significantly out of the opening up of the Indian economy. In order to examine detailed implications of the reduced inter-state variations in economic growth in India after the growth acceleration of the 80s, it is necessary to undertake an indepth inquiry relating to factor growth, factor incomes, technical progress and comparative advantage of state economies which is beyond the purview of the present study.

IV
Leaders of Growth Acceleration

In order to identify the year in which different state economies experienced a significant shift in the time trend of their income, the technique of switching regression described in the Section II above was followed. As noted there, all regressions were corrected for the first order autocorrelation by following the Cochrane-Orcutt interative procedures. If the shift parameter c turned out to be statistically

TABLE 2: ESTIMATES OF TREND RATE OF GROWTH AND SHIFT IN TREND FOR STATE ECONOMIES IN YEAR 1981-82

States 1	Trend Rate 2	Shift Parameter 3	R-Square 5
1 Andhra	3.13 (12.45)	0.87 (0.85)	0.9611
2 Arunachal	7.26 (12.99)	–0 40 (–0.34)	0.9898
3 Assam	3.90 (7.64)	1.87 (1.72)	0.9802
4 Bihar	2.78 (8.93)	1.67 (1.56)	0.9721
5 Gujarat	3.84 (12.28)	1 10 (0.95)	0.9457
6 Haryana	5.29 (17.30)	0.22 (0.25)	0.9757
7 HP	2.93 (12.83)	0 66 (1.11)	0.9586
8 J and K	4.22 (24.39)	0.82 (–1.13)	0.9800
9 Karnataka	3.67 (26.30)	1.14 (2.20)	0.9856
10 Kerala	2.88 (8.50)	–0.65 (–0.67)	0.9872
11 MP	2.74 (10.88)	3.68 (3.93)	0.9429
12 Maharashtra	3.70 (13.16)	1.74 (1.89)	0.9910
13 Manipur	5.34 (15 56)	–1.46 (–1.35)	0.9858
14 Orissa	4.77 (7.20)	–1.87 (–0 84)	0.9395
15 Punjab	5.00 (22.22)	0.16 (0.26)	0.9953
16 Rajasthan	3.40 (12.12)	0.48 (0.40)	0.9144
17 Tamil Nadu	2.63 (14.58)	0 71 (1.08)	0.9643
18 Tripura	3.51 (13.24)	1.70 (1.78)	0.9745
19 UP	2.79 (13.67)	2.61 (3.47)	0.9667
20 West Bengal	2.45 (18.35)	2.17 (3.99)	0.9845
All India	3.52 (81.70)	1.63 (6.80)	0 9971

Notes: (i) Figures in parentheses represent t-value of the corresponding estimate of the parameter.
(ii) Given our data set, t-values in excess of 1.74, 2 11 and 2.90 imply statistically significant estimate at 10 per cent level, 5 per cent level and 1 per cent level respectively.
(iii) The first order autocorrelation is corrected through Cochrane-Orcutt iterative procedure. Reported R-Squares are between original variables.

Sources: (i) Basic source is CSO: *Estimates of SDP*, different volumes.
(ii) For the estimates in the last row, Ganesh (1992).

TABLE 3: ESTIMATES OF TREND RATES OF GROWTH AND POSSIBLE SHIFTS IN TOTAL SDP OF INDIAN STATES

States 1	Trend Rate 2	Shift Parameter 3	Optimal Year of Shift 4	R-Square 5
1 Andhra	1.57 (3.16)	2 14 (3.52)	1968-69	0.9701
2 Arunachal	7.10 (24.00)	–	–	0.9897
3 Assam	3.16 (6.68)	2 76 (3 45)	1979-80	0.9854
4 Bihar	0.16 (0.30)	3 60 (5.76)	1967-68	0.9800
5 Gujarat	3.02 (7.07)	1.80 (2 64)	1973-74	0.9538
6 Haryana	5.35 (28.59)	–	–	0.9756
7 HP	2.88 (21.26)	2.49 (2.81)	1985-86	0.9679
8 J and K	4.21 (32.94)	–3 04 (–1.89)	1985-86	0.9812
9 Karnataka	3.73 (34.65)	2.64 (2.68)	1985-86	0.9865
10 Kerala	3.91 (15.74)	–2.05 (–5.47)	1972-73	0.9902
11 MP	2.51 (10.00)	3.38 (4.79)	1979-80	0 9494
12 Maharashtra	2.89 (6.74)	1.95 (3.02)	1972-73	0.9923
13 Manipur	5.61 (13.97)	–1.49 (–1.78)	1977-78	0.9863
14 Orissa	10.10 (13.60)	–7.16 (–8.30)	1967-68	0.9687
15 Punjab	5.05 (35.65)	–	–	0.9953
16 Rajasthan	3.48 (17.80)	–	–	0.9139
17 Tamil Nadu	2.77 (21.56)	–	–	0.9628
18 Tripura	2.35 (11.09)	2.37 (7.50)	1972-73	0.9858
19 UP	2.10 (9.57)	2.32 (6.15)	1974-75	0.9755
20 West Bengal	2.48 (19.50)	2.56 (4.11)	1982-83	0.9850
All India	3.52 (81.70)	1.63 (6.80)	1981-82	0.9971

Notes and *Sources* are the same as Table 2 above.

insignificantly different from zero even at 10 per cent level of significance in all the alternative regressions tried, the shift variable was dropped and the simple log-linear time trend equation was fitted. This exercise was carried out for incomes of all the 20 states in the three broad sectors and the total of all sectors. The results are reported in Tables 3 to 6.

Table 3 presents the optimal year of shift and the estimates of the basic trend rate of growth as well as the shift parameter for total real income (SDP) in all the 20 state economies and all India. It can be seen from the table that Arunachal Pradesh, Haryana, Punjab, Rajasthan and Tamil Nadu did not experience any significant shift in their time trend over the period under consideration (Table 1). Out of these, Arunachal Pradesh, Haryana and Punjab can be considered as 'high growth' states since their trend rate of growth is in excess of the basic growth rate of the Indian economy until 1981-82 (3.52 per cent) by more than 25 per cent of it. Out of the remaining 15 state economies which experienced significant shift in their time trend of income at some year during the period under consideration, as many as nine states turned from low or medium growth economies to the high growth economies. These states in the alphabetical order are: Assam, Gujarat, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Tripura, Uttar Pradesh, and West Bengal. Out of the remaining states, Andhra Pradesh and Bihar experienced significant acceleration during the late 60s to turn into medium growth states from low growth states. However after 1981-82, they have again slided down the relative scale since the national growth rate got accelerated too. Jammu and Kashmir and Kerala were medium growth states but experienced significant deceleration in their growth to become low growth state of late. Manipur and Orissa started off as high growth states but experienced considerable deceleration in their growth with the result that Orissa became medium growth and now a low growth state and Manipur turned into a medium growth state. Thus, growth experience differs considerably among states in India during the period under consideration.

Another important observation from Table 3 is that different state economies experienced shift in their time trend of income in different years spread over the whole time span under consideration. There is hardly any appreciable clustering of states in any year during the period experiencing shifts, particularly acceleration. This essentially captures the location and nature of growth impulses experienced over time in the Indian economy. Considerable gains in terms of higher growth with equity could be obtained by strategically concentrating efforts in the states like Kerala, Jammu and Kashmir, Manipur, Orissa, Rajasthan and Tamil Nadu. These states could be turned into high growth states with planned efforts.

The sequencing of the optimal years of shift experienced by different states as revealed by Table 3 suggests about the states which might have led the process that culminated into growth acceleration of the Indian economy during the 80s. As noted earlier, Arunachal Pradesh, Punjab and Haryana were already the high growth states and continued to be so throughout the period under consideration. The states which might have triggered the process of growth acceleration in the Indian economy are the ones which experienced significant acceleration in their growth rates to turn into high growth states. Maharashtra and Tripura were the first to experience such an acceleration in the year 1972-73, followed closely by Gujarat in 1973-74 and Uttar Pradesh in 1974-75. After a considerable lag, Assam and Madhya Pradesh also turned into high growth states in 1979-80. On margin, this would have tilted the balance (or the national average) also to shift to the high growth path. The roots of India's growth acceleration, however, can be traced to the growth experience of Maharashtra, Gujarat and Uttar Pradesh. It is interesting to note that all these three states experienced very different growth impulses. The forces responsible for their turning into high growth states from the medium or low growth states are also substantially different.

Sectoral growth paths and possible shifts therein in different state economies of India as reported in Tables 4 to 6 provide useful insights into their growth experience. It can be seen from these tables that Maharashtra, the first Indian state to turn into a high growth state in 1972-73 from a moderately growing state did not experience any shift in the growth path of either primary or secondary sector during the entire period under consideration. The shift in the growth path of the tertiary sector in Maharashtra came as late as 1984-85. This apparently puzzling case can be resolved if we consider the magnitude of the long-term growth rates of Maharashtra's three sectors. Maharashtra's primary sector grew at less than half the rates of its secondary and tertiary sectors. Significant structural changes in the economy would have, therefore, led Maharashtra to turn into a high growth economy around 1972-73. Once the economy settled down, again it would become a moderately growing economy as compared to the national average. However, in 1984-85, it experienced a major shift in its tertiary sector growth. If it is due to increased activities on infrastructural front, the secondary sector would experience a shift in its growth path in subsequent years. It was not possible to verify this because our series is only up to 1989-90.

The experience of Gujarat, another important state to trigger acceleration in the economy is very different from Maharashtra's. Gujarat turned into a high

TABLE 4 ESTIMATES OF TREND RATES OF GROWTH AND POSSIBLE SHIFTS IN PRIMARY SECTOR OF INDIAN STATES

States 1	Trend Rate 2	Shift Parameter 3	Optimal Year of Shift 4	R Square 5
1 Andhra	1.88 (8.18)	–	–	0.7717
2 Arunachal	4.52 (11.42)	3.94 (5.91)	1979-80	0.9853
3 Assam	3.58 (11.14)	–	–	0.9357
4 Bihar	1.94 (8.45)	–	–	0.7820
5 Gujarat	3.10 (4.48)	–6.94 (–2.24)	1982-83	0.4085
6 Haryana	3.67 (12.64)	–	–	0.8760
7 HP	1.51 (8.42)	–	–	0.6913
8 J and K	2.75 (15.57)	6.63 (–2.88)	1985-86	0.8953
9 Karnataka	2.50 (19.43)	–	–	0.9190
10 Kerala	1.03 (2.96)	–	–	0.8096
11 MP	1.92 (6.69)	–	–	0.6418
12 Maharashtra	2.22 (5.09)	–	–	0.7784
13 Manipur	5.78 (8.04)	–4.81 (–3.20)	1977-78	0.9321
14 Orissa	13.44 (8.36)	–9.81 (–5.63)	1965-66	0.9344
15 Punjab	4.29 (22.32)	–	–	0.9827
16 Rajasthan	3.19 (9.16)	–	–	0.7557
17 Tamil Nadu	0.41 (1.84)	–	–	0.1216
18 Tripura	2.65 (21.85)	–	–	0.9302
19 UP	1.34 (3.52)	1.68 (2.76)	1973-74	0.8812
20 West Bengal	2.28 (14.98)	5.02 (5.12)	1982-83	0.9473
All India	2.22 (25.54)	0.86 (2.39)	1979-80	0.9757

Notes and *Sources* are the same as Table 2 above.

growth state in 1973-74 when its tertiary sector experienced a sharp increase of 3.11 percentage points in its growth. In the following year its secondary sector experienced a substantial rise in the growth by 3.05 percentage points to firmly put the state economy on the accelerated growth path. It is well known that Gujarat emphasised the strategy of physical infrastructural development leading to industrialisation. The empirical evidence suggests that the strategy has been successful. Gujarat, however, slided down the relative scale and became only a moderately growing state after the national average rose in 1981-82 largely because it experienced a sharp deceleration in its agricultural growth by 6.94 percentage points in 1982-83. Water shortage and lack of adequate irrigation facilities accounted for such a disaster. Since the industrial base of the state was considerably diversified by then, the long-term growth in the secondary and tertiary sector could be sustained in the face of substantial negative growth in the primary sector. Now is the time for Gujarat to concentrate on the infrastructural investments in the primary sector. If it can somehow regain its previous trend rate of growth in the primary sector, it has the potential to again turn into a high growth state.

The case of Uttar Pradesh (UP) yet another important state to lead the growth acceleration in the national economy, is different from both Maharashtra and Gujarat. UP turned into a high growth state in the year 1974-75 experiencing a more than 100 per cent rise in its overall trend rate of growth. It would have given a substantial boost to the national economy but not sufficient to shift its growth path. The growth strategy of UP was based on emphasising primary production which would, in turn, lead to industrialisation and growth of services would then follow. The primary sector in UP experienced a more than 125 per cent rise in its trend rate of growth in the year 1973-74. Such a sharp rise in the long run growth rate would not have been possible unless it was accompanied by significant resource productivity increase. It would, therefore, imply that the primary sector in UP could release resources for the growth of the other sectors in the economy apart from providing increased supply of raw materials. The secondary sector in UP experienced a significant acceleration of 2.61 percentage points in its growth in the next year, i e, 1974-75 turning the whole state economy into a high growth state. The service sector in UP responded later again with a remarkable rise in its long run growth rate by 2.70 percentage points in the year 1976-77. It is interesting to note that the same sequencing of the sectoral growth acceleration can be observed for the national economy later during 1979-80 to 1982-83. UP, therefore, again slided back to a moderately growing economy relatively to the national average after 1981-82. A significant shift in the growth strategy is needed if UP has to turn again into a high growth state.

The growth experience of Assam and Madhya Pradesh (MP) is again different from the ones of Maharashtra, Gujarat and UP. Both these states turned into high growth states in 1979-80 and were responsible on margin in shifting the national average growth to a higher level in 1981-82. Neither of them experienced any significant shift in their primary sector growth over the period under consideration. Both, Assam and MP experienced spurt in their industrial growth and then in the tertiary sector growth. Assam turned into a high growth state in 1979-80 with a sharp increase in its secondary sector growth of the order of 10.62 percentage points accompanied by 1.61 percentage point increase in its tertiary sector growth in the same year. Considering the magnitudes of the shift in the time trend of the two sectors, it can be argued that predominant influence in Assam is likely to be the growth in secondary sector which would have led to expansion in the service sector in the state economy. In MP, the increase in industrial growth of a relatively small magnitude of 0.85 percentage points occurred in 1978-79. It was followed by a remarkable 150 per cent increase in the long run growth rate of tertiary sector in 1979-80. The secondary and tertiary sectors of MP are likely to be the beneficiary of the spurt of activities in the neighbouring states of Maharashtra, Gujarat and UP over continued period of time. The linkage theory appears to have worked considering the time lag involved and geography of the states involved. The Assam phenomenon, however, seems to be more on account of the oil discovery and the development related with it. Thus, while MP can be considered a follower or a net beneficiary of increasing growth elsewhere, Assam represents a new impulse of growth in the national economy.

Sequentially, the next state to experience significant increase in its overall growth rate is West Bengal (WB) in 1982-83 followed by Himachal Pradesh (HP) and Karnataka in 1985-86. All these three states experienced a very similar magnitude of about 2.5 percentage points increase in their long-term growth rates. WB achieved an early break through in the growth of its tertiary sector in the year 1972-73. However, it was not sufficient to match the national average in the sector. It was only when it achieved a spectacular increase in the growth rate of its primary sector in 1982-83 that it showed equivalent performance in overall growth as the national average. Although spurt in the primary sector growth of WB represents fresh stimulus to the national economy, it is surprising to find its secondary and tertiary sectors not responding unlike in the case of UP. While HP represents a case of exclusive tertiary sector led acceleration in the overall growth in the economy, the

TABLE 5: ESTIMATES OF TREND RATES OF GROWTH AND POSSIBLE SHIFTS IN SECONDARY SECTOR OF INDIAN STATES

States 1	Trend Rate 2	Shift Parameter 3	Optimal Year of Shift 4	R-Square 5
1 Andhra	4.87 (30.69)	–		0.9936
2 Arunachal	5.60 (5.90)	–		0.8420
3 Assam	0.38 (0.36)	10.62 (5.90)	1979-80	0.9401
4 Bihar	5.15 (18.99)	1.89 (2.18)	1980-81	0.9761
5 Gujarat	3.57 (13.50)	3.05 (6.21)	1975-76	0.9907
6 Haryana	6.73 (26.87)	1.42 (1.94)	1981-82	0.9887
7 HP	3.47 (9.72)	–		0.9282
8 J and K	6.57 (28.51)	–		0.9801
9 Karnataka	5.56 (33.56)	–		0.9935
10 Kerala	6.98 (11.37)	–4.64 (–5.02)	1972-73	0.9867
11 MP	4.98 (29.25)	0.85 (2.00)	1978-79	0.9910
12 Maharashtra	4.81 (32.55)	–	–	0.9939
13 Manipur	4.23 (5.15)	4.32 (4.13)	1969-70	0.9955
14 Orissa	5.33 (13.62)	–	–	0.9570
15 Punjab	5.74 (27.60)	3.07 (3.08)	1984-85	0.9944
16 Rajasthan	3.05 (16.82)	2.55 (2.85)	1982-83	0.9772
17 Tamil Nadu	4 75 (15.04)	–2.05 (–2.36)	1979-80	0.9734
18 Tripura	2.70 (5.00)	–	–	0.8635
19 UP	4.23 (9.44)	2.61 (3.40)	1974-75	0 9887
20 West Bengal	2.22 (9.17)	–	–	0.9268
All India	4.25 (23.99)	2.15 (4.51)	1981-82	0.9956

Notes and *Sources* are the same as Table 2 above.

case of Karnataka resembles the one of Maharashtra. Karnataka also experienced a significant increase in its tertiary sector growth in 1975-76 with no significant shifts in the remaining sectors of the state economy. However, only after the break-through in the tertiary sector growth, the long-term growth of primary sector became less than half the ones in the other sectors in the economy. Long-term structural changes in the economy made their impact on the overall growth and turned the state into a high growth state in 1985-86. Like Maharashtra in 1972-73, Karnataka in 1985-86 could emerge as a leader of the future shift in the national growth.

The cases of Punjab and Haryana are interesting. Both were high growth states and both scaled down relatively to the national average when the latter rose in 1981-82. Both the states have been high growth states in the primary sector and both have achieved a break-through in their industrial growth during early 80s to become high growth states even in the secondary sector. In the tertiary sector, the growth of Haryana has been very high but Punjab experienced a sharp deceleration in 1979-80 perhaps on account of the beginning of the elongated political disturbance If the tertiary sector growth can be properly managed in these states, they can still achieve their high growth states status. In terms of the growth pattern, they resemble the case of UP. Similarly, Arunachal Pradesh has been a high growth state and its pattern of growth is also primary production based. It is surprising why it has not experienced acceleration in its secondary sector growth after it achieved a major break-through in its primary sector growth in 1979-80.

The Lagging States

In terms of acceleration in growth of incomes, the results reported in Table 3 suggest that eight states, viz. Andhra Pradesh (AP), Bihar, Jammu and Kashmir (J and K), Kerala, Manipur, Orissa, Rajasthan, and Tamil Nadu (TN) are seriously lagging behind the rest. Geographically, these states are spread all over the country. Similarly, they also include states from both the rich and the poor categories. It would be interesting to examine their growth experiences as well from the results reported in Tables 3 to 6.

The cases of Bihar and Rajasthan indicate problems in their development strategy. The tertiary sector growth in both these states increased remarkably during the early 70s. However, it took almost eight years for their secondary sector to respond with higher growth unlike the case of Gujarat where the response of the secondary sector was very quick. The primary production in both these states, moreover, is highly fluctuating as can be inferred from a relatively low r-square in their regressions. Thus, the strategy of concentrating first on the tertiary sector growth which succeeded in Gujarat to make it a leader, did not succeed to the same extent in Bihar and Rajasthan. It could be due to problems of planning and implementation coupled with political will to bring about necessary changes in the policies.

Out of the states showing stagnation in their growth over long period at relatively low level, TN stands out as a peculiar case. Its agriculture has been widely fluctuating with practically no sustained growth over the period under consideration. Its secondary sector registered a sharp deceleration of 2.05 percentage point in 1979-80 around which time states like MP, Assam and Bihar achieved substantial acceleration in their secondary sector growth. However, in 1983-84, TN experienced a sharp increase of more than 100 per cent in its tertiary sector growth. The growth strategy of TN of late appears to resemble the one adopted in states like Gujarat, Bihar and Rajasthan. If it succeeds, although somewhat late, it can achieve a turn-around in its secondary sector growth. Its future performance, therefore, like Gujarat, Rajasthan and Bihar, critically hinges on its primary sector performance.

The experience of another stagnant growth state of Andhra Pradesh (AP) represents again the same strategy of tertiary sector led growth In 1972-73, tertiary sector in AP experienced a major increase in its long-term growth rate. However, the strategy could not succeed to bring about any significant break through in the growth rates of its secondary or primary sectors. It needs to be investigated as to why the strategy failed in AP when it succeeded in Gujarat, Bihar and Rajasthan.

Among the states experiencing significant deceleration in their growth rate over time, the case of Kerala, another state from the south India, is very puzzling. Kerala experienced a marked deceleration of 2.05 percentage point in the growth of total SDP in the year 1972-73. In the same year, it also experienced significant deceleration in its tertiary and secondary sectors. Whereas it is acknowledged widely that Kerala opted for a growth strategy based on human capital development, it is difficult to explain a significant downward shift in its long-term growth rate in the tertiary sector in 1972-73. Deindustrialising processes again initiated from 1972-73 in a major way is also difficult to explain.

The cases of Manipur, J and K and Orissa appear to be very similar. They all experienced significant deceleration in their overall growth rate around the time when their primary sector also went down sharply. However, in early 70s, Orissa and J and K experienced a marked decline in the growth rate of their tertiary sector while Manipur experienced a moderate increase in its tertiary sector growth in 1979-80. Manipur also experienced a more than 100 per cent increase in its secondary sector growth rate in 1969-70 which was perhaps due to its high level of growth in the primary sector

TABLE 6. ESTIMATES OF TREND RATES OF GROWTH AND POSSIBLE SHIFTS IN TERTIARY SECTOR OF INDIAN STATES

States 1	Trend Rate 2	Shift Parameter 3	Optimal Year of Shift 4	R-Square 5
1 Andhra	3.31 (24 91)	2.30 (11.24)	1972-73	0.9970
2 Arunachal	8.80 (9.97)	–	–	0.9802
3 Assam	4.72 (25 42)	1.61 (5.15)	1979-80	0 9978
4 Bihar	1.52 (3 72)	5 11 (8.30)	1972-73	0.9856
5 Gujarat	3.35 (18 04)	3 11 (10.48)	1973-74	0.9958
6 Haryana	7 80 (32.92)	–	–	0.9926
7 HP	5.12 (32 56)	2.45 (3 73)	1984-85	0.9973
8 J and K	6 76 (23.28)	−1.69 (−3.53)	1973-74	0.9923
9 Karnataka	3.86 (23 10)	2.11 (6.79)	1975-76	0 9957
10 Kerala	5.33 (22 46)	−1.69 (−4.73)	1972-73	0.9959
11 MP	3.67 (24.84)	5.89 (14.32)	1979-80	0.9954
12 Maharashtra	4 73 (51 78)	2 43 (4 28)	1984-85	0.9976
13 Manipur	5 40 (39 09)	0.96 (2.75)	1979-80	0.9983
14 Orissa	8.42 (5 61)	−7.10 (3.49)	1970-71	0.9310
15 Punjab	6 41 (33 76)	−2 06 (−5.07)	1979-80	0.9983
16 Rajasthan	3 09 (10 82)	2.00 (3.92)	1974-75	0.9789
17 Tamil Nadu	3 33 (28.44)	3.36 (5.66)	1983-84	0.9935
18 Tripura	3.74 (7 47)	4.92 (5.38)	1975-76	0.9945
19 UP	2.81 (18.86)	2.70 (8.97)	1976-77	0.9859
20 West Bengal	2.56 (20.11)	1.32 (6.72)	1972-73	0.9961
All India	4.37 (87.75)	2.29 (8.45)	1982-83	0.9996

Notes and *Sources* are the same as Table 2 above

in the initial phase. Even after it experienced a marked decline in its primary sector in 1977-78, its secondary sector has not responded adversely so far. This could have been on account of increasing efforts on infrastructure development which would have shifted the growth in its tertiary sector in 1979-80 by 0.96 percentage points. The growth experience of these states reveals that growth of primary sector is a driving force. It is left to the vagaries of weather, it can destabilise the whole economy. Prudent policies and sound planning with emphasis on agricultural infrastructure development can only provide hope for the future in such economies.

Before concluding this section, it may be noted that in terms of secondary sector growth, there is a very sharp geographical divide in the country. From Table 5, it can be observed that almost all of the states experiencing significant increase or acceleration in their industrial growth during the period under consideration belong to the northern part of the country. On the other hand, most of the southern states have experienced either a significant slow down (deceleration) in their industrial growth (e.g. Kerala and TN) or no significant change in their long run growth in the industrial sector (e.g. Karnataka, Andhra Pradesh and Orissa). An earlier study on the regional aspects of Indian industrialisation also clearly brought out a similar finding of the north-south divide [Dholakia 1989]. It suggested that political factors might be very important in explaining the phenomenon. While the present study corroborates the finding of the north-south divide in the Indian industrialisation with the help of a much longer time series data, it questions the dominant role of only political factors in explaining the phenomenon. Since the finding of the present study is based on the growth experience of state economies over a long time series data extending more than 25 to 30 years, more deep-rooted economic factors or deliberate government policies might be at work. In any case, the phenomenon suggests the existence of basic maladies in the economic life or in the way it is organised in the country. An indepth inquiry into this phenomenon is required to gain further insights.

VI
Summary of Main Findings

The present study analyses the available time series data on real state income and its classification into the primary, secondary and tertiary sectors for 20 state economies in India over the period 1960-61 to 1989-90. It employs the techniques of kinked trend line and switching regression to examine the phenomenon of acceleration of growth and identifying the year of break in the time trend in different state in the three broad sectors. The main findings of the study can be summarised as follows.

(1) The phenomenon of the sharp increase in the long-term growth rate of the Indian economy achieved in 1981-82 is not observed in all the states but only in six to eight state economies.
(2) The state economies where the growth acceleration can be established in 1981-82 cover all the five zones in the country. Thus, the phenomenon is not geographically concentrated but dispersed.
(3) The state economies where growth acceleration was felt in 1981-82 together accounted for about two-third of the national economy in terms of most of the important variables like population, employment, area and income.
(4) Most of the states experiencing growth acceleration in 1981-82 belonged to the category of relatively less well off or poorer states as compared to the national average.
(5) The interstate variation in the trend rate of economic growth seems to be considerably reduced after 1981-82 as compared to the period before 1981-82. The implications of such a tendency for the long-term growth equalisation among Indian states would be an interesting area of further research.
(6) Maharashtra, Gujarat and UP turned into high growth states in three consecutive years from 1972-73 to 1974-75 triggering the forces ultimately leading to growth acceleration in the Indian economy.
(7) The factors and growth strategy followed in these three states were entirely different from one another. Even among other states, the growth strategies followed seem to differ considerably.
(8) On margin, the turn around of Assam and MP into high growth states played an important role in the process of growth acceleration in the national economy. Oil in Assam and linkages with neighbouring high growth economies for MP could be the critical factors.
(9) Emphasis on improving growth performance of primary sector in states like Gujarat, Rajasthan, Bihar, Tamil Nadu, Manipur, Jammu and Kashmir, Orissa, etc, can pay rich dividends if properly planned and implemented.
(10) The present study corroborates the finding of an earlier study [Dholakia 1989] about the existence of a sharp north-south divide in the Indian industrialisation. The causes and consequences of the phenomenon is an interesting field of further enquiry.

Notes

[I am highly thankful to Vaidehi Dalwadi for providing substantial computational assistance. I am also grateful to K R Babu for some additional computational assistance.]

* This is implied by considering the reciprocal of the ICOR and breaking it up into three additive components, viz, the marginal product of capital, labour cost per unit of investment and the rate of technological progress per unit of investment. For details, see Dholakia (1993).

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DISCUSSION

Exchange Rate and Balance of Trade

Prabirjit Sarkar

SUBSTANTIAL devaluation of national currency (nominal and real) is one essential part of the therapy of the IMF/World Bank for curing balance of payments deficit of a country. Accordingly India devalued twice in 1991. Before this devaluation, there was a slow but steady depreciation of Indian rupee during 1971-91 under the RBI-'managed' float. Now the question is: is there any meaningful relationship between exchange rate and balance of trade?

In the context of India, this question was sought to be answered by me in my earlier paper [Sarkar 1994]. My cointegration analysis did not find any meaningful long-term relationship between nominal and real devaluation of Indian rupee during 1971-91 and India's balance of trade behaviour over the same period. However, the robustness of the result was challenged by some statisticians of the Reserve Bank of India [Nag and Upadhya 1994]. Since annual data provide a small sample for cointegration test, they suggested the use of monthly data. However, their analysis on the basis of monthly data over the period starting from January 1978 and ending on January 1993 supported my conclusion. Only when they reduced the period of study by taking a starting date as late as July 1985, did they get the result they were looking for—that the "exchange rate matters". What is the logic of taking a later starting date?

Here comes the role of their conjecture. The conjecture is that a later starting date gives more weightage to the IMF/World dictated Narasimha-Manmohan regime of liberalisation that reduces market distortions and unveils the so far obscured relationship between exchange rate and balance of trade. Let me leave it to the readers to believe or not to believe in this conjecture.

But I find one dilemma: the later the starting date and the smaller the sample, the less is the power of the statistical test used by all of us [Sarkar 1994 and Nag et al 1994] to examine the existence of an economically meaningful relationship between exchange rate and balance of trade. And the higher the power of the test, the more weak is the relationship found by Nag-Upadhya. I think this signifies something and supports my standpoint.

There is another point—for a study of long-term equilibrium relationship, short-period monthly data may give misleading results.

There may take place an endless 'hi-tech' statistical debate centring around the question whether exchange rate matters or not. But what is the economic reasoning behind my scepticism? It may be useful to remind the readers of some of my earlier arguments [Sarkar 1992]. A number of factors can be mentioned to challenge the effectiveness of devaluation to expand exports and control imports in a less developed country.

Export expansion may not be possible through devaluation for a number of reasons:

Firstly, devaluation of the currency of a less developed country may increase the export volume by reducing the dollar price of export goods but due to the problem of inelastic demand, the value of exports may fall.

Secondly, devaluation by one country may generate a spiral of competitive devaluation by others producing and exporting similar kinds of products. This may result in over-supplies of the commodities in the international market and price crashes. This is the 'fallacy of composition'. In fact, the structural adjustment programmes of the IMF/World Bank often suffer from this 'fallacy of composition' [Sarkar 1991a, b; Sarkar-Singer 1992]. In a recent IMF study [Borensztein and Reinhart 1994], this phenomenon of over-supplies in the 1980s and the 1990s was recognised with little recognition of the fact that their structural adjustment policies in the primary producing countries had some hand in this phenomenon.

This point will be more relevant for India in future when India (following the suggestion of some 'big' economists!) will enter the commodity markets in a big way to take the opportunity of agricultural trade liberalisation under the new GATT agreement.

Thirdly, devaluation may not reduce the export prices in dollar because of a number of factors. Due to devaluation, imported inputs required in the export sector will be more costly. Moreover, costlier imports of food, fertilisers and fuels will create an inflationary situation in a country that relies on imports of these necessary goods. This may result in an inflationary spiral—wages chasing prices and prices chasing wages. Current inflation in India owes much to this factor.

There is another reason for inflation in a country due to devaluation. In the process of devaluation, the budgetary burden of debt servicing rises. The government may have to create money to cover the increased budget deficit under devaluation. This will also feed the inflationary process. The combined effect of all these may create a situation where in spite of devaluation the dollar prices of export goods do not fall. This may induce the policy-makers to devalue further for the sake of achieving a 'real' devaluation leading to a further inflation and again more devaluation. This kind of situation can be observed in many Latin American countries.

Fourthly, even if dollar prices of exports fall and demand rises due to devaluation, export supply may not rise, particularly in the short or medium term, due to different structural reasons such as power shortage, transport constraint and inelastic supply of some specific inputs.

Lastly, the protectionist policy of developed countries can be mentioned. As the World Bank (1989: 15) has admitted, the protectionist policies of the developed countries are increasingly discriminating against the exports of the less developed countries. Hence, just through devaluation it may not be possible to penetrate the market of the developed countries which often take protect-

ionist action in the name of anti-dumping.

On the import side, devaluation does not have much effect on the imports of necessary goods. Moreover, in a country such as India where there is high income inequality and a huge sum of unaccounted money in the hands of some people, it is very difficult to control imports through devaluation accompanied by import liberalisation. In spite of devaluation and price rise, increasing imports of luxury goods and inputs and machines to produce these goods cannot be checked.

Moreover, devaluation-led inflation creates a situation where imports may not be much costlier than domestic goods. Besides all these, in the less developed countries such as India, there is always a craze for 'foreign' goods among a large section of the population partly due to the colonial legacy and partly due to the international demonstration effect. Perhaps this is one important factor behind the US's efforts to seek entry of their costly garments to India in exchange of Indian garments to the US under the new GATT agreement.

Is it possible for the Narasimha-Manmohan regime to control or eliminate those factors in a way as to ensure that 'exchange rate matters'?

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Calculating the Fiscal Deficit

D Subbarao

I S GULATI's reservations on the use of fiscal deficit (*EPW*, May 21) in macro-economic policy formulation are valid, if also rather well known. However, his suggestion that there is a measure of arbitrariness in the treatment of some capital receipts in the measurement of fiscal deficit is debatable. The confusion would clear if we define fiscal deficit as

[Total expenditure (revenue + capital)] – [Total revenue receipts + non-debt creating capital receipts]

This definition is unambiguous about the treatment of recoveries of past loans as also of public sector disinvestment proceeds. It is also unambiguous about giving the same status to both the above inflows, an issue called into question by Gulati. The formula provides automatically for netting out recoveries of past loans from fresh loans advanced during the year, just as it provides for netting out disinvestment proceeds from fresh investment in public enterprises. Gulati's analysis allows for ambiguity as he interprets fiscal deficit as "the excess of total government expenditure, i e, expenditure on revenue and capital accounts taken together, over government's current revenues". On the other hand, if fiscal deficit is interpreted, as in the above formula, as the amount the government has to borrow in order to finance current expenditure, both on revenue and capital accounts, the ambiguity would disappear.

It is of course true that like all other aggregates, fiscal deficit too sacrifices much information content, thus diminishing its value in policy formulation. The impact of a given quantum of deficit on domestic demand, external balance and aggregate supply would depend evidently on the structure of revenues and expenditures. Furthermore, the deficit may tend to overstate the expansionary thrust originating from fiscal operations in a situation of high inflation, when a significant share of the government's nominal interest payments may effectively be compensating bond holders for the erosion in the real value of their principal rather representing a transfer of purchasing power.

The terms of borrowing to finance the fiscal deficit are equally critical as they will influence the fiscal deficit in future years just as the terms of past borrowing would have a cumulative impact, through amortisation and interest payments, on the level of the current year's fiscal deficit.

The method of financing the fiscal deficit is of critical importance as well for it influences the macro-economy in ways more diverse than can be captured by its aggregate value or the terms of its financing. The deficit can be financed by borrowing from the central bank (monetisation of deficit), borrowing from the open market through bank and non-bank channels or by borrowing externally. Each method has its own trade-off.

If the financing of the deficit is monetised through government borrowing from the central bank, it affects the money base and the money supply. If the government sector has a dominant role in the economy, as is the case in developing countries, monetisation leads to an excessive growth in money supply resulting in high inflation and balance of payments deficits. Should the government resort to open market borrowing, it may crowd out the private sector by raising interest rates. The decline in investment, should it occur, will affect the competitiveness of the economy in the long run. Reliance on external finance, though deflationary in the short run, has the risk of exposing the economy to exchange rate fluctuations and uncertain debt burden, not to speak of the political vulnerability it leads to.

There is an obvious 'brute force' method of financing the deficit, by having debt repayments rescheduled or simply by reneging on them. While the short-term macro-economic consequences of this option are the same as those from borrowing, postponing repayments diminishes credit worthiness, jeopardises future financing and impairs the integrity of the budget system.

Having noted that the method of financing the fiscal deficit is as important as its quantum, it also needs to be recognised that the appropriate measure of fiscal deficit to be used has to be adapted to the specific circumstances. Especially in a context of high inflation, conventional fiscal deficit turns out to be an inadequate measure for evaluating and monitoring fiscal policy as evident from the experience of Mexico and other Latin American countries in the latter half of the 80s. In Mexico, for example, it was realised that the public sector borrowing requirement (PSBR) contained a large element of debt amortisation in its interest component, thereby distorting the information content of fiscal deficit. To overcome this, a concept of operational balance was derived, by subtracting from the overall economic balance, the inflationary component of the interest payments on the internal public debt denominated in Mexican currency.

Another useful concept is primary deficit, obtained by excluding interest payments from the fiscal deficit, which helps assess the efficacy of the current fiscal policy after netting out the impact of past fiscal profligacy.

To sum up and in the process supplement Gulati's observations, it is true that fiscal deficit, by itself, is an inadequate guide to macro-policy formulation. The method and terms of financing are equally important. Furthermore, the appropriate aggregate deficit measure to be used will have to be dictated by the macro-economic situation as also the policy element to be analysed. There is, however, no ambiguity about the treatment of public sector disinvestment proceeds and nothing particularly wrong in taking credit for these proceeds in determining the fiscal deficit as long as the fiscal deficit itself is used with the caution that it warrants. A fire sale of public enterprises, regardless of fiscal deficit concerns, is in any case a poor proposition.

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

BALANCE SHEET AS AT MARCH 31 1994

(In thousands of Indian Rupees)

	Notes	1994	1993 (Note 18)
CAPITAL AND LIABILITIES			
Capital	2	150,000	150,000
Reserves and surplus	3	81,120	60 903
Deposits	4	266,154	499,631
Borrowings	5	364 959	617,700
Other liabilities and provisions	6	1 060 123	23 031
		1,922,356	1 351 265
ASSETS			
Cash and balances with Reserve Bank of India	7	14,371	153 517
Balances with banks and money at call and short notice	8	173,027	92,494
Investments	1(c) & 9	389,582	273,763
Advances	1(d) & 10	1,292 401	774,563
Fixed assets	1(e) & 11	15,109	15 270
Other assets	12	37,866	41,658
		1 922,356	1,351,265
Contingent Liabilities	13	6,322,185	1,312,352
Bills for collection		153,729	119 348

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

(In thousands of Indian Rupees)

	Notes	1994	1993 (Note 18)
INCOME			
Interest earned	14	201,632	172,862
Other income	15	7,210	31,873
		208,842	204,735
EXPENDITURE			
Interest expended	16	71,838	90 182
Operating expenses	17	28,402	22 985
Provisions and contingencies		68 443	59,000
		168,683	172,167
PROFIT			
Net profit for the year	1(g)	40,159	32 568
APPROPRIATIONS			
Transfer to statutory reserve		8,032	6 514
Transfer to other reserves		32,127	26,054
		40,159	32,568

The accompanying notes are an integral part of this statement

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

THE SANWA BANK LIMITED
New Delhi Branch
Sd/
K MURAKAMI
Chief Executive Officer, India
and General Manager

Sd/-
VIJAY SAHNI
Partner

New Delhi
August 23, 1994

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 1994

(In thousands of Indian Rupees)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

The accompanying financial statements of The Sanwa Bank Limited—New Delhi Branch ('the Branch') have been prepared under the historical cost convention and conform to the statutory provisions and practices prevailing within the banking industry in the country

(b) Transactions involving foreign exchange

(i) Monetary assets and liabilities in foreign currency are translated at the exchange rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI') at year end, except for Foreign Currency Non Resident ('FCNR') account balances under the FCNR Account Scheme which are valued at the relevant rates notified by the Reserve Bank of India Gains and losses arising out of such translation are recognised in the profit and loss account

(ii) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction

(iii) Contingencies at the end of the year are revalued at the exchange rates notified by FEDAI

(iv) The Branch has during the year, changed its accounting policy of recognising losses arising on revaluation of outstanding forward foreign exchange contracts at year end Had the Branch not discontinued the recognition of such losses at year end other income and net profit for the year would have been lower by Rs 1 986

(c) Investments

(i) The approved government securities intended to be held to maturity, are valued at the lower of cost or redemption price Cost is adjusted for the discount accrued or the premium amortised over the period to redemption

(ii) Government securities not intended to be held to maturity have been valued at the lower of cost or market value Market value has been determined on the basis of the yield pattern on government securities derived by the Reserve Bank of India ('RBI')

(d) Advances

Provisions for doubtful advances are made based on periodical appraisals by management of the portfolio

Following review of the advances for the year ended March 31, 1994, no provisions are considered necessary and accordingly advances are stated at their full value

(e) Fixed assets and depreciation

(i) Fixed assets are stated at historical cost less accumulated depreciation

(ii) Depreciation is provided *pro rata* to the period of use on the straight line method on all fixed assets, except for improvement on leasehold premises which are depreciated over the period of lease Rates of depreciation used are as specified in the Schedule XIV to the Companies Act, 1956, as amended vide notification number GSR 756 (E) dated December 16, 1993

(f) Staff benefits

The Branch has obtained a group gratuity policy from the Life Insurance Corporation of India which provides cover for any gratuity payment arising on the death/retirement of the Branch's employees The premia paid for obtaining this cover is charged to the profit and loss account

(g) Net profit

The net profit disclosed in the profit and loss account is after, *inter alia*

(i) provision for taxes on income in accordance with statutory requirements
(ii) provision for doubtful advances
(iii) adjustments to the value of current investments

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993 (Note 18)
2. CAPITAL		
Capital	150,000	150,000
Deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	13,700	7,168
3. RESERVES AND SURPLUS		
Statutory reserve		
Opening balance	12,182	5,668
Additions during the year	8,032	6,514
	20,214	12,182
Revenue and other reserves		
Opening balance	48,721	23,244
Additions during the year	32,127	26,054
Deductions during the year (remittance to Head Office)	(19,942)	(577)
	60,906	48,721
	81,120	60,903
4. DEPOSITS		
In India		
Demand deposits		
From banks	8,474	868
From others	80,036	131,161
Savings bank deposits	15,625	14,915
Term deposits		
From banks	—	263,146
From others	162,019	89,541
	266,154	499,631
5. BORROWINGS		
In India		
Reserve Bank of India	123,000	217,700
Other banks	220,000	400,000
Other institutions and agencies	21,959	—
	364,959	617,700
Secured borrowings included above	—	—
6. OTHER LIABILITIES AND PROVISIONS		
Bills payable	63,945	6,339
Inter-office adjustments (net)	921,452	—
Interest accrued	4,607	11,094
Others (including provisions)	70,119	5,598
	1,060,123	23,031
7. CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Cash in hand (including foreign currency notes)	2,118	2,659
Balances with Reserve Bank of India		
In current account	12,253	150,858
	14,371	153,517

	1994	1993 (Note 18)
8. BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
In India		
Balances with banks		
In current accounts	168,076	90,998
Outside India		
In current accounts	4,951	1,496
	173,027	92,494
9. INVESTMENTS		
In India		
Government securities	389,582	273,763
10. ADVANCES		
(a) Bills purchased and discounted	139,315	118,069
Cash credits, overdrafts and loans repayable on demand	1,097,523	652,743
Term loans	55,563	3,751
	1,292,401	774,563
(b) Secured by tangible assets	1,089,397	484,890
Unsecured	203,004	289,673
	1,292,401	774,563
(c) Advances in India		
Priority sector	290,339	50,938
Public sector	—	—
Banks	—	—
Others	1,002,062	723,625
	1,292,401	774,563
11. FIXED ASSETS		
Leasehold improvements		
At book value		
Beginning of year	5,519	5,415
Additions during the year	1,010	104
	6,529	5,519
Depreciation to date	(2,334)	(1,530)
	4,195	3,989
Other fixed assets (including furniture and fixtures)		
At book value		
Beginning of year	13,141	12,300
Additions during the year	1,095	841
Deductions during the year	(586)	—
	13,650	13,141
Depreciation to date	(2,736)	(1,860)
	10,914	11,281
Net book value	15,109	15,270

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993 (Note 18)
12. OTHER ASSETS		
Inter-office adjustments (net)	—	10,880
Interest accrued	12,667	9,943
Tax paid in advance/tax deducted at source (net)	11,000	10,150
Others	14,199	10,685
	37,866	41,658
Others include		
Staff loans	9,989	8,513
Other items	4,210	2,172
	14,199	10,685
13. CONTINGENT LIABILITIES		
Liability on account of outstanding forward exchange contracts	4,204,793	182,095
Guarantees given on behalf of constituents		
In India	49,589	71,337
Outside India	16,012	2,054
Acceptances, endorsements and other obligations	2,051,398	1,056,473
Other items for which the Bank is contingently liable	393	393
	6,322,185	1,312,352
14. INTEREST EARNED		
Interest/discount on advances/bills	167,773	136,065
Income on investments	31,428	24,738
Interest on balances with Reserve Bank of India and other inter-bank funds	—	10,125
Others	2,431	1,934
	201,632	172,862

	1994	1993 (Note 18)
15. OTHER INCOME		
Commission, exchange and brokerage	17,276	13,804
Profit on exchange transactions	16,622	21,768
Loss on exchange transactions	(29,108)	(4,560)
Miscellaneous income	2,420	861
	7,210	31,873
16. INTEREST EXPENDED		
Interest on deposits	38,480	48,315
Interest on Reserve Bank of India/inter-bank borrowings	33,257	41,867
Others	101	—
	71,838	90,182
17. OPERATING EXPENSES		
Payments to and provisions for employees	5,066	4,565
Rent, taxes and lighting	6,806	5,454
Printing and stationery	1,640	2,000
Advertisement and publicity	18	18
Depreciation on the Branch's property	1,679	1,545
Auditors' fees and expenses	240	55
Law charges	320	133
Postage, telegrams, telephones etc	4,656	2,105
Repairs and maintenance	788	1,357
Insurance	162	175
Other expenditure	7,027	5,578
	28,402	22,985

18. PRIOR YEAR COMPARATIVES

Prior year financial statements were audited by a firm of Chartered Accountants other than Arthur Andersen & Associates, and have been reclassified, wherever necessary, to conform with the current year's presentation

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

We have examined the balance sheet of the New Delhi Branch of The Sanwa Bank Limited (incorporated in Japan with limited liability) as at March 31, 1994 and the related profit and loss account for the year then ended Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances We have also obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination and have found them to be satisfactory

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not, drawn up in accordance with Schedule VI to the Companies Act, 1956 The financial statements are, therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the New Delhi Branch of The Sanwa Bank Limited as at March 31, 1994 and of its profit for the year then ended

Furthermore in our opinion,

(a) the transactions of the New Delhi Branch which have come to our notice have been within the powers of the New Delhi Branch of The Sanwa Bank Limited,

(b) the balance sheet and the profit and loss account are in agreement with the books of account and give the information required by the Companies Act, 1956 in the manner so required for banking companies, and

(c) the New Delhi Branch has maintained proper books of account as required by law insofar as appears from our examination of those books

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

Sd/-
VIJAY SAHNI
Partner

New Delhi
August 23, 1994

Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay-400 013

ECONOMIC AND POLITICAL WEEKLY

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- FOREIGN TRADE AND NATIONAL INCOME: STRUCTURAL CHANGES
- HANDLOOM WEAVERS' STRUGGLE FOR SURVIVAL
- BILLION PLUS POPULATION: ANOTHER DIMENSION
- EXPLANATION IN SOCIAL SCIENCES
- TERRORISM: PAST, PRESENT AND FUTURE
- INDIAN ELDERLY: ASSET OR LIABILITY?
- DENG XIAOPING: A 'SENILE' NINETY?
- TRADE UNIONS AND DEVELOPMENT OF CLASS CONSCIOUSNESS

SOUTH AFRICA: END OF APARTHEID AND AFTER

ISSUE OPENS ON 8TH SEPTEMBE[R], 1994

100 % EOU

MIDEAST INTEGRATED STEELS

PROPORTIONATE ALLOTMENT

HIGHLIGHTS

PROJECT

- Company promoted by Mideast (India) Limited (MIL) flagship Company of the MESCO group
- 100% Export Oriented Unit to manufacture foundry grade pig iron with installed capacity of 4 64 000 tpa
- Buy back arrangement made by the Company with CMIEC for 100% of the production
- First Indo Chinese Joint Venture in steel sector with financial cum technical collaboration with China Metallurgical Import & Export Corporation (CIMEC)
- State of the art Chinese technology resulting in lower overall raw material consumption and one of the highest production in the country of hot metal of 2 tonnes/M³/day (guaranteed by CMIEC)
- Captive 4MW power plant and sinter plant which would run utilising waste gases generated from Blast Furnace
- Strategic location close proximity to iron ore mines port and infrastructural facilities with rail & road facilities running adjacent to plant
- Project appraised and financed by Industrial Development Bank of India

ISSUE

- Promoters MIL & CMIEC contributing in the Equity Capital at the same premium as the investing public
- Easy Liquidity listing of equity shares at the stock exchanges at Bombay Calcutta New Delhi Madras Ahmedabad Hyderabad and Bhubaneshwar
- Income Tax and Wealth Tax benefits

NOTE

- Investors are advised to refer to the paragraph on justification of premium before making an investment in this issue

RISK FACTORS

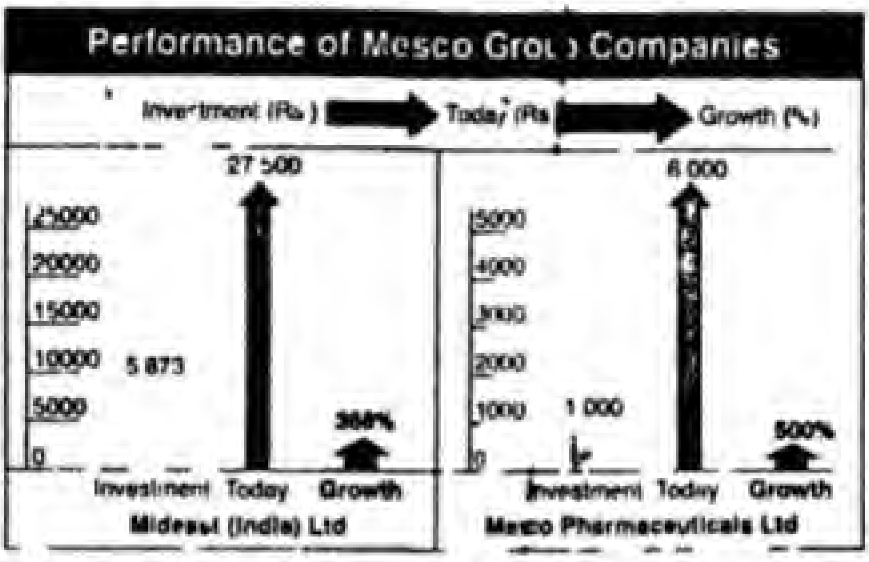
INTERNAL

- Any time over run in the implementation of the project or longer period of stabilisation of production may affect the projected profitability of the Company
- Capital costs have been assessed at prices prevailing at the time of the appraisal which are subject to changes on account of various factors However adequate contingency provision has been made to take care of possible cost escalations

EXTERNAL

- The unit is 100% export oriented Hence any adverse change in government policy on such units may affect operations

* Calculations based on the share prices quoted in 'The Economic Times' of 18 06 94



NRI Application Forms can be obtained by investors from the Registered Office of the Company and also from the offices of the Lead Managers to the Issue

If the Company does not receive the minimum subscription amount of 90% of the issue amount including the devolvement of underwriters within 60 days from the date of closure of the issue the Company shall forthwith refund the entire subscription amount received For delay beyond 78 days of the closure of the issue if any in refund of such subscription the company shall pay interest @ 15% p.a. If there is delay in refund of amount collected the company and the Directors of the Company shall be jointly and severally liable to repay the amount due by way of refund with interest @ 15% pa for the delay beyond 78 days from the date of closure of issue

Rs. 10 ON APPLICATION FOR RIs

Rs. 20 ON APPLICATION FOR NRIs

Public Issue of 3,33,25,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 10/- per share aggregating to Rs. 66,65,00,000

THE MESCO GROUP

MIDEAST INTEGRATED STEELS LTD.

Regd. Office : H-1, Zamrudpur Community Centre, Kailash Colony, New Delhi - 110 048

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Vol XXIX No 36 September 3, 1994

End of Apartheid and After

The South African election of April this year was a world-historic event What made it possible? More specifically, what had led the head of the apartheid regime, F W de Klerk, to make the momentous decision in February 1990 to unban the ANC and free Nelson Mandela? How did the tortuous negotiations between the government and the ANC achieve the constitutional settlement under which the elections were held? And what will the ANC victorious at the polls, make of its triumph? 2355

Foreign Trade and Domestic Output

What are the structural links between domestic output and foreign trade in the Indian economy? Can domestic output be affected by changes in real effective exchange rates, keeping in view their impact on trade and the structural linkages between trade and output? Can other forms of liberalisation influence changes in production and trade? 2364

Weavers Pay the Price

Already seriously threatend by the unequal competition from powerlooms the very survival of handlooms and handloom weavers has now been imperilled by the sharp rise in prices of yarn and dyes—the result of the economic reform programme's all out emphasis on pushing up exports unmindful of the domestic economic and social costs 2331

Deng's China

A good old Stalinist party leader Deng Xiaoping clearly sees an almost organic relationship between an authoritarian political set-up and early development Early capitalism was authoritarian Market socialism cannot be different 2329

Explaining Explanation

The very things which make knowledge possible are also processes which make the social science enterprise a complex of dialogism and mutual participation between the subject and the object This remains not just an external and contingent sociological condition of learning but its constitutive force, which not only drives it, but shapes its form 2350

Head Count

India is unlikely to reach replacement level of fertility at least till the year 2010 Even then the country can expect to reach the stationary population stage only by 2080 and at a population level of some 1 478 million 2344

Ageing Society

Given the anticipated breakthroughs on the fertility and mortality fronts the proportion of the elderly in the population is likely to go up- and so will the related problems 2335

Beyond Stereotypes

Against the stereotype of the bold brassy blasphemist represented by a Taslima Nasreen is juxtaposed another equally pernicious stereotype of the silent docile Muslim woman The flesh-and blood Muslim women who are quietly asserting their autonomy and working for change from within are by and large ignored by the media 2334

Terrorism: Many Faces

Reflecting their political bias many scholarly studies of terrorism ignore the 'tactical' use of terrorism by parties other than the radicals 2340

LETTERS TO EDITOR

State and People's Struggles

N PHUKAN's article 'Militant Left and Struggle for Democracy' (July 23) started on a promising note but his assertion at the end that the state can be turned into an instrument of the people spoiled the whole argument. Wherever the people launch struggles for their rights the state would bring all sorts of oppression to crush them, as is happening in the case of the Narmada Bachao Andolan. Even the so called leftists in West Bengal did not hesitate to crush the Kanoria Jute workers' struggle for their legitimate demands. When the workers resorted to 'rail roko' the police beat them up ruthlessly, raided their houses and roughed up their womenfolk, looted the cash and provisions of the union and disrupted the free kitchen run by the union for the starving workers. Whether it is Kashmir, Bihar, Andhra Pradesh or the North East the state is equally repressive. In the circumstances the common man has become totally alienated from the state. Any mass struggle would alienate them further. Still there is need for mass struggles for a better life and for upholding democratic rights and liberties but not for such absurd goals as turning the state into an instrument of the people.

Then comes the question of who would be the parties to such a joint struggle. Surely not the leftists who rule in West Bengal who are selling state sector enterprises to MNCs for a song and suppressing people's struggles by use of the coercive apparatus of the state while taking progressive anti-GATT, anti-MNC and pro working class stances in the rest of India.

BS

Calcutta

More on *Lajja*

CHARACTERISATION of the turmoil around Taslima Nasreen's fiction *Lajja* as 'A Language Problem' 1, GPD (July 30) is a very imperfect evaluation. True GPD has admitted that he has not read the book and made the evaluation on the basis of reactions from a number of critics and writers who held *Lajja* as a second rate work but there is something more in these reactions. GPD should have noticed that the critics have carefully avoided any comment on the story, events, characters and facts in the book as well as on its theme. This loud silence is so eloquent that it has persuaded GPD not to make a comparison of *Lajja* with Rushdie's *Satanic Verses*.

The theme and message in *Lajja* have nothing to do with the blasphemy of Islam, nor is it a critique of religion or fundamentalism. It does not even deal with patriarchy and women's lib vis-a-vis religious injunctions, Taslima's favourite subject. *Lajja* deals with the miserable plight of a Hindu family in Bangladesh as a result of Muslim reaction in the wake of the demolition of Babri masjid in India. The younger members of the family born well after partition believed that they were integrated in Bangladesh society. The rude and painful shattering of their beliefs and acquired values by communal assault is narrated, mentioned here and there are certain facts representing social and political discrimination against minorities presumably borrowed by Taslima from the book *Bangladeshe Sampradaik Baisamya: Tathya O Dalil (Communal Discrimination in Bangladesh: Facts and Documents)* published by the minority organisation Hindu-Bouddha Christian Oikya Parishad. To me *Lajja* does not appear to be second rate but then tastes differ.

The chief reason behind the calculated reactions from the critics I suspected to be the sensitive issue of communalism. GPD's comment 'Lajja thus is not only taken to be blasphemous' cannot be correct since none of the critics have so accused it. The really embarrassing factor is the feature of a woman of Muslim origin in an Islamic state talking of Muslim communalism. You do not see it everyday. In fact one might brand such talk as blasphemous in the carefully built up normative conduct of our secular circles. Talk of minority repression in Pakistan and Bangladesh tends to strengthen the hands of Hindu communalists of India. As does discovering any communal element in the Punjab and Kashmir militants.

'Second rate' is, therefore, a prudently safe comment if one is forced to break silence. Perhaps GPD has also noticed that none of the critics challenged what Taslima claimed to be facts regarding minority discrimination, not even her Muslim detractors in Bangladesh. Even Bangladeshi friends of Taslima are embarrassed, caught in two minds. They support Taslima's crusade against patriarchy, her fight for women's freedom from Islamic fundamentalism. But Bangladeshi seculars have not yet gathered the strength to combat Muslim communalism head on, as Hindu seculars in India could do against Hindu communalists. If you denounce Muslim communalism you will be liable to be branded as India's agent. Bangladeshi communalists are no less trapped. To oppose or persecute Taslima on the issue of minority repression will be counter productive; it may further highlight the issue and add ammunition to BJP's gun. That is why they resort to accusations of blasphemy and immorality.

Probably this is good. The debate and fight on women's freedom and immutability of religious injunctions are a welcome shift and this is what Taslima had so long been writing about and evoking support too. Communalism is not exactly her own ground and in such an and she may be cornered and isolated.

I do not say that a language problem is not there. What GPD says is true and valid for almost the entire Indian intellectual world not confined only to the Taslima affair which involves much more sensitive issues of communalism and gender oppression. On the other hand I am sad for those who are not familiar with Bengali language: they cannot read Taslima in Bengali and miss such a gem in terms of language!

SUJIT K DAS

Calcutta

Speculators Make Merry

IF a critical evaluation were to be made of the performance of the country's share markets in the recent period, appying the yardstick of socio economic costs and benefits, there is no doubt that the final judgment will be that they operate like sophisticated casinos, to borrow the expression of one perceptive observer. Every aspect of government policy today tends to encourage stock market brokers and other operators. It is hardly surprising then that at a recent meeting the finance minister should have derived much satisfaction from the galloping share prices and stressed the importance of the capital market which was facing a vigorous phase of expansion, confiding candidly that the government's fiscal policy was increasingly getting dependent on market players. Depending on the speculative capital market and financial deals to generate the spread effects of economic development is far removed even from the strategy of a free market system to stimulate production and investment by domestic and foreign entrepreneurs.

Abstracting from the day to day fluctuations which are inherent in the speculative market that the government has consistently nurtured, equity prices have generally shown an uptrend irrespective of the nature of the fundamentals. It is not surprising therefore that the Bombay Stock Exchange's sensitive index (base 1978-79 = 100) should finally scale the scam related peak of 4546.58 reached at mid-day trading of April 2, 1992 (or 4506 for closing quotation on the same day) and touched an all time high of 4588.16 on August 31 (which was also the day's closing). With the natural reaction of the investors, particularly foreign institutional investors (FIIs), to book profit from the high prices, the sensex closed the week somewhat lower at 4526.21 on September 2. A similar sharp jump and subsequent reaction for profit booking had also been witnessed a fortnight ago on August 18 when the sensex had touched 4534.3 followed by a fall the next day. The latest index shows a rise of 68.6 per cent over the level a year ago and, since liberalisation began in July 1991, share prices as represented by the sensex have galloped by over 250 per cent. The broader national index (1983-84 = 100) has also jumped by as much as 240 per cent during the same period. In the process, the repeated contention of the brokers that the absence of forward trading would hurt share market activities and of the FIIs that price-earning ratios in the Indian stock market were so high as to discourage investment have been proved to be baseless.

The boom in share prices can hardly be attributed to any improvement in so-called fundamentals. Except for an excellent monsoon which may produce a bumper agricultural crop and thus help the government to paper over the ill effects of its stabilisation and structural adjustment programmes, there is nothing tangible in the performance of the real sector of the economy that should make for any genuine buoyancy in the corporate sector's fundamentals. Some of the proximate factors which have been highlighted in market reports are expectations of further improvement in corporate results as evidenced by a significant rise in the government's tax receipts, reported rise in output and sales of such industries as automobiles, chemicals, paints, steel and cement and anticipated increases in output of agriculture-based industries, improvement in construction activity and sales of white goods, imminent decontrol of drug prices, accumulation of premium incomes from Euro issues making possible sizeable bonus issues by the bigger companies, introduction of current account convertibility following growing foreign exchange reserves, possible reduction of interest rates by the Reserve Bank in its ensuing busy season credit policy, the containing of the inflation rate at below the two digit level and the market's expectation that the government is now poised to begin a new round of reforms particularly on such tricky issues as exit policy, privatisation of sick public sector undertakings and reform of the financial sector.

No doubt, some of these positive developments have indeed taken place, but the rest are in the nature of financial illusions which tend to conceal the fact that the underlying problems of fiscal imbalance, large monetary expansion and inflationary potential, low level of overall industrial growth (the 8 per cent growth in the single month of April notwithstanding) and, above all, growing unemployment and poverty persist. It is true that the share market is not overtly concerned about these basic issues. It is led more by short-term pecuniary considerations. However, the current phase of excitement cannot be explained by factors such as those listed above. The buoyancy in share prices began about a year ago in August last year when the FIIs, with massive funds at their disposal and with their policy of entering the emerging markets in Asia, took interest in Indian equities. After the FIIs' plunge and within a period of seven months between the third week of July 1993 and end February 1994, the sensex had risen by as much as 104 per cent from a low of 2,105 to 4,286 — which by no means was attributable to the so called fundamentals. The unprecedented impetus to equity prices (almost on par with that during the Harshad Mehta episode) originated essentially in the flow of portfolio investment by FIIs which in turn has stimulated the use of speculative devices by the share broking community. FIIs' gross portfolio investment, which was about $ 45.5 million during the April-June 1993 quarter, rose to $ 194.8 million during July-September 1993 and $ 761.7 million during October-December 1993, totalling a little over $ 1,000 million or Rs 3,100 crore during 1993. Again, during the first eight months of this year (January-August) there has been a further gross investment of as much as $ 2,135 million (or Rs 6,616 crore) by FIIs. Thus, by and large, the excitement in the share market has been stimulated by the inflow of portfolio investment. Because of this inflow of as much as Rs 9,700 crore into the stock market and the limited number of blue chips available in the market, the market capitalisation of BSE listed companies has shot up from

Rs 1,72,951 crore in March 1993 to a mind-boggling Rs 3,98,044 crore in June this year and approximately Rs 4,20,000 crore in August, which would be equivalent to about 45 per cent of gross domestic product at market prices.

The FIIs investment in the Indian share market has occurred despite the fact that against the norm of a multiple of 15 the price earning ratio today rules at 48 to 49. It is the galloping capital appreciation and the possibilities of booking quick profits after a lapse of 12 months, with just a 10 per cent long term capital gains tax to worry about, that has obviously been the motivation for FIIs to take such a great deal of interest in the Indian share market. During 1994 so far FIIs have sold shares worth Rs 1,384 crore which should contain a substantial amount of capital appreciation. On total gross portfolio investment of Rs 9,700 crore the earning cannot be less than Rs 2,000 crore. In fact the benefits for FIIs from many individual deals would be much larger as with preferential allotments wherein they have received a bonanza of as much as Rs 500 crore. Studies have also shown that investors have earned as much as 100 per cent return in just four months between the issue and listing of selected public offerings.

Apart from the FIIs' role in pushing up share prices there has occurred massive speculation encouraged by non-banking financial companies which have been able to mobilise sizeable deposit resources in the liberalised environment. The renewal of share transactions in the non specified shares section by paying the difference in prices on the settlement date even though there is a mandatory provision for delivery within seven days in the cash section has also made its contribution. On any available pretext such as impending book closures the stock exchange authorities with the connivance of brokers club settlements so that forward trading can be carried on merrily. A massive amount of speculation has been reported in cash scrips. Bank finance provided against shares has also contributed to the speculative boom.

It is typical of our regulatory authorities that it is only when the bubble is about to burst that they wake up and conduct enquiries, as is now being done by SEBI, RBI and the ministry of finance even though the malpractices have gone on for years. Such endemic ills as uncontrolled speculation through badla-like operations, clubbing of settlements, malpractices in the grey and kerb market, heavy concentration of trading in a few scrips and insider trading are all persisting without any let or hindrance. Until these malpractices are stopped, the share price behaviour will always be overwhelmingly influenced by them rather than by the so-called fundamentals.

POPULATION POLICY

Ignoring Reality

THE draft Population Policy has come in for sharp criticism from not only the expected quarters—the women's groups and those who do not accept that population control should be a specific or major agenda—but also from the entire long established bureaucratic set-up which administers the family planning programme. Clearly there is nothing outstanding or revolutionary in the recommendations made in the draft except perhaps in its language, an outcome of the current gender-sensitive environment-conscious approach to any problem. While this may be the first policy document which looks at the population problem in the context of environmental sustainability, economic replicability and social equity both in terms of gender and economic status, it is certainly not the first expert group on these issues to have advocated such a paradigm shift. In 1981 the ICSSR-ICMR study group in its report had emphatically suggested that adequate provision of health care, overall integrated development with a better use of resources and especially greater effort at improving the status of women were critical anchors to a population policy. It had also recommended the setting up of a National Commission on Population. Not surprisingly the significance of the draft's more positive recommendations has been somewhat lost. Among the most important of these is the recommendation that the practice of setting targets for specific contraceptive methods should be discontinued. The target approach has not only caused distortions to the family planning programme but, as any grass roots health worker will aver, has resulted in severe damage to other programmes such as MCH and immunisation as well as to other sectors such as primary education. A whole range of workers at the community and village level—community health workers, primary school teachers, ANMs and others—have been forced in one way or another to fulfil the government's family planning targets by acting as motivators. Some field workers have even documented the distortions which have occurred in intra-village social relations as a result of involving people in the race to fulfil targets. Social activists have suggested the setting of other targets which involve measurement of the quality of service. No other policy document has so far had the confidence to suggest an abandonment of the target approach. A related recommendation, the discontinuation of the incentives in cash and kind which have been offered for so many decades to family planning acceptors and motivators is also a welcome one.

The draft policy also proposes that all the funds available from government and bilateral and international donor agencies be credited to "a newly-created population and social development fund which will be utilised for filling the critical gaps" in the effective implementation of the agendas at various levels which are to be set by the concerned 'people' themselves. If indeed 'people' were to decide their developmental priorities, and if the agencies which offer funds for population control looked upon these transfers as purely financial dealings with no strings attached, this would indeed be a progressive move. Unfortunately, funds for population control/development come with ideological baggage containing such definite objectives as the urgent need to limit third world populations no matter what the human cost.

This lack of comprehension about reality whether in terms of relations between developing and industrialised nations or with reference to the class caste nature of society which makes so many apparently feasible solutions unworkable is curious, given the wealth of information and experience available. This unconcern with past experience and current feasibility is seen in the bland recommendations of integrating all vertical national health campaigns for control/eradication of TB, malaria, blindness, AIDS together with MCH, reproductive and sexual health and family planning programmes. Supposedly this will help to promote a concern for total health. While there is much to be said about offering these services at one point at one time surely the authors of the document are aware of the fact that the rhetoric of integrating these services has been an ultimate objective of every document on health? Moreover it is fairly obvious that integration of vertical programmes is only feasible when equal emphasis is given to each. MCH has long suffered from being clubbed with family planning services and there is no dearth of data on this. Similarly while the document is full of good intentions about improving the status of women and making general recommendations in terms of motivating and mobilising the women who will be elected through the reserved seats at the local government level it reflects little understanding of the medical, physical, psychological and social problems women face in taking control of their reproduction. 'Informed choice' in using contraceptives is something of a myth because even when there is information, a woman's freedom to choose is heavily constrained. Similarly, given that gender bias in a patriarchal society is more than a cultural phenomenon shifting the responsibility of family limitation to the couple, even with 'education' only means that a woman loses what little control she does have now. In any case, the issue of reproductive choice and responsibility is far too complex with multiple dimensions and interventions may only worsen the situation. The solution would be to encourage conditions which will increase the potential for women to take decisions regarding their lives—for example, making health services

more gender-sensitive and providing an atmosphere where women can seek answers to their questions and resolve problems

An alternative, and a radical alternative at that would have been to promote the concept of a women's health programme where the objective would not be to achieve a national average of total fertility rate of 2 1 by 2010, but to ensure that women would have access to a gender sensitive, caring total health service which would include not only contraceptive gynaecological and sexual health services but also services for a range of other diseases Such a programme would entail the standing of the population policy on its head that a policy be drawn up for employment food shelter and social and cultural services the implementation of which will in turn achieve the desired population targets

TADA

Spreading Tentacles

AS nothing stirs our bigwigs to protest against injustice we might as well welcome the indiscretions of a high society matinee idol which have turned their attention to the ominous provisions of a law that had been savaging the poor and the innocent in different parts of the country all these years and against which the PUDR the PUCL and individual human rights activists had been warning our society and politicians The arrest of Sanjay Dutt under the Terrorist and Disruptive Activities (Prevention) Act (TADA) has suddenly woken up the cloistered members of the privileged classes to the danger of TADA landing up at their doorsteps

Incidentally this is not the first time that a film personality has been arrested under TADA Earlier two film producers from Bombay Hanif Kadawala and Samir Hingora and a film maker from Guwahati Jones Moholia were hauled up under the same act But they did not make news since they were less known like the 50 000 odd persons still languishing in jails held under TADA Since the introduction of TADA in May 1985 its net has spread beyond the areas for which it was initially meant and its scope beyond the offence for which it was ostensibly framed From Punjab and Kashmir (where terrorist activities provided the centre with an excuse for the introduction and sustenance of TADA in the beginning) the tentacles of the act have spread to places like Gujarat (where the sleuths of our intelligence agencies even by stretching their imagination farthest, have not yet been able to discover terrorists), Andhra Pradesh Assam Maharashtra Rajasthan, Tamil Nadu and Uttar Pradesh among other states The targets of TADA are no longer only the Khalistani terrorists and Kashmiri insurgents They represent an odd assortment of people, ranging from tribal leaders to advocates and judges from journalists to students, from trade unionists to farmers With 19,000 TADA cases, Gujarat tops the list Most of those detained are trade unionists, farmers involved in agitation Muslims charged with communal violence, underworld dons—in short, people whose alleged offences could have been taken care of by the ordinary laws, like the Indian Penal Code The composition of TADA detenus in other states also indicates that the overwhelming majority are either political opponents of the ruling powers or ordinary criminals against whom, if there were any charges the usual penal codes could have been used Even in Kashmir according to a ministerial statement in the Lok Sabha, of the 2 044 persons arrested under TADA till January 1 1991, only 124 were classified as 'terrorists' In Delhi again out of the 138 persons arrested in 1990-92 only 144 were alleged to be militants

The other intriguing aspect of TADA arrests is the way the act has been used against members of the minority communities Human rights groups have already drawn attention to this in their reports on the aftermath of the Bombay blasts Recently in the Lok Sabha an opposition party MP alleged that of the 50 000 odd persons held under TADA 40 000 belonged to the minority communities

What is even worse is that TADA chargesheet had been filed so far only in 5 per cent of the cases Is there any justification for the continued detention of the rest? Besides who will compensate the innocent for the years of their incarceration? Why should they be made to pay for the failure of the authorities to frame charges against them? In Delhi for instance a review panel for TADA detenus has found that in 145 of the 200 cases examined so far the use of the act was unnecessary following which the Delhi government has directed the withdrawal of TADA charges in those cases There are still 750 odd TADA cases in the capital awaiting trial and review

Reports of increasing misuse of TADA in different states— and finally the shindy kicked up by the elite over Sanjay Dutt s arrest—have compelled the National Human Rights Commission at last to recommend the repeal of the draconian act and even to threaten to go to the Supreme Court with a review petition Quite understandably, the state chief ministers—notably those of Maharashtra and Gujarat—are against any move that might curb the unbridled right that they had been enjoying under TADA to arrest arbitrarily any political opponent or inconvenient critic with whom they wanted to settle old scores It s not only the Congress chief ministers who would want the continuation of TADA In spite of their manifest opposition to TADA in the recent Lok Sabha session the major opposition parties had not only acquiesced in its approval in 1985 (when it was introduced) and in its extension in successive years in parliament but had also used it in states where they ruled In October 1991 the then Janata Dal government in Bihar invoked TADA against landless labourers involved in Naxalite movements In West Bengal, the Left Front government invoked it in Darjeeling during the Gorkhaland agitation, but later suspended it For some mysterious reason, on April 29, 1993 it notified Calcutta city under the act

In view of the extraordinary powers that the act confers on the state administration and the police it is very unlikely that the latter would agree to forgo them, whether the states are ruled by the Congress or by non Congress parties In the face of pressures from abroad and popular grievances within the country the centre might at the most strike a compromise by accepting the half-way house suggestion reportedly mooted by justice Ranganath Mishra chairman of the National Human Rights Commission, that if the act cannot be repealed *in toto* at least some of its 'obnoxious provisions' should be removed But then who decides what is 'obnoxious'? The ruling parties and their administration which are empowered to use TADA or those who are at its receiving end?

POLITICS

Low Score

PRIME MINISTER Narasimha Rao's address on independence day has been widely acclaimed as a tactical master-stroke as it is supposed to have been aimed at tackling two birds with the same stone While ostensibly directed at an adversary across the country's western frontiers it is also seen as a successful bid to hijack the central plank of the leading opposition party in the country the BJP Rao s bombardments from the ramparts of the Red Fort are also seen to have the potentialities of affecting another bird within the ruling party itself—the pecking bird at Janpath—if not directly then at least with the fall out The instantaneous change of the prime minister s image from a meek non charismatic and passive drifter to an aggressive 'no nonsense' chief of a self confident regional power is considered to have considerably reduced the need for his compulsive sensitivity to the unpredictable signals from the slowly re emerging recluse and systematic pinpricks from her hangers on

So far so good But what are the real consequences immediate and prospective? First it has immediately strengthened the position of the ruling lady in Islamabad Faced with the boycott of parliament by the opposition—the same travail as faced by Rao himself shortly before and finally overcome thanks to the malleability of the Indian opposition— Rao s heroics offer the Pakistan prime minister very plausible grounds for raising the custom made bogey of the nation in danger for demanding a total(itarian) national unity and thus enables Benazir Bhutto to assume more jingoist postures The resulting competitive exercises in bellicosity although originally contrived on both sides for gaining mileage in internal politics, may at some point go out of control and may assume proportions of real danger to the subcontinent

In internal politics, if the dialectical law of inter-penetration of opposites has some validity then Rao's hijacking of the BJP's plank is at the same time an act of offering himself as a potential hostage to that party From now onwards, it will be a competitive race of tactical skills—who gets the upper hand over whom in the long run

Finally if Rao's scores in these two tests are negative or low, can his image be or remain charismatic enough to ward off intra party bids for subversion? Seen this way Rao's Lal Qilla feat is too clever (only) by half

PULSES

Kesari Dal Dilemma

THE various studies and surveys on the epidemics of lathyrism which occurred up to the 1970s are today regarded as good illustrations demonstrating the social, economic and political roots of diseases There is incontrovertible epidemiological and experimental evidence that lathyrism is the outcome of the consumption of lathyrus sativus or kesari dal which is grown extensively especially in Madhya Pradesh Further as a result of an exhaustive enquiry conducted in the district of Rewa in Madhya Pradesh, following a directive of the Supreme Court in 1982 it was shown that the lathyrism occurred among those families who were paid wages in the form of grain including the poorer and cheaper pulses like kesari dal which formed a substantial portion of their diets This led the government of Madhya Pradesh to ban the payment of wages in the form of lathyrus sativus, but not its cultivation The state incidentally has the largest number of cases of lathyrism a crippling disease which affects the lower limbs permanently The Maharashtra government which has two lakh hectares of land under the crop has banned sale of the pulse for human consumption since 1961 The crop accounts for 3 6 per cent of pulse production in the country and has shown no decline

There is little information available on the extent of consumption of lathyrus However, although lathyrism does not occur in epidemic form now its spread has widened and it is sporadic According to a brief review in the Nutrition Foundation of India's bulletin lathyrus is increasingly being used as an adulterant in red gram and Bengal gram flour This in spite of the fact that under the Prevention of Food Adulteration Act lathyrus is a toxic adulterant With the sharp rise in the prices of pulses, this trend is likely to increase Several attempts have been made to either grow a strain of the pulse which does not contain the toxic components or to render lathyrus non-toxic by various processes All these have largely failed

Ironically, a pulse which was one of the cheaper sources of protein for the poor has been put out of their reach by banning its consumption and in effect of course protecting them to an extent from lathyrism, while permitting its cultivation has encouraged its other uses and its market value, thereby also exposing larger populations to the unknown risk of lathyrism The current move to lift the ban is clearly motivated by considerations other than the needs of the people Equally, however banning its cultivation involves the setting up of an effective enforcement machinery, an impossible task in the current circumstances of state's withdrawal from any sort of intervention

SRI LANKA

Waiting for LTTE's Response

OF the many decisions taken by the Chandrika Kumaratunga government in office for less than a fortnight, the announcement of the partial lifting of the economic embargo on Jaffna is perhaps the most significant This decision will not only allow the government some bargaining space with the LTTE but because it comes without apparent strings, is a show of goodwill which previous governments had never felt confident about taking Notionally the move will also have gained the government support from the local populations— by making their daily lives easier — and so putting pressure on the LTTE to negotiate but just how sensitive the LTTE is to people's aspirations is a moot question

The lifting of the embargo means that there will be free flow of 28 items including soaps timber kerosene tinned foods radios biscuits chocolates and sanitary napkins Items such as batteries certain electrical components and materials which may be used directly in the manufacture of bombs are still banned As usual the LTTE has not immediately responded to the decision publicly But it is significant that not a week earlier, the deputy minister for defence Anurudha Ratwatte had said on the subject of the embargo It is not enough if we issue a gazette lifting the ban on movement of all goods We need an assurance that they will reach those for whom they are intended He was referring to the fact that transport across the lagoon was still in the hands of the militants and that, without the co operation in the matter relaxing such curbs on Jaffna would be a meaningless exercise The government's decision to go ahead with the lifting of the embargo must indicate that it believes that the movement of goods will be effectualised Reports since then do suggest that these items are being allowed into Jaffna

This decision should also be seen in the context of the government's other decisions For instance, not only has the government constituted a ministry for ethnic affairs, Chandrika Kumaratunga has retained charge of it Moreover, the People's Alliance has obtained the right to government only because of the support of the three Tamil parties and the Sri Lanka Muslim Congress The TULF which fought the elections under the UNP banner is reported to be considering its legal options if it were to change sides now The prime minister has stated to the press her willingness to go to Jaffna to meet Prabhakaran She is reported to have said that the cabinet had worked out proposals, different from the devolution scheme which was the outcome of the India-Sri Lanka accord, which she is hopeful the LTTE will consider But all this constitutes the creation of space for the two, the government and the LTTE, to manoeuvre, space that can shrink rapidly if the latter were to reject or delay its response

Again, these moves on the ethnic conflict in the north are an integral part of a new approach in the running of the affairs of the country Keeping its election promise, the government has approved a sharp drop in the price of bread distributed through the network of bakeries More importantly, it will soon introduce a bill to set up a permanent commission on bribery and corruption Several specific commissions of inquiry have been set up to investigate disappearances and political murders According to conservative estimates there were as many as 35 000 disappearances which usually ended in extra judicial executions in custody during 1987 89 when the government launched its counter insurgency movement to suppress the Janatha Vimukti Peramuna

The prime minister has also sought to suspend until fresh inquiry many of the previous government's big deals such as the controversial purchase of Airbus aircraft and the defence equipment deals with the Russian government The latest such cancelled arrangement regarding telecommunications equipment from a Japanese company has prompted unease among business sections which are concerned about how much of the earlier government's liberalisation programme the PA will reverse Given the constraints on the economy especially with the extraordinary strain that the conflict in the north is putting on it the government is hardly likely to want to upset either the business community or western nations or multilateral agencies In fact, given its wafer-thin majority in parliament, political compulsions will influence a great many of its decisions For instance, the cabinet has obviously decided that instead of seeking to transform the role of the president through constitutional reform as it had proposed to do, it will now go ahead with the presidential elections in November and then seek opposition support in bringing about the change And, in the meanwhile, it will strengthen its support base by keeping its other promises a more democratic and open government and, most importantly, finding a negotiated, political settlement to the Tamil problem

Spectra Industries

SPECTRA INDUSTRIES (SIL) was incorporated on July 23, 1992 and obtained its certificate for commencement of business on August 14, 1992, but till now there has not been any manufacturing or trading activity. SIL proposes to manufacture a wide range of automobile sheet metal components like doors, panels, bonnets, dashboards, etc. The estimated total cost of the project is Rs 11 73 crore. After detailed project planning, obtaining of government permission and tieing up of the funds required for the project, the company is now coming out with a public issue of 34 30,000 equity shares of Rs 10 each at par aggregating Rs 343 lakh on September 15. The company is situated at village Murbad Thane in Maharashtra which is well connected by road and rail; the telecommunications link is also well provided for. Besides these advantages the company enjoys easy availability of power, water and skilled manpower and proximity to potential buyers like Premier Automobiles and other automobile manufacturers. The issue will be lead managed by BOI Finance, 20th Century Finance and Dynamic Share Services.

Kothari Pioneer Prima Plus

Kothari Pioneer Mutual Fund, registered as a trust, is a joint venture by the Investment Trust of India (ITI) of the HC Kothari Group and Pioneering Management Corporation (PMC) of the Pioneer Group, USA. John F Cagan of the US Pioneer group is the chairman and president of the mutual fund. The fund plans to come out with its second open ended issue of Prima Plus shares on September 19. The shares, which promise both capital appreciation and a regular dividend, will be available for Rs 10 each during the initial offer period. The fund had earlier in November 1993 launched two schemes, Kothari Pioneer Bluechip Fund and Kothari Pioneer Prima Fund. The target amount for the Prima Plus is Rs 75 crore, but in case the collection exceeds Rs 150 crore the shares will be allotted on a preferential basis to those investors whose investment is less than Rs 1 lakh. Some of the features of this unique scheme are flexibility, liquidity, return of the full amount without any discount to the net asset value and a dividend reinvestment plan.

Bhilai Wires

Promoted by H P Khetawat, Bhilai Wires, a steel wire manufacturing company, is all set to diversify into manufacture of optical fibre cable at Shogi, Himachal Pradesh, with a production target of 4,000 cable kms per annum. The estimated cost of the project is Rs 29 38 crore which is to be financed by a rights-cum public issue of FCDs, aggregating Rs 11 75 crore and the balance of Rs 17 63 crore being covered through term loans. The company has a technical collaboration with Rosandahl, Austria. Application of optical fibre is found in various sectors ranging from telecommunications to defence and other industrial areas, the primary use being in telecommunications. With the rise in demand for telephone lines, it is likely that the demand for optical fibre cables would also increase in the near future. The company intends to commence operations in its new product by January 1995. Lack of demand has forced the existing companies in the field like Hindustan Cables and Optel Communication to face low capacity utilisation. Seeing this Bhilai Wires has not only prudently restricted its project cost but also projected a 45 per cent capacity utilisation in the first full year. The company offers a 16 per cent fully convertible debenture at Rs 50 each, Part A of Rs 15 being convertible into one share after six months from the date of allotment and Part B being convertible at the end of a year from that date into a zero dividend preference share of Rs 10 each. The issue is to open on September 12.

Shree Krishna Polyester

Shree Krishna Polyester, a part of the Krishna group which is involved in the manufacture of synthetic textured yarns and knitted fabric, is undertaking two projects—a backward integration programme comprising of 50 400 spindles and 4 Rotors to manufacture cotton yarn and a forward integration for processing and finishing facilities for 12 000 tpa of cotton knitted fabric. The estimated cost for these two projects are Rs 168 and Rs 44 crore respectively. The company is obtaining its new spindles at a high cost of Rs 32 000 per spindle which can be justified on the ground that they are being obtained from reputed manufacturers like Reiter and Schlafhorst and the company is not availing of the concessional duty of 15 per cent under the EPCG scheme, the company is paying a custom duty of 37.5 per cent. Though the company has opted for imported machinery in case of the processing section the cost of Rs 44 crore seems reasonable when compared with similar projects. The company's past performance has been good with its sales and profits showing a quantum jump by 154 per cent and 275 per cent respectively. The new projects are to be part financed by an FCD offer to the public aggregating Rs 148 crore, each FCD being of Rs 140 which would be converted into two shares at a premium of Rs 60 each on allotment. The company has locational advantages in terms of easy access to raw materials and markets in western India. The company comes out with the issue on September 12. The lead managers to this issue are IDBI, SBI Capital Markets, Apple Industries, Lloyds Finance and Jardine Fleming India Securities, the co-managers being Times Guaranty Financials and PNB Capital Services.

Gujarat Raffia Industries

Gujarat Raffia Industries is engaged in the manufacture of PE/PP woven sacks, PE/PP sheets laminated with kraft paper and PE tarpaulins. The company is now coming out with an issue on September 15 to finance its expansion-cum diversification programme. The project is to increase the capacity of PE tarpaulins by 3,177 MT annually and installation of additional capacity of 255 MT per annum of PP ropes. The company has designs to set up its new plant in village Santej in Mehesana district of Gujarat. The estimated cost of the project is Rs 16 14 crore which is part financed by the issue of equity shares of Rs 10 each at a premium of Rs 10 per share aggregating Rs 8 6 crore, the rest is financed by a term loan from IDBI. The company has performed well for the past three years with increasing sales and net profit. The company has firm export tie-ups with Cinda Industries of Taiwan for a period of five years. Since the location of the project is in a backward area, the company is eligible for sales tax and state subsidy benefits. The issue is lead managed by Anagram Finance and Bank of Baroda.

Northland Sugar

Promoted by Punjab State Industrial Development Board (PSIDC) and Parshotam Lal Maini, Northland Sugar Complex, originally Dasuya Co operative Sugar Mills, is to enter the capital market on September 9 with a public issue of 1 21 crore equity share of Rs 10 each at par aggregating Rs 12 14 crore. The company is setting up a sugar unit with 2,500 tonne crushed per day (TCD) capacity which would be expandable to 3 500 tcd. It is also setting up a cogeneration power plant of 5 MW. The plant is to be located in Hoshiarpur, Punjab. Though Punjab has a yield of 56 9 tonne per hectare of sugar cane the crop does not have high sucrose content and the recovery rate is low at 9 39 per cent compared to the national average of 10 31 per cent. The company is taking up cultivation of sugarcane to meet its raw material requirements. One of the advantages that the company would enjoy is 100 per cent free sale of sugar for a period of nine years under the sugar incentive scheme, 1993. Shares worth Rs 5 10 crore are being allotted to SBI Mutual Fund, 20th Century Finance, Canbank, PNB, GIC and NRIs, thus leaving only 69 91 lakh shares for the public. The post issue equity will reach Rs 23 69 crore, of which the promoters will hold 49 per cent. With virtually no gestation period for the project, production is to commence in October this year.

CURRENT STATISTICS

EPW Research Foundation

The week has seen a phenomenal rise in equity prices with the BSE sensitive index again piercing the scam-period peak of 4547 and touching the all-time high of 4588 on August 31 and settling at 4526 at the week-end. FIIs' portfolio investment and large speculation in cash action scrips have contributed to the spurt. A single month's data for April suggest an annual rise of 8 per cent in the index of industrial production, with manufacturing output showing a rise of 9.7 per cent. The WPI has begun to edge downwards with the over-the-year increase falling to 9.7 per cent, though the food price index has continued with the uptrend. With a significant contraction of net bank credit to government, monetary growth is being arrested. So is the growth in reserve money following a drastic reduction in RBI credit to the central government. During April-June 1994, exports in dollar terms expanded moderately by 8.3 per cent but non-petroleum imports rose by 17.8 per cent.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Aug 13, 1994	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
All Commodities	100.0	270.4	1.0	9.7	7.6	4.4	5.7	10.8	7.0	13.6	12.1
Primary Articles	32.3	280.8	1.7	11.3	4.1	8.4	8.7	11.5	3.0	15.3	17.1
Food Articles	17.4	315.5	2.5	8.7	3.9	12.5	8.1	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	288.2	0.8	18.7	1.5	2.9	8.2	24.9	–1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	279.1	–	9.8	18.8	0.4	3.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	262.9	0.7	8.7	7.8	3.4	4.6	9.9	7.9	12.6	8.9
Food Products	10.1	271.8	–	8.5	8.7	7.8	11.7	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	299.5	1.7	8.6	5.5	10.9	9.3	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-August 13, 1994)	100.0	266.3	–	9.8	8.0	11.2	7.1	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Industrial Workers (1982=100)	277[6]	1.8	10.8	5.9	3.7	2.9	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	224[4]	0.9	8.7	6.7	0.9	0.5	–	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1189[6]	1.2	12.5	1.0	1.2	0.4	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Aug 5, 1994	Variation: Over Month	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92
Money Supply (M3)	461531	2752 (0.6)	27965 (6.4)	24138 (6.6)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	88951	-2287 (–2.5)	6753 (8.2)	5390 (7.9)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	369041	5808 (1.6)	20201 (5.8)	15669 (5.3)	51601 (17.4)	41471 (16.3)	43392 (20.5)
Net Bank Credit to Govt	217043	–3207 (–1.5)	13257 (6.5)	22480 (12.8)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	239036	281 (0.1)	1833 (0.8)	–143 (–0.1)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Net Foreign Exchange Assets	64892	3368 (5.5)	11165 (20.8)	3095 (12.4)	28775 (15.3)	3726 (17.6)	10645 (100.6)
Reserve Money	147712	–968 (–0.7)	9090 (6.6)	11797 (10.6)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	97820	–4241 (–4.2)	1037 (1.1)	16444 (17.0)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	333694	4833 (1.5)	19880 (6.3)	14636 (5.4)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	166905	387 (0.2)	3283 (2.0)	983 (0.6)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food Advances	154987	740 (0.5)	2272 (1.5)	–1533 (–1.1)	7476 (5.1)	24317 (20.1)	9127 (8.2)
Investments	146090	1092 (0.8)	13697 (10.3)	7142 (6.8)	26737 (25.3)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	April 1994	Average for Fiscal Year So Far: 1994-95	Average for Fiscal Year So Far: 1993-94	Variation (Per Cent): Fiscal Year Averages: 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	225.0	225.0 (8.0)	208.3 (–0.4)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	207.2	207.2 (0.5)	206.1 (1.4)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	217.0	217.0 (9.7)	197.8 (–2.0)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	292.3	297.3 (5.7)	281.4 (6.4)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Sept 2, 1994	Month Ago	Year Ago	1994-95 So Far: Trough	1994-95 So Far: Peak	1993-94: Trough	1993-94: Peak	End of Fiscal Year: 1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	4526 (68.6)	4282	2684 (–11.7)	3600	4588	2037	4286	3779 (65.7)	2281 (–46.8)	4285 (266.9)
National Index (1983-84=100)	2140 (69.7)	2025	1261 (–6.3)	1765	2150	934	2050	1830 (79.2)	1021 (–48.1)	1968 (234.1)

Foreign Trade	June 1994	Cumulative for Fiscal Year So Far: 1994-95	Cumulative for Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Exports Rs crore	5623	17610 (8.3)	16257 (41.4)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1792	5614 (8.3)	5182 (29.1)	22173 (20.4)	18421 (3.1)	17866 (–1.5)	18143 (9.1)
Imports Rs crore	5910	18231 (5.8)	17225 (7.8)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)
US $ mn	1884	5812 (5.8)	5491 (–1.5)	23212 (6.8)	21726 (11.9)	19411 (–19.4)	24073 (13.2)
Non-POL US $ mn	1549	4543 (17.8)	3856 (–5.6)	17559	15319	14047 (–22.2)	18045 (3.1)
Balance of Trade: Rs crore	–287	–621	–968	–3259	–9572	–3809	–10640
US $ mn	–92	–198	–309	–1039	–3305	–1545	–5930

Foreign Exchange Reserves	Aug 19, 1994	Year ago	Mar 31, 1994	Variation Over: Month Ago	Year Ago	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
Rs crore	55526	22551	47626	979	32975	7900	2355	27430	5385	10223	–1383
US $ mn	17828	7193	15176	474	10635	2652	741	8724	731	3383	–1137

Industrial Production

(Rs crore)

Capital Goods Industries	Unit	Weight	Quarterly: Oct-Dec 1993	Quarterly: July-Sept 1993	Quarterly: Apr-June 1993	Full Fiscal Year: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Twist drills	Lakh nos	0.5898	143	157	121	431	357	380	374	351	278
			(66.3)	(65.3)	(22.2)	(20.7)	(–6.1)	(1.6)	(6.6)	(26.3)	
Agricultural tractors	00' nos	0.6223	34.1	33.8	32.9	146.8	143.6	143.5	125.1	83.2	80.0
			(–4.9)	(–10.8)	(–14.3)	(2.2)	(0.1)	(14.7)	(50.4)	(4.0)	
Mobile cranes	00' tns	0.1450	23	21	21	108	157	201	157	141	119
			(–3.8	(–22.2)	(–4.5)	(–33.8)	(–21.9)	(28.0)	(11.3)	(18.5)	
Road rollers	Nos	0.0680	15	4	3	35	193	355	375	564	530
			(280.0	(–66.7)	(–81.2)	(–81.9)	(–45.6)	(–5.3)	(–33.5)	(6.4)	
Construction equipment	Nos	0.3004	511	375	273	2139	2378	2734	2631	2149	1944
			(2.4)	(–35.2)	(–43.8)	(–10.1)	(–13.0)	(3.9)	(22.4)	(10.5)	
Boilers	Cr Rs	0.3907	245	229	142	958	835	893	884	778	.647
			(–11.2)	(–4.2)	(–14.5)	(14.7)	(–6.5)	(1.0)	(13.6)	(20.2)	
Turbine (steam and hydro)	Cr Rs	0.0081	56	54	38	374	439	340	245	164	270
			(–42.3)	(–14.3)	(–28.3)	(–14.8)	(29.1)	(38.8)	(49.4)	(–39.3)	
Diesel engines	000 nos	0.6034	420	420	418	1670	1633	1720	1759	1855	1896
			(–0.2)	(–0.2)	(3.2)	(2.3)	(–5.1)	(–2.2)	(–5.2)	(–2.2)	
Sugar machinery	Lakh Rs	0.1789	2154	2143	1677	10282	10721	7346	5156	3247	3936
			(–26.5)	(–28.6)	(15.9)	(–4.1)	(45.9)	(42.5)	(58.8)	(–17.5)	
Textile machinery	Lakh Rs	0.7608	24655	23788	19795	83785	90045	81692	55793	39945	35777
			(23.3)	(15.4)	(–2.1)	(–7.0)	(10.2)	(46.4)	(39.7)	(11.6)	
Chemical machinery	Lakh Rs	0.2593	24368	16758	17320	52059	43026	35678	29196	21970	19216
			(50.2)	(36.9)	(130.9)	(21.0)	(20.6)	(22.2)	(32.9)	(14.3)	
Paper machinery	Lakh Rs	0.0825	1109	1202	963	5877	5642	3356	1424	1666	1974
			(–22.8)	(–19.9)	(–32.1)	(4.2)	(68.1)	(135.7)	(–14.5)	(–15.6)	
Metallurgical machinery	Lakh Rs	0.0468	3582	3069	2105	14712	11107	10332	11726	10395	9750
			(–2.3)	(–29.0)	(–35.2)	(32.5)	(7.5)	(–11.9)	(12.8)	(6.6)	
Mining Machinery	Lakh Rs	0.0797	2328	2046	2141	9132	8783	6664	9465	6934	5877
			(–28.1)	(30.6)	(65.6)	(4.0)	(31.8)	(–29.6)	(36.5)	(18.0)	
Cement machinery	Lakh Rs	0.1139	8489	10394	5585	17068	2455	2774	3150	2744	6473
			(55.2)	(121.6)	(287.6)	(595.2)	(–11.5)	(–11.9)	(14.8)	(–57.6)	
Refrigeration and Air conditioning plant	Lakh Rs	0.0654	1888	2062	1640	7599	6510	4600	3546	2536	2167
			(2.1)	(–4.4)	(–2.2)	(16.7)	(41.5)	(29.7)	(39.8)	(17.0)	
Lifts	Nos	0.2312	964	927	923	3444	2890	3178	2039	2210	1952
			(17.0)	(16.9)	(10.5)	(19.2)	(–9.1)	(55.9)	(–7.7)	(13.2)	
Power driven pumps	000 nos	0.3012	126	122	115	532	533	509	482	593	516
			(–10.0)	(–10.3)	(–5.7)	(–0.2)	(4.7)	(5.6)	(–18.7)	(14.9)	
Air and gas compressors	Nos	0.1961	12627	12923	11959	42428	39612	46837	45634	47478	47901
			(2.5)	(29.6)	(42.8)	(7.1)	(–15.4)	(2.6)	(–3.9)	(–0.9)	
Ball roller and needle bearings	Lakh nos	0.3947	243	250	233	934	873	1010	1191	1104	704
			(4.3)	(7.8)	(–4.5)	(7.0)	(–13.6)	(–15.2)	(7.9)	(56.8)	
Electric generators (incl alternator)	Lakh Rs	0.6721	7340	6218	6437	34081	39961	29358	21419	19173	23259
			(–11.1)	(–11.9)	(–3.9)	(–14.7)	(36.1)	(37.1)	(11.7)	(–17.6)	
Power distribution transformers	000 nos	0.2394	107	108	104	335	334	333	331	326	331
			(27.4)	(28.6)	(25.3)	(0.3)	(0.3)	(0.6)	(2.2)	(–1.5)	
Electric motors	000 nos	0.1287	249	243	243	972	979	982	977	990	988
			(2.5)	(0.0)	(0.0)	(–0.8)	(–0.3)	(0.5)	(–1.3)	(0.2)	
PVC/PICL	KM	0.4540	4985	4580	4338	18772	20918	27231	24117	24402	27077
			(8.3)	(3.2)	(–17.2)	(–10.3)	(–23.2)	(12.9)	(–1.2)	(–9.9)	
Telecommunication cables	Th km	0.0460	3021	2995	2868	10898	8431	6591	8229	8792	4731
			(1.2)	(15.5)	(19.9)	(29.3)	(27.9)	(–19.9)	(–6.4)	(85.8)	
ACSR/AA conductors	000 tns	0.3124	7	7	6	24	57	59	48	29	41
			(16.7)	(16.7)	(–14.3)	(–57.9)	(–3.4)	(23.0)	(65.5)	(–29.3)	
Storage batteries	000 nos	0.1587	6.5	8.3	6.4	27.6	38.2	36.0	38.7	32.9	30.2
			(–7.1)	(36.1)	(–17.9)	(–27.7)	(6.1)	(–6.0)	(17.6)	(8.9)	
Power capacitors	000 kva	0.0241	823	805	627	3012	3160	3348	2566	1874	1501
			(6.6)	(7.6)	(–20.1)	(–4.7)	(–5.6)	(30.5)	(36.9)	(24.9)	
Computer system and its peripherals	Cr Rs	0.3515	115	115	96	546	509	547	389	232	213
			(–11.5)	(–17.3)	(–17.9)	(7.3)	(–6.9)	(40.6)	(67.7)	(8.9)	
Ship building	Cr Rs	0.6497	117	101	115	639	407	469	469	426	279
			(–4.1)	(–13.7)	(–16.7)	(57.0)	(–13.2)	(0.0)	(10.1)	(52.7)	
Railway locomotives	Nos	0.9266	77	72	61	302	310	302	287	281	223
			(22.2)	(–8.9)	(–19.7)	(–2.6)	(2.6)	(5.2)	(2.1)	(26.0)	
Railway wagons	000 nos	0.5565	4.7	5.1	4.9	25.2	25.8	23.7	23.6	21.5	16.1
			(–4.1)	(–20.3)	(–7.5)	(69.5)	(8.9)	(0.4)	(9.8)	(33.5)	
Railway coaches	Nos	0.4751	624	620	526	2515	1484	1544	1424	1409	1233
			(–1.4)	(–8.0)	(–8.4)	(69.5)	(–3.9)	(8.4)	(1.1)	(14.3)	
Commercial vehicles	000 nos	1.3699	47	34	26	150	150	146	126	116	120
			(9.3)	(9.7)	(–21.2)	(0.0)	(2.7)	(15.9)	(8.6)	(–3.3)	
Jeep	000 nos	0.2891	7.2	5.8	5.6	23.4	27.5	38.3	45.6	38.0	33.3
			(24.1)	(–15.9)	(19.1)	(–14.9)	(–28.2)	(–16.0)	(20.0)	(14.1)	
Medical and surgical instruments	Lakh Rs	0.0319	737	761	554	2949	2210	2308	2208	1889	2008
			(–0.5)	(3.4)	(–11.1)	(33.4)	(–4.2)	(4.5)	(16.9)	(–5.9)	
Capital goods industries (group index) (1980-81=100)		16.4271	263.3	239.9	215.1	263.0	267.1	291.7	251.4	206.6	192.9
			(3.3)	(–8.1)	(–9.3)	(–1.5)	(–8.4)	(16.0)	(21.7)	(7.1)	(16.0)

Notes: (i) Superscript numeral denotes month to which figure relates, e g. superscript 7 stands for July. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. (iii) — means not available; .. Not relevant.

MAHINDRA AND MAHINDRA

Market Leader

MAHINDRA AND MAHINDRA, the market leader in utility vehicles and tractors, has shown a significant growth in income and profits for the year 1993-94. While net sales increased by 19 per cent over the previous year, the company's operating profits improved by 62 per cent and its net profit soared by 184 per cent from Rs 23.88 crore in 1992-93 to Rs 67.85 crore. Though the company provided for a net non-operating loss of Rs 13.2 crore and a tax provision of Rs 14.7 crore (1992-93 nil), the rise in overall net profit was aided by a 5.5 per cent fall in interest charges and a mere 9 per cent rise in depreciation provision. Encouraged by its performance, the company has increased its dividend rate from 30 per cent last year to 45 per cent on a higher equity base.

With the increase in demand for automobiles, the company's automotive division saw an increase in production from 35,257 vehicles (excluding CKD packs) to 47,110 vehicles, while vehicle sales were higher by 31.2 per cent at 46,251 vehicles as compared to 35,259 vehicles sold in the previous year. Sale of spare parts and also that of press metal components/assemblies were higher the former rising by 14.1 per cent to Rs 47.6 crore and the latter by 18.7 per cent to 8,849 metric tonnes. The declining trend in the tractor industry for the second consecutive year due to the depressed cash crop prices as also the difficulties faced by farmers in obtaining tractor loans saw a 3.9 per cent fall in the industry's total tractor sales from 1,43,602 tractors to 1,38,060 tractors. Consequently though the company's production and sale of tractors fell from 35,454 and 34,052 units respectively to 32,925 and 32,875 units, it maintained its leadership position (for the 11th consecutive year) with a 23.9 per cent share of the market. Though the company's instrumentation division continued to perform unsatisfactorily its automotive components division saw an increase in income of 31.8 per cent over the previous year while its project engineering units successfully executed orders for ash handling plants, spares and travelling water screens (TWS) to the tune of Rs 2.8 crore in addition to completing two TWS contracts with Anpara Thermal power station and DESU TWS. The company's property development division has completed phase I of its Pimpri-Chinchwad housing project near Pune and almost all the flats have been sold. The intertrade division which comprises steel, machine tools, graphics, technical services and steel service centre continued to show an improvement in its performance. It has installed a sophisticated computer-controlled tyre uniformity machine at one of India's leading radial tyre manufacturers and is now executing another order for similar machines in addition to obtaining an additional franchise for marketing and servicing hi-tech instruments.

The company's $ 75 mn global depository receipts (GDRs) (including a green shoe option of $ 10 mn) euro-issue in November 1993 was oversubscribed by 8.5 times, making M and M's issue the first issue without warrants to be priced at a market price.

BAJAJ AUTO

Higher Production

Bajaj Auto, the largest two wheeler manufacturer in the country with almost 50 per cent of the market share in two- and three-wheelers, has substantially improved its production and sales in 1993-94 after two consecutive years of declining volumes due to recession. Net sales went up by 31.79 per cent over the previous year while operating and net profit went up by 82.6 per cent and 183.8 per cent, respectively. Keeping in view the overall upbeat performance, the company has announced an 80 per cent dividend. Further, as 1994-95 is the company's 50th year of existence, and following its substantial build-up of reserves, it has announced a bonus issue in the ratio of one:one.

The company's production of two- and three wheelers rose from 7,73,313 last year to 9,20,762 in numbers in 1993-94, while sale was higher at 9,13,102 (up from 7,66,922).

The company proposes to come out with an euro-issue of up to 4 million equity shares through Global Depository Receipts (GDRs). The company has also reviewed some of its two-wheeler products like the scooter 'Chetak Classic', motorcycle '4S Champion' and M-80 motor cycle and given them additional utility features. The company plans to launch a new sporty 2-stroke motorcycle.

The environmentally conscious company has strictly adhered to the environmental rules. Regular in-house training programmes are conducted to promote effective safety awareness among the employees.

The technical collaboration agreement with the Japanese Kawasaki Heavy Industries has been extended for another four years from October 1993. The extended agreement also covers the technical know-how pertaining to the 4S Motorcycles. Consultations are on with renowned research organisations for developing models which would reduce emissions, keeping in view the need to develop fuel efficient vehicles. The company also proposes to introduce upgraded two- and three-wheeler models during the year.

The company exported 31,079 two- and three-wheelers (including 12,334 ckd packs) as against 17,209 two- and three- wheelers (including 3,760 ckd packs) last year thus entailing an increase of 92 per cent in export revenue. Exports were mainly to Bangladesh, Sri Lanka, Colombia, Mexico, Argentina and Peru as also to European markets such as Sweden, in addition to a new and promising market, namely, Italy, the largest European market.

Meanwhile, for the first quarter of the current year (1994-95), the company's vehicle production improved by 26 per cent over the corresponding period last year and turnover was up 39 per cent over the same period.

ACC

Hit by Recession

ACC, the cement giant belonging to the Tata group, has failed to sustain in 1993-94 its previous year's performance. While the company's net sales increased by 8.5 per cent over the previous year, operating profit was down 12.5 per cent and net profit was down 7.3 per cent. The company maintained its dividend rate at 30 per cent for 1993-94 despite the overall fall in profitability. While the company made no provision for taxation, depreciation provision was lower by 20 per cent.

With recessionary trends continuing to affect the cement industry following reduced government offtake (which accounts for a major chunk of the industry's demand), on the one hand, and a simultaneous rise in inputs like coal, power and freight, on the other put pressure on the industry's margins as a whole, ACC being no exception. The company's plants at Gagal, Madukkarai and Wadi recorded higher clinker production during the year, while production of cement rose marginally by 2.8 per cent from 74.8 lakh tonnes in 1992-93 to 77.2 lakh tonnes. Sale of cement was also only slightly higher at 77.8 lakh tonnes as against 75.1 lakh tonnes (up 3.6 per cent) sold in the previous year. Sale of refractory products from the Katni plant was also higher by 12 per cent at 48,011 tonnes as against 42,871 tonnes sold last year while production of brown tabular alumina at the Kymore refractory plant increased from 2,578 tonnes to 4,662 tonnes. Further, the company sold an additional 13,369 tonnes of franchised refractory products. ACC has achieved the distinction of being a major supplier of turnkey services in the field of refractories and has further expanded its turnkey and application services. As a part of its expansion programme, the company plans to cater to the requirements of large cement plants and for this reason it has entered into a technological transfer agreement with one of the world's largest producers of refractories for the cement industry, namely, Refratechnik GmbH, Germany for producing Magchrome

The Week's Companies

(Rs lakh)

Financial Indicators	Mahindra and Mahindra		Bajaj Auto		ACC		Brooke Bond Lipton		Dharamsi Morarjee	
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	Dec 1993	Dec 1992	March 1994	March 1993
Income/appropriations										
1 Net sales	141894	119387	132662	100658	137606	126812	130312	63721	16904	16334
2 Value of production	143352	121366	132374	102218	136437	127639	137964	62081	16963	16494
3 *Total income*	149788	126908	140141	108621	140850	131351	140870	63475	17348	16788
4 Raw materials/stores and spares consumed	90289	79462	75423	63617	30401	28479	92912	40812	9503	9674
5 Other manufacturing expenses	8336	8593	8173	7252	42157	35975	4752	2013	1357	1154
6 Remuneration to employees	20720	18114	10492	9959	11472	10663	10113	4271	1361	1233
7 Other expenses	11731	9211	12110	9203	41430	38653	17593	7976	2929	2372
8 *Operating profit*	18712	11528	33943	18590	15390	17581	15500	8404	2198	2355
9 Interest	5624	5949	1515	2627	6331	5717	2093	1521	1095	1275
10 *Gross profit*	11765	6097	32988	17870	9591	11953	14266	6954	1033	1082
11 Depreciation	3505	3212	6646	8119	3514	4396	921	554	404	551
12 *Profit before tax*	8260	2388	26337	9748	6077	7557	13344	6399	628	530
13 Tax provision	1475	0	11720	4597	0	1000	4800	2100	59	29
14 *Profit after tax*	6785	2388	14617	5151	6077	6557	8544	4299	569	501
15 Dividends	1835	1079	3010	1881	2350	2350	5431	2296	363	225
16 Retained profit	4950	1309	11607	3270	3727	4207	3113	2003	206	276
Liabilities/assets										
17 Paid up capital	5033	3621	3763	3763	7834	7834	12048	5887	1250	1244
18 Reserves and surplus	47883	20870	45711	33604	33165	29438	19261	5045	3196	2970
19 Long term loans	32055	32141	11010	7915	48957	37119	17756	9303	5228	4462
20 Short term loans	11757	12331	9121	8528	20991	18830	589	222	1412	1295
21 Of which bank borrowings	5893	9110	5622	3119	7991	14580	6763	2337	0	0
22 Gross fixed assets	32242	51176	92344	75808	115453	86461	23850	8281	8601	7557
23 Accumulated depreciation	2510	19587	66461	46601	40942	38343	7897	3899	3623	3314
24 Inventories	31924	26140	16133	17269	20034	26390	33584	14523	4207	3092
25 Total assets/liabilities	128106	100531	109467	85326	156913	135125	76146	316249	16310	14437
Miscellaneous items										
26 Excise duty	23063	23310	27135	23443	25886	25209	2121	1734	4	2
27 Gross value added	35711	30311	42403	29904	27402	28230	25962	12540	3415	3594
28 Total foreign exchange income	5386	5536	7326	3886	4358	3418	9654	7444	811	227
29 Total foreign exchange outgo	6430	5080	6285	6411	2739	2614	2197	933	5665	6113
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	110.8	118.8	121.2	118.0	87.7	93.8	171.1	201.5	103.6	113.1
31 Sales to total net assets (%)	146.7	173.1	191.1	187.1	124.0	136.0	262.4	311.5	152.5	163.8
32 Gross value added to gross fixed assets (%)	110.8	59.2	45.9	39.4	23.7	32.7	108.9	151.4	39.7	47.6
33 Return on investment (gross profit to total assets) (%)	9.2	6.1	30.1	20.9	6.1	8.8	18.7	22.0	6.3	7.5
34 Gross profit to sales (gross margin) (%)	8.3	5.1	24.9	17.8	7.0	9.4	10.9	10.9	6.1	6.6
35 Operating profit to sales (%)	13.2	9.7	25.6	18.5	11.2	13.9	11.9	13.2	13.0	14.4
36 Profit before tax to sales (%)	5.8	2.0	19.9	9.7	4.4	6.0	10.2	10.0	3.7	3.2
37 Tax provision to profit before tax (%)	17.9	0.0	44.5	47.2	0.0	13.2	36.0	32.8	9.4	5.5
38 Profit after tax to net worth (return on equity) (%)	12.8	9.8	29.8	13.8	14.8	17.6	27.3	39.3	12.8	11.9
39 Dividend (%)	45.0	30.0	80.0	50.0	30.0	30.0	44.0	39.0	29.0	24.0
40 Earning per share (Rs)	13.48	6.59	38.84	13.69	77.57	83.70	7.09	7.30	4.55	4.03
41 Book value per share (Rs)	100.46	60.25	130.15	99.30	523.35	475.77	25.93	18.57	35.57	33.87
42 P/E ratio (based on latest and corresponding last year's price)	29.1	28.4	17.2	29.2	64.1	26.6	69.8	48.6	23.1	15.5
43 Debt-equity ratio (adjusted for revaluation) (%)	63.4	147.3	22.5	21.2	119.4	99.6	56.8	85.1	117.6	105.9
44 Short-term bank borrowings to inventories (%)	18.5	34.9	34.8	18.1	39.9	55.2	20.1	16.1	0.0	0.0
45 Sundry creditors to sundry debtors (%)	149.2	419.8	192.2	195.0	266.3	193.8	349.9	348.5	103.2	85.4
46 Total remuneration to employees to gross value added (%)	58.0	59.8	24.7	33.3	41.9	37.8	39.0	34.1	39.9	34.3
47 Total remuneration to employees to value of production (%)	14.5	14.9	7.9	9.7	8.4	8.4	7.3	6.9	8.0	7.5
48 Gross fixed assets formation (%)	−37.0	8.7	21.8	8.6	33.5	30.0	187.2	95.3	13.8	3.9
49 Growth in inventories (%)	22.1	9.4	−6.6	−19.0	−24.1	30.4	131.2	0.7	36.1	20.5

bricks Commercial production of Magchrome bricks, which will be marketed under the brand name 'Perilex-ACC', is expected to commence by the end of December 1994

Meanwhile the company is in the process of enhancing its total cement production at Gagal and with the completion of the pre-commissioning trials of its new 10 lakh tonnes plant its total capacity will increase to over 20 lakh tonnes per annum Regular commercial production is expected to commence in the second quarter of 1994-95 Installation work of another 10 lakh tonne per annum capacity plant is in progress and the project is expected to be completed by the second quarter of 1994 95 for trial production The company is also installing an additional power plant of 25 MW capacity at Wadi which is expected to be operational in the third quarter of 1994-95 thus insulating it from the uncertain power supply of the Karnataka State Electricity Board The expansion cum modernisation project at the Madukkarai plant which will enhance its capacity to 8 lakh tonnes per annum, has been substantially completed while the project at Falta West Bengal for the manufacture of 10,000 tonnes per annum of high purity synthetic ferric oxide is expected to commence trial production by September 1994

The company plans to come out with a $ 100 mn euro issue and also an issue of up to 5 lakh warrants to certain Tata companies in the near future

DHARAMSI MORARJEE

Drop in Sales

A Bombay based chemical company Dharamsi Morarjee Chemical Company saw a 3 5 per cent rise in net sales during 1993-94 and a 13 6 per cent rise in net profit Operating profit was lower by 6 7 per cent following a rise in operating expenses but a 14 1 per cent lower interest charge coupled with a 26 7 per cent lower depreciation provision helped the company post a positive bottomline The receipt of a major portion of the fertiliser subsidy which was long overdue from the central government has been a contributory factor

While sale of sulphuric acid 100 per cent oleums, chlorosulphonic acid, sulfamic acid, ammonium sulfamate, diethyl sulphate and resorcinol in volume terms increased from 1,25 793 mt, 35,050 mt 41,368 mt, 2,963 mt 543 mt, 919 mt and 135 mt respectively, to 1 66,337 mt, 45,597 mt, 49,532 mt, 3,799 mt 789 mt 1,139 mt and 152 mt per unit realisation fell drastically resulting in lower sale value for these products Sale of single superphosphate, alumina sulphate 17 per cent and stabilised sulphur trioxide on the other hand fell both in volume terms from 3,14,311 mt, 69,120 mt and 2,720 mt, respectively, to 2 75,141 mt, 65,036 mt and 1,778 mt as well as in value terms Thus, though total income from its manufacturing activities fell by 4.7 per cent over the previous year, the company managed to increase net sales only due to a sharp rise of 76 per cent in technical consultancy and contract revenue which rose from Rs 16 5 crore last year to Rs 29 1 crore in 1993-94 The company is heavily import-dependent for its raw materials with yearly import outgo amounting to Rs 52 crore to Rs 71 crore during the past three years, on the other hand, its export earnings ranged from Rs 2 2 crore to Rs 3 7 crore

The company's sale of fertilisers fell by 24 per cent during the year and the fall in sale of single superphosphate was mainly due to uncertainty about the quantum of subsidy and the state governments' delay in fixing prices for the sale of subsidised fertilisers Further, the failure of monsoons in Saurashtra and some parts of Madhya Pradesh also affected sale

With the reduction in rate of subsidy on single superphosphate to almost one fourth of the earlier rate the company expects lower incidence of interest on account of funds blocked in subsidy in the future

Meanwhile the company commissioned its chlorosulphonic acid plants at Ambernath and Jhar in Amreli district the former having an installed capacity of 40 000 mt per annum and the latter having an installed capacity of 16 500 mt per annum The di ethyl sulphate plant at Roha which has an installed capacity of 3 000 mt per annum was also successfully commissioned during the year

The company now plans to diversify and is implementing a project to import and market one million tonnes per annum of refrigerated LPG for which it has already made the necessary applications to the concerned authorities

BROOKE BOND LIPTON INDIA

Amalgamations and Acquisitions

Apart from the merger between Brooke Bond India and Lipton India, the subsidiaries of Unilever plc, to form yet another consumer product giant, the year 1993 also saw the amalgamations of three other companies with the giant company, namely, Doom Dooma India Tea Estates India and Kissan Products Besides, the new company also suceeded in acquiring Dollops business from Cadbury India In January 1992, Brook Bond India had acquired Kothari General Foods Corporation under a rehabilitation-cum-amalgamation scheme approved by the BIFR S M Datta who is the chairman of the other Unilever giant in India, Hindustan Lever, is also the chairman of the new company The gross fixed assets of the company shot up from Rs 83 crore in March 1992 to Rs 239 crore in March 1993

Following all these mergers and amalgamation, the balance sheet figures are not comparable. However, the company's financial indicators do show excellent returns Its net sales have gone up by 104 5 per cent while operating profit and net profit have gone up by 84 5 per cent and 98 73 per cent, respectively The company has decided to give a dividend of 24 per cent which is also payable to the shareholders of the amalgamated companies

The company has been taking measures to maintain its hold over the tea market In line with this strategy the company introduced a range of low-unit price packs to tap the potential of the growing rural market The company has recently set up a new factory at Dharwad in Karnataka and has also launched an ambitious project on black tea research at its research laboratory in Whitefield The company has been successful in consolidating its position as the market leader in the coffee market by registering a good growth in volume and market share despite an overall decline in the market On the edible oil front too the company's brand 'Dalda' has done well though the industry has been facing stiff competition arising out of the combination of severe price discounting by cheaper liquid oil alternatives and severe margin pressures from the new manufacturing units enjoying sales tax exemption Other brands like 'Flora Refined Sunflower Oil' and 'Gold Seal Refined Mustard Oil' have also fared well sales wise The company has implemented an effective programme to reduce manufacturing cost and working capital deployment while maintaining quality The company s short-term bank borrowings constitute only 20 per cent of inventories against the corporate sector average of over 54 per cent.

Brooke Bond Lipton's dairy products too have been doing well and the sales volumes and market share have been very encouraging The company has doubled its spray drying capacity at Etah to meet the increased volume requirements Measures have also been taken to step up the quality assurance procedures at the factory The company has the distinction of having participated in the IRDP programme at Etah and of having seen it being successful The company's bakery products as well as its tea and coffee vending service have performed satisfactorily Its animal feed business has also shown good progress due to effective margin and working capital management Two locations in western India have been tied up with manufacturing facilities to meet the growing market demands for fish-feed plant

The company has also fared significantly well on the export front with its exports growing by around 30 per cent The company has been successfully utilizing the capacity it acquired from its amalgamation of Kothari General Foods The company proposes to set up a 100 per cent export-oriented unit in Etah, Uttar Pradesh, and has applied for the same

Its new projects include entry into frozen desserts and re-launching of Kissan Products

Deng Xiaoping: A Senile Ninety?

GPD

With all his faults, Deng Xiaoping and, because of him, the other leaders of China are the only people in the developing world who are able to hold their own against the 'hegemonism' and big power chauvinism that have come to mark the post Soviet world

IT was on December 8, 1989 that *The Washington Post* had editorially passed the typical American judgment that Deng Xiaoping had gone senile. It was a typical American judgment in the sense that Americans are the last white people to carry the burden like their colonial forbears during an earlier era. They have therefore the right, at any rate so they think, to pronounce 'other' people sane or insane, civilised or uncivilised. *The Washington Post* was merely exercising that right or perhaps following that instinct in assessing the sanity of a leader of over a billion people.

Five years later the allegedly 'senile' leader continues to dominate Beijing, China and the world at large. Of course, *The Washington Post's* rather irresponsible judgment was made in the context of the Tiananmen Square incident of June of that year. What happened then is fairly well known and hardly needs repetition. But whatever else the repression there might have been, it was *not* a function of Deng Xiaoping's or anybody else's senility. The new course that the Chinese economy had followed since 1979 made that inevitable. If anything it was a function of getting 'waist deep in big muddy' to borrow the words of the once popular Joan Baez song. (We had borrowed them earlier five years ago in these very columns to talk about the much discussed Tiananmen Square incident.) Now that practically the whole of the developing world has opted for and heartily welcomed economic hegemony it is pointless to suggest that Deng Xiaoping is senile. And, indeed, *The Washington Post* has not repeated the judgment in its columns, as far as the present writer can tell.

Deng turned 90 on August 22. This man has ruled China directly and in a thoroughgoing sense ever since he became the secretary general of the Chinese Communist Party in the mid 50s. It is even possible to argue that he has dominated it longer than Mao Zedong could. Mao Zedong had become an icon of the Chinese Communist Party. His individual standing was great. At the same time, since 1949 the periods when he was in a minority within the policy-makers in China were longer than the periods when his political line was supreme. In fact, but for the period of the Great Leap Forward and the early years of the Cultural Revolution (1966-69), which together do not account for more than a decade, Mao had never been the dominant policy-maker in China, let alone an Emperor as Harrison E Salisbury makes him out to have been in his 'dual biography' of Mao and Deng. It is Liu Shaoqi and Deng Xiaoping who dominated from 1956 when Liu as the president of the People's Republic and Deng as the general secretary of the Communist Party came finally and firmly to the fore.

It is important to note this dominance. If this dominance had not been all pervasive, these two men would not have been singled out for attack as the 'capitalist roaders' by the Cultural Revolutionaries. This kind of charge has perhaps lost much of its meaning today because everybody around the world is or has become a 'capitalist roader' or at any rate a 'market roader'.

These 10 years and his early years as a party man in the 30s have made Deng an efficient organisation man. He is a man for order and discipline. He had already demonstrated that, especially during the years which followed the Great Leap Forward, 1961 to 1965 were typically years of Liu Shaoqi and Deng Xiaoping. The economic policies have changed since. But the politics has not. The political leadership of the Communist Party was asserted at that time. It has been reasserted again since the new economic policies were introduced in December 1978. The command structure in China was sought to be destroyed by the various movements China has been witness to. The latest and the biggest in that series was the Cultural Revolution. Deng Xiaoping has reconstructed that structure. Deng has been no 'emperor'. He has been a good old Stalinist party leader.

To be sure, nobody would like to describe him as a Stalinist. His economics is widely different from that of Stalin. If Salisbury's account is to be believed (in his 'dual biography' referred to above) Mao and Deng have been more avid readers of *The General Mirror for the Aid of Government*, a traditional political classic written 1300 years ago, than of the works of Marx, Lenin and Stalin. But an Asiatic classic is an 'Asiatic classic'. And any number of people would testify the 'Asiatic' element in Stalin and in the principles of political and economic organisation that Stalin espoused.

In any event, whether Stalinist or not, Deng Xiaoping clearly sees an almost organic relationship between an 'authoritarian' (by liberal democratic and western standards) political set-up and early development. He did so during the early 60s when nobody in the western world liked him. He does so now when almost everybody in the western world likes him. Early capitalism was authoritarian. Market socialism cannot be different. The Tiananmen repression was not against the democracy movement as a number of people seem to believe. It was a reaction against the nightmare of disorder that the earlier 'bombarding of the headquarters' (of the Cultural Revolution years) had meant for Deng and his comrades. In point of fact, nobody can condemn both the Cultural Revolution and the repression of the Tiananmen Square in the same breath. The opponents of the first like Deng did not like disorder, anarchy and chaos which the Cultural Revolution meant for the leadership in Beijing. The Cultural Revolution celebrated 'disorder', or so it seemed to Deng. He was not altogether wrong. Beginning with 1969 we have nothing but the decline of the Cultural Revolution. Deng and his comrades were reacting to the same. Deng had to reassert 'order' and the central and leading role of the Communist Party.

If the Chinese experience appears far healthier and important than either the Soviet or the Indian experience it is because the instrument of change (in this case an organised Communist Party) has not been ignored or lost sight of in China. The credit for this will have to be given to Deng. Gorbachev failed because he could not see the utility of an organised party. India's ruling party has ceased to be organised and disciplined. Not being an economist we are in no position to predict the future of the economic experimentation with market socialism which is really capitalism with Chinese characteristics. But if it works, the credit, at least for the initial stages, will have to go to the CPC and therefore to Deng Xiaoping.

This is also the reason why Deng's China is in a position to assert itself in world politics. It has administered a blunt rebuff to the western world that the question of human rights cannot be considered independently of national sovereignty. The western world has quietly accepted the claim without saying so. China is one country which does not, so to speak, celebrate the end of the cold war. It still talks of hegemonism and rightly so. With all his faults Deng and because of him, the other leaders of China are the only people in the developing world who are able to hold their own against 'hegemonism' and big power chauvinism that have come to mark the post-Soviet world. The degree of realism and the acute sense of power equations that mark China's worldview are of Deng Xiaoping's making. It would be unrealistic and unwise to deny that credit to him.

Whatever one might think of Deng Xiaoping's policies it would be idle to underrate him in a world which has leaders like Clinton, Major, Yeltsin and the like. It is therefore amazing that *The Washington Post* in a fit of anger actually called him senile. Deng might actually laugh at that and tell the editor (if such a thing exists in post modern journalism!) that he is free to watch the splendours of his senile 90s as long as he remembers that because of Mao Zedong 'China has stood up' and because of himself it continues to stand up, especially to the Americans.

ANDHRA PRADESH

Handloom Weavers' Struggle for Survival

K Srinivasulu

Already seriously threatened by the unequal competition from powerlooms, the very survival of the handloom sector and of handloom weavers has now been imperilled by the sharp rise in prices of yarn and dyes—the result of the economic reform programme's all-out emphasis on pushing up exports unmindful of the domestic economic and social crisis.

EPURUPALEM is typical of the numerous weaver's colonies in and around the prosperous commercial town of Chirala in Prakasham district in Andhra Pradesh. The scores of thatched huts that dot these colonies present a monotonous picture. To get a glimpse into the life of an average weaver, you have to look inside these dimly lighted and poorly ventilated structures which serve both as the working and the living place. Most of the space is taken up by a loom or two worked upon by the man and the wife with the children busy in the preparation of the accessories of the warp and weft like bobbins, candles, etc. In the predominantly weaver town of Mangalagiri (in Krishna district) on the Vijayawada-Guntur highway, emaciated weavers may be found working in the worksheds resembling godown-like structures tiled with asbestos sheets and crowded with dozens of pitlooms which, with their monotonous noise and clouds of dust raised by the regular and simultaneous pick-beating, evoke images of historically not-so-distant labour camps. The weavers live in dwellings created by partitioning similar asbestos tiled structures into small compartments and leased out on rents of Rs 100 to 150 by the master-weavers.

Epurupalem along with Vetapalem, Thotavaripalem and Jandrapeta in the vicinity of Chirala town and Mangalagiri were in news for the starvation deaths of weavers in 1991 when crisis loomed large over the handloom sector following the sudden spurt in the prices of cotton yarn and chemical dyes, throwing thousands of weavers into unemployment, starvation, disease and death. The severity of the crisis was evident in the fact that between September and November 1991 around 110 weavers were identified to have either committed suicide or died of starvation.

Within three years the handloom industry is once again caught in a crisis that is even more severe in intensity, with cotton yarn prices shooting up by 23 to 55 per cent between December 1993 and May 1994, compared to a 20 to 38 per cent increase after the presentation of the budget in 1991. What is being witnessed in the weavers' colonies is stoppage of weaving activity and helplessness and despair among the weavers. The reports of starvation deaths from Koyalagudem (Nalgonda district), Addepalli (Guntur district) and Mangalagiri evoke a sense of a *deja vu*.

ORGANISATIONAL STRUCTURE

The handloom sector is a major employer next only to agriculture. There are estimated to be around 16 million weavers employed in this sector in the country. Andhra Pradesh, following Tamil Nadu, has the second largest concentration of handlooms. There are around 25 lakh weavers employed on some 5.35 lakh handlooms. The handloom industry can be divided into three segments on the basis of the organisation of production: (i) co-operatives, (ii) independent weavers (iii) master-weavers.

The history of handloom weavers' co-operatives goes back to the early 1950s. Launched with the objective of protecting the interests and independence of small weavers from the powerful traders and intermediaries, the co-operative sector is supposed to encompass 60 per cent of the looms in the state (while the all-India figure is just 35 per cent). But in actuality many of these co-operatives are non-functional as a large number of looms in this sector have been rendered dormant over the years. The floating of bogus co-operatives by the influential master-weavers and traders with a view to cornering the loans provided by banks and marketing facilities extended by institutions such as the Andhra Pradesh State Handloom Weavers' Co-operative Society (APCO) is a major factor in the increasing prevalence of corruption in the co-operative movement that obstructs the flow of funds and access to market facilities to genuine co-operatives. The ineffectiveness or rather non-functioning of a large number of co-operatives in fact is due to the irregular supply of raw materials and inordinate delay in the payment, the reason why many members prefer to work for private master-weavers as wage labourers.

The second sector consists of independent weavers who own the instruments of production, purchase raw materials, i e, yarn and dyes, from the market and produce the cloth with family labour and sell the product either in the local village market or to the local cloth merchant. With the cheap and wide variety of cloth produced on the powerlooms flooding the countryside, especially from the 60s, and with the prices of cotton yarn and chemical dyes rising, the independent weavers, even those owning two or three looms, are being forced to join the ranks of wage labourers due to their inability to withstand the competition from powerlooms and master-weavers and keep the prices of the coarse variety of dhoties and sarees which they produce within the reach of rural poor. For sheer survival a vast number of these weavers have migrated to the textile centres in western India like Bhiwandi and Sholapur in Maharashtra and Surat in Gujarat to work in the powerloom industry and in mills and others have settled as wage labourers to the master-weavers and as agricultural labourers. The migrant weavers from Khammam and Karimnagar districts found in Koyalagudem, an important export varieties production centre in Nalgonda district, or the weavers from east and west Godavari and Srikakulam in Mangalagiri, a major handloom centre in Krishna district, are testimony to the large-scale displacement of self-employed weavers due to the unequal competition from the proliferating powerlooms.

In the urban areas where the availability of alternative sources of livelihood is relatively better, low wages and continual insecurity in the handloom sector has forced the youth to abandon their family vocation. For instance, in the predominantly weaver colonies of Karawan, Katedan, Hussainialam and Sultanshahi in the old city of Hyderabad we find only the late middle aged men and women still continuing to eke out a livelihood from weaving while the younger generation has settled as shop assistants, autorickshaw drivers and construction labourers where average daily earnings are much higher. According to Chilweri Manik Rao, a veteran trade union leader who himself hails from a weaver's family, while a decade ago there were 1,400 active looms in Karawan now their number has come down to just 200.

TABLE: RISE IN COTTON YARN PRICES
(Rs per bundle of 4.5 kgs)

Count	1986	January 90	Pre-Budget 91	Post-Budget 91	December 93	March 94
40s	120	215	250	295	280-290	400-450
60s	280	400	465	560	380-390	550-595
80s	240	550	560	675	600-650	730-740

Sources: (1) *Chirugu Patala Baruvu Batukulu: Cheneta Sankshobam pai Oka Parisheelana*', APCLC, Guntur, March 1992, pp 6-7; (2) *Andhra Jyoti* (Telugu daily), April 15, 1994.

The master-weaver system has over a period of time become well entrenched and formidable. With the marginalisation of weavers' co-operatives and the decline of independent weavers, the master-weaver system has become the dominant mode accounting for three-fourths of the total handloom production in the state.

Two kinds of practices can be identified here on the basis of the conditions of work and nature and extent of dependence. One, where the weaver gets the raw materials to his house, which is both his living and working place, prepares the warp and spins the cloth on his own loom as per specifications. In this all members of the weaver's family are involved. Here the wages are paid piecewise, in addition to a payment for the preparation of the warp, bobbins and other accessories. Though this practice is generally declining, it can still be found in handloom centres like Pochampally (in Nalgonda) and Gadwal (in Mahabubnagar) where specialised tie and dye and jarri varieties are produced. For all practical purposes the weaver here is a wage-labourer, yet his ownership of the loom and the possibility of demonstrating his workmanship give him a sense of satisfaction and perceived independence.

Second is the practice that we find in centres like Mangalagiri and Koyalagudem where there is a high presence of migrant labour. These homeless and loomless migrant weavers work for the master-weavers in their worksheds, each accommodating a dozen or two pitlooms, and live in one-room tenements rented out by the latter.

Policy Shift

The roots of the crisis that the handloom sector is presently gripped by can be traced back to the policy shift brought about by the Rajiv Gandhi government as a part of the so-called modernisation process initiated ostensibly to pilot India into the 21st century. This shift marked a decisive departure from the stated objectives of social justice, welfare and employment generation and in its place substituted market-led productivity and efficiency as objectives worth pursuing. As a part of this shift, the government introduced the New Textile Policy in 1985. In contrast to the policies pursued after independence, which were cognisant of the importance of the handloom sector in the economy both in terms of providing employment and producing cheap cloth for the rural and urban poor, the 1985 policy statement proclaimed the production of cloth as the exclusive objective to the neglect of employment thereby ignoring the close and positive relationship between production and employment in the handloom sector.

This policy shift had given a further fillip to the powerlooms, which since 1960s have recorded a phenomenal growth. The powerlooms which have come up illegally, flouting all procedures, outnumber the registered powerlooms. The role of mill-owners in the proliferation of powerlooms cannot be overlooked. To undo the capacity restrictions on mill production the mills set benami powerlooms. These enjoying the patronage and protection of powerful lobbies, not only evade taxes but also do not come within the purview of labour welfare laws and the minimum wages act. Thus the perpetual insecurity of the workers in this sector. Taking advantage of the unorganised nature of labour, the powerloom owners could successfully keep wages low and thereby sell their product cheaper in the market.

The impact of the growth of powerlooms on the handloom sector has been disastrous. According to the Shivaraman committee (1974), the setting up of one powerloom employing a couple of workers rendered six handlooms idle and resulted in the displacement of two dozen handloom weavers. Taking note of this ground situation, it firmly recommended protection of handlooms by controlling the growth of the powerloom sector. In tune with this, the subsequent textile policy (1981), at least on paper, displayed concern for handloom protection by imposing restrictions on the powerloom sector. The 1985 textile policy[1] made a major departure from this perspective with its rhetoric of productivity and efficiency to pave the way for further growth of powerlooms by removing restrictions and extending concessions in customs duty on import of synthetic polyester yarn, machinery and technology.

Reservation Act

The story of the Handloom Reservation Act passed by parliament in 1985 deserves to be narrated. As per this act, 22 varieties of cloth were reserved for the handloom sector. The powerloom and mill-owners challenged the constitutional validity of the act in various high courts and finally in the Supreme Court of India. The lackadaisical and disinterested administrative response resulted in an *ex parte* stay on its implementation in 1986. The government's unconcern for the fate of this legislation was demonstrative of the influence and grip of the textile lobby on the powers that be. It was only in 1990 that the National Front government, due to the interest and efforts of the then textile minister, Sharad Yadav, initiated the process to bestow constitutional status to the handloom reservations. But before it could be realised the NF government fell. Nothing was done in this direction by successive governments thereafter. All this is now part of history.

Against this background the Supreme Court judgment upholding the Reservation Act delivered on March 7, 1993 stands out as an important landmark. In September 1993, the government instead of making necessary institutional arrangements for the implementation of the act, constituted an advisory committee consisting of five members to study powerloom and handloom production and examine the possibility of introducing changes in the list of 22 varieties reserved for handlooms. This attempt to reopen the issue which was otherwise settled by the court judgment points to not only the governmental indifference towards handloom weavers but also the powerful influence of the textile lobby on the government.

The yarn produced in the spinning mills is of two kinds. One is cone yarn used in the production of powerloom and mill cloth, the other is hank yarn used by the handloom weavers. As per the government stipulation issued after the 1993 crisis to make hank yarn available to the handlooms, it was made obligatory on the part of spinning mills to supply 50 per cent of handloom requirement at reasonable prices. But how freely the spinning mills violate it and how little the control of government is, is evident from the frequent scarcity of hank yarn and resultant increase in its market price. It is no exaggeration to say that it is standard practice with most of the spinning mills to show the requisite percentage of its production in hank form in the records and to convert it into cone yarn on the sly to earn more profits.

Thus the non-implementation of the reservation act paved the way for unequal competition with the powerlooms and irregular and inadequate supply of hank yarn has led to a sharp decline of the handloom sector during the last decade. According to textile ministry sources, between 1985-86 and 1992-93, while there was a sharp increase in powerloom production from 55.4 to 71.86 per cent, handloom cloth output has registered a dramatic decline from 24 to 9.75 per cent. During this period, the share of mill cloth in the overall textile production declined marginally from 20.6 to 18.39 per cent. With increase in the number of powerlooms there was a substantial rise of 16.46 per cent in powerloom production. On the other hand, unable to withstand competition from powerlooms, many handlooms have been rendered dormant and a large section of weavers have been thrown out of employment and handloom production has recorded a sharp fall of 14.25 per cent. Through its indifference or rather tacit support the government has contributed to the present state of decline of the handloom sector.

Recurrent Crisis

The periodic crises in the handloom sector is an immediate consequence of the unpredictable and sharp rise in prices of cotton yarn and chemical dyes. The major crisis in 1991, which surfaced within months after the presentation of the 1991-92 budget, was a direct consequence of the increase in the prices of 40-60-80 counts yarn from Rs 45 to Rs 115 per bundle of 4.5 kgs. Finding it unprofitable to continue production due to the price increase, many master weavers discontinued production and as a result workers were thrown out of employment and pushed into starvation, disease and death. Within a span of three months between September and November 1991 there were around 110 starvation deaths and suicides. The handloom centres of Mangalagiri and Batuprolu in Guntur district headed the list with 40 deaths followed by Epurupalem and Chirala in Prakasham district with 28 deaths.[3] Throwing the principle of accountability to the winds the Congress state government kept denying that these deaths had anything to do with starvation, instead attributing them to old age and ill health.

The present crisis facing the handlooms is once again a direct fall-out of the sudden and unpredictable spurt in prices. Between December 1993 and May-June 1994, the 40-60-80 count hank yarn prices rose by Rs 120 to 200 (see the table). The prices of chemical dyes almost doubled.

The disadvantage that the handloom sector suffers from in the textile market, given the stiff competition from powerlooms, is such that the prices of handloom cloth cannot be raised corresponding to the increase in the raw material prices. To cite one instance, during the 1991 crisis a handloom lungi was priced Rs 40 in Chirala and Mangalagiri markets whereas a powerloom manufactured lungi was available for just Rs 20. As a result there was a massive piling up of stocks of traditional varieties such as lungies, dhoties and sarees. The usual response of the master weavers to such a situation (especially when the price rise is within the range of manageability) is to transfer the burden of the increase in the cost of production on to the weaver through a corresponding cut in the majoori' (wages). When the price rise is extraordinarily high, the master-weavers find it unprofitable to continue production.

The impact of rise of yarn prices this time is not limited to the handloom sector alone but has been felt by the powerlooms as well. The severity of the crisis can be gauged from the reports that by the end of April in the textile city of Sholapur in Maharashtra around 30,000 powerlooms were closed down rendering 1,50,000 weavers unemployed. In Orissa the closure of 5,000 powerlooms resulted in the loss of employment for 50,000 workers.[4] If the severity of the crisis is such that even the powerlooms, which are otherwise in a relatively advantageous position could be thrown out of gear, the loss suffered by the handlooms is unimaginable.

The question that is crucial to an understanding of the handloom crisis is: why the increase in hank yarn and chemical dye prices? Any attempt to answer the question has to take into account the shift in overall policy-making from the mid-80s. The liberalisation process initiated in the mid-80s and vigorously pursued from early 90s encouraged exports regardless of domestic requirements out of the predominant concern to earn foreign exchange. The impact of the export promotion policy has been disastrous on communities that continue to pursue their traditional occupations such as weaving and fishing.

There has been a rapid increase in cotton yarn exports from the late 80s. While in 1988-89 yarn export was 53 million kgs, it rose to 63.62 m kgs in 1989-90 and to 94.68 m kgs in 1990-91. The impact of the export drive in the present dispensation can clearly be deciphered from the fact that in 1991-92 yarn exports rose to 110.99 m kgs while production of yarn decreased from 1,510 m kgs in 1990-91 to 1,450 m kgs in 1991-92. Regardless of the protests in the press and the indignation of weavers' organisations, a staggering 149.33 m kgs of yarn were allowed to be exported between April and November in 1992, while the production during this period was only 955 m kgs. What is important is also that between 1989 and 1992 the share of hank yarn in total exports rose from 64 to 86.8 per cent. It is yarn in the 20s to 40s counts that constitutes a large proportion of exports and this explains their scarcity and the sharp rise in their prices.[5]

The rise in prices of chemical dyes is an added dimension of the handloom crisis. Due to the increasing awareness of environmental pollution and health hazards that large-scale manufacture of chemical dyes involves, the advanced industrial countries have reduced their production and turned to importing them from countries like India. The export promotion strategy of the present government, whose principal concern has been to increase its foreign exchange reserves, has contributed to the scarcity and rise in prices of dyes.

The most visible victims of the economic policies launched as part of the liberalisation drive are those sections of society who are disorganised and whose community support base is weak. The plight of handloom weavers is illustrative of the unfolding grim prospect for the vulnerable communities in our society. Their fragmentation is such that in spite of the fact that they have been victims of the greed of master weavers, traders and moneylenders and the apathy of the state, the weavers have remained mute spectators to the crisis they are in. Even when they have undertaken certain forms of collective action, sporadically and locally, the dominant interests in the handloom sector, closing their ranks, have seen to it that the brittle organisation gets broken.

The failure of the left to make any dent into this significant constituency, in spite of their weavers' fronts which have anyway remained ornamental show pieces, is a sad commentary on their political vision. For political forces that claim to be fighting the anti-people policies that form part of the liberalisation package, this is the terrain where the struggle ought to be conducted.

Notes

[This account forms part of a larger study of Liberalisation and Its Impact on Traditional Occupational Groups undertaken by Satyashodhak Centre for Social Research, Hyderabad.]

1 For a critique see L C Jain, '1985 Textile Policy: End of Handloom Industry', *Economic and Political Weekly*, July 6, 1985.

2 G Venkataswamy, *Yojana* (Telugu), July 15, 1993.

3 For a detailed documentation see *Chirugu Patala Baruvu Butukulu: Chenetu Sankshobam pai oka parisheelana* (Telugu), APCLC, Guntur, March 1992 and 'Starvation Deaths in Andhra Pradesh', *Frontline*, December 6, 1991.

4 See reports in *The Economic Times*, April 25 and 27, 1994.

5 *The Economic Times*, April 11, 1994.

Creating Taslimas

Vimal Balasubrahmanyan

There are Taslimas and Taslimas. They reject what they regard as unfair. Some are believers some are not. But only the latter are publicised, and hounded. And thus is born a stereotype of the bold, brass blasphemist.

PERHAPS its the way the media has portrayed it, but an impression created by the Taslima controversy is that any Muslim woman who says anything negative about customs which are defended in the name of religion will have the mullahs and their supporters crying for her blood. And so she'd better not dare. What gets obscured in this haze of hype is the existence of many other Muslim women who, too, are critical of unjust customs, and who, too, have the courage to say so.

During a study-circle meeting in Baroda, two members of a local NGO presented some of their findings from their survey of 388 Muslim women in the city. Over 90 per cent of the women interviewed expressed the view that polygamy and triple talaq are unfair. They were unclear as to how changes in personal law could be brought about but were emphatic that a uniform civil code was not the answer. One of the researchers, who had conducted most of the interviews in the 'bastis', recalled that an initial reaction was: what's the use of all these questions, how is it going to change anything for us? The women were also suspicious and resentful of non-Muslim (read Hindu) researchers asking questions related to their personal law. While stating that some of the customs were undesirable they felt it necessary to stress all the positive and progressive aspects of their religion.

One fact emerging from this survey and various other contemporary writings is that many Muslim women do want change and they want it to emerge from within their own framework. Some because they feel that the unfair practices which are prevalent are actually un-Islamic, and others because they believe that such an approach alone is strategically sound. For example, a Muslim friend in Bombay tells me of an initiative by a group of progressives, men and women, towards drawing up a standard nikah-nama, which will adequately safeguard women's interests, and towards getting it accepted and propagated by the personal law board.

In an essay on 'Women's Rights and Human Rights in Muslim Countries', two Muslim women academics suggest that a struggle *within* Islam is, at a strategic level, more likely to succeed than "an emancipatory struggle operating entirely within a secular framework". (One of the contributions in *Working Out: New Directions for Women's Studies*, 1992.) They offer two very persuasive reasons for their argument. One, the 'secularism' of the women's rights movement alienates, and therefore excludes, many women from the struggle. And two, giving up a struggle within Islam only clears the path for fundamentalist arguments and endangers women's rights even more. The authors refer to 'ijtihaad', a technique of 'creative juristic reasoning', as a strategy which has sanction within Islam and which could be effectively used to evolve an interpretation of the sacred texts in a manner compatible with gender equality.

All this could be something which feminist groups might have difficulty coming to terms with. Though of course in various recent writings feminist activists have stated in so many words that one of the short-comings of the women's movement has been its uneasiness with the phenomenon of women actually deriving strength and solace from the very religion (any religion) which oppresses them

If Taslima had presented an image of a devout Muslim condemning all the customs which she felt were un-Islamic, I'am not sure how the 'secular' intelligentsia and feminist activists might have responded to her utterances. Of course, she might not have been targeted the way she's been now, and therefore the media too might not have blown her up, and nobody would have known about her.

I am not suggesting that Taslima should have pretended to be a staunch believer. I am merely pointing out that the existence of devout Muslim women who also are asserting some of the radical opinions that Taslima has been proclaiming doesn't get to be known very widely. And in all fairness, their voices too deserve to be publicised. Like some of the women interviewed in Anees Jung's recent book, *Night of the New Moon (1993)*: Says Tayeba Begum who runs a madrasa in Bhopal: "When our men isolate women, divorce them without reason, they are going against the spirit of Islam". Saleha, a teacher in a convent school, wears no burqa and asks: "Why should I pray and fast out of fear? Am I less of a Muslim because of it?" And there's Wajida Tabassum who writes Urdu fiction, and songs and scripts for Hindi films. (Her latest song is something about lovers bathing together in the rain.) She claims that she writes about the injustices she sees around her and gleefully admits that her books are banned in polite circles. "Once a bearded mullah told her that no decent person could read her books. She turned back and asked him 'Why do you with your big beard read them?' "

Wajida appears to be a curious mixture of the traditional and the radical. She has not missed a single namaz since the age of eight but she doesn't wear purdah because she regards it as un-Islamic. "She sees no conflict between the Islam she swears by and her aggressive modernity". Her explanation is that the one is inherited and the other is created—"by our own experiments with truth". Friend Wajida says she has her own equation with Allah.

One is thankful that the media, the mullahs and the BJP haven't made a Taslima out of Wajida. The point is that there are Taslimas and Taslimas. They reject what they regard as unfair. Some are believers, some are not. But only the latter are publicised, and therefore hounded. And thus a stereotype is born, of the bold, brassy blasphemist. Against which is juxtaposed another equally pernicious stereotype: the silent, docile Muslim woman, inevitably burqa-clad, palms eternally facing upwards in prayer. The reading public rarely gets to know about those flesh-and-blood Muslim women who are quietly asserting their autonomy or energetically working for change from within.

Indian Elderly: Asset or Liability

K S James

Since our country is anticipating a further breakthrough in fertility and mortality front, the proportion of elderly is likely to go up in the coming years and so will the problems related to it We need to evolve programmes to deal with these emerging 'grey' problems

ARE elderly an asset or a liability? If the answer to this question is the latter, there is a justification for the mounting concern regarding their problems as the percentage of elderly in India is on a rise On the other hand, if the answer is the former this asset needs to be utilised in a proper manner for an optimum benefit This is because according to census figures the percentage of elderly in India has risen from 5 6 per cent in 1960 to 6 3 per cent in 1980 and is projected to be 7 2 per cent by 2000 and 9 5 per cent by 2020 This proportion also records a wide ranging variations across different states The main reason for an expanding elderly population in the total population is attributed to declining birth rate and improved mortality conditions Since our country is anticipating a further breakthrough in fertility and mortality front the proportion of elderly is likely to go up in the coming years and so will the problems related to it

In this context Social Development Section of the Economic and Social Commission for Asia and the Pacific (ESCAP) United Nations Bangkok, commissioned a study on Assistance in the Development of Comprehensive National Policies on Aging in India Life Long Preparatory Measures including Social Security This study was carried out under the co ordinatorship of S Irudaya Rajan along with U S Mishra and P S Sarma of the Centre for Development Studies Trivandrum A national seminar on Aging and Society was held on June 15, 1994 at Centre for Development Studies (CDS) organised by CDS in collaboration with the ESCAP Bangkok to disseminate major findings conclusions and recommendations of the study

K K Subrahmanian in his welcome speech commended the young researchers of CDS for taking up such a challenging study which opens up a fresh outlook on varied aspects of elderly in India In her inaugural address Lakshmi N Menon, former minister of state for external affairs, protested against the attitude of society towards elderly considering them as liabilities of the society There is nothing called old age according to her because even at the age of 90 one may feel young at least in one's thinking Even the so-called old age defined by age is a natural phenomena and is a blessing Hence the need of the hour is to educate the children from very young age to respect and honour the old people

K C Zachariah in his presidential address hinted the need for more studies regarding the problems of elderly as population grows older (i e, through an apparent imbalance in the age structure of the population) as a consequence of demographic transition The problem is more acute in states like Kerala and is likely to become severe in future years Not only do Kerala's equation of birth and death rates enhance its elderly population but the return of emigrants from Kerala in old age also add to the state s greying scene

Introducing the seminar, S Irudaya Rajan spoke at length about the project This project forms a part of an overall study carried out in four South East Asian Countries of the ESCAP Region—China Korea, Thailand and Singapore He informed the audience that there were two high level meetings held one at the United Nations headquarters in Bangkok, Thailand and another at the China Aging Research Centre Beijing, China to design the major aspects of the study He also broadly outlined some of the findings of this study There are instances when the parents proclaimed that they benefit more from their daughters than sons and would like to stay with daughters in the old age even in such a traditionally son preferred rural society of India A decline in the respect towards elderly from the younger generation is very evident from the respondents of this study Though the family is virtually the ideal place to stay in old age some of the respondents staying in old age homes definitely do not like to go back even at the invitation of sons or daughters

The preliminary report submitted to the ESCAPE Social Development Section United Nations Bangkok, contains eight chapters The organisers of the seminar had divided their report into three major sessions and the last session being completely devoted to discussing the major recommendations of the study with the panel of experts The first session was chaired by K C Zachariah with P N Mari Bhat and Alaka Basu participating as discussants The first three chapters of the report were presented by S Irudaya Rajan U S Mishra and P S Sarma, respectively, in the first session

Initiating the presentation, Irudaya Rajan briefly spoke about the three chapters in detail demography of aging review of studies pertaining to elderly persons and policies and programmes pertaining to elderly Other than presenting a review on the studies regarding elderly and the safety net available in India, the notable and interesting element in the session was the state level projections made by the researchers at the Centre for Development Studies, to gauge the magnitude of elderly population in the country for the coming years, specially from 1990 to 2020 As the age structure of the population is not available from the 1991 Census, the authors have estimated the age structure for 1990 based on a more realistic fertility and mortality assumptions

It is observed from the projections that the percentage of elderly persons in India will be 7 2 in 2000 and 9 5 in 2020 as against the 6 3 in 1980 In absolute terms the elderly account for 53 47 million in 1990, 71 million in 2000 and 124 million in 2020 respectively The medium age of Indian population is also expected to jump to 28 years by 2020 from 20 years as of 1980 which exemplifies the drastic imbalance in the age structure in coming decades

Among the states Kerala recorded the highest proportion of elderly as of 1990 while the lowest proportion was in West Bengal Kerala is likely to maintain its lead even in 2020 according to the projections and the percentage of aged is expected to rise more than 15 per cent, from its 1990 level of 8 10 per cent Tamil Nadu will have the second highest proportion of aged by 2020 (13 65 per cent) The lowest proportion by 2020 among Indian states will be in Uttar Pradesh with 6 88 per cent

Currently the highest number of elderly is found in Uttar Pradesh with eight million, followed by Andhra Pradesh and Tamil Nadu with 4 million each Today, Kerala has 2 3 million elderly which is expected to multiply two-and a half times by 2020 India will have 47 million old old (aged 70 and above) persons by 2020 The highest number of old-old is expected to be in Uttar Pradesh (7 million) followed by Maharashtra (5 million)

In the Indian scenario the sex ratio of the aged persons (60 years and above) favours males but among the old-old persons (beyond the age of 70) the sex ratio becomes favourable to females establishing the higher incidence of widowhood among aged females

As of 1990, the growth of elderly is slightly higher than the general growth rate of population whereas in 2020 the growth rate of the elderly is projected to be one-and-a half times higher than the growth rate of the population Four fifth of the total elderly are found in rural areas and the remaining live in urban areas Males are expected to live 16 years beyond age 60 and 10 years beyond age 70 and the corresponding years for females are 17 and 11 respectively by 2020

The authors spoke about the social and economic situation of elderly as revealed from the census The literacy rate among Indian elderly is estimated as 7 89 per cent as of 1981 However a wider differential was observed with regard to residential background with 4 44 per cent in rural areas and 26 2 per cent in urban areas Rural women folk among elderly recorded a literacy rate of 4 per cent The literacy rate among elderly was highest in Kerala and lowest in Rajasthan for both males and females While 32 85 percentage of elderly women in Kerala was

literate the corresponding rate for Rajasthan was only 2 75 per cent in 1981 Among the elderly women 64 3 per cent are widows against 19 4 per cent of widowers as of 1981 Among the extreme elderly (70 years and above) around 80 per cent are widows compared to 27 per cent of widowers

There has been a decline in the work participation rate of elderly in India between 1961 81 However the figure was still remarkably high with nearly 70 per cent of males in rural areas and 50 per cent of males in urban areas The female participation rate was 16 per cent and 7 per cent in rural and urban areas respectively The majority of workers among elderly (90 per cent) work in agricultural sector where the concept of retirement is even unheard of The work participation of elderly was the highest in Madhya Pradesh and the lowest in Kerala There are more number of male elderly beggars compared to females The highest proportion of elderly male beggars is found in Madhya Pradesh followed by West Bengal whereas the lowest is in Tamil Nadu Around 42 per cent of men and 25 per cent of women among non workers are reported to be engaged in household duties and 25 per cent of male elderly are enumerated as rentiers or pensioners The highest proportion (55) of male pensioners are reported in West Bengal whereas the highest proportion of female pensioners are reported in Tamil Nadu

The authors have also presented the existing relevant studies on aging issues The demographic studies carried out in India are broadly in agreement thus projecting Kerala as the grey state in India with more proportion of elderly followed by Tamil Nadu and Punjab An earlier study on Kerala was carried out by the Centre for Development Studies for the Population and Development Section United Nations New York

Various small sample surveys conducted in rural India in general reflects a greater degree of financial insecurity among the aged and this insecurity is more pronounced in the case of females compared to males Moreover financial problems are more common among widows and among elderly in nuclear families The worries of the elderly are on two fronts one in relation to social strain and the other on economic dependence The worries on social relation aspect are much more complex compared to economic worries for those who live in nuclear families or living alone

The majority of the elderly are reported to be suffering from diseases like cough poor eyesight, anaemia and dental problems The proportion of ailment among elderly is found to be increasing with advancing age and the major physical disability is in terms of blindness and deafness The prime reason for the aged moving into old age homes is due to the lack of proper care for them within family setup The present educated young elite express a greater degree of discomfort in the presence of elderly Also they have a large negative feeling about the behaviour, nature way of living and outlook of the elderly. Another study indicated the rural economic scene of the elderly to be miserable with majority of elderly households being below the poverty line

Analysts of India's social security programme measures have briefly commented on its limited coverage and the future likelihood of a more comprehensive social security system has been felt impractical in view of the nation's economic conditions and demographic trends The present coverage of social security is stated to be inadequate as it excludes around 90 per cent of the working population A strong feeling emerges in relation to the merging of social security measures with the anti poverty measures

During the Eighth Plan period, the outlay for social security and welfare expenditure is Rs 2 375 crore As of 1990 the government of India spends 1 34 per cent from the non plan expenditure and 1 15 per cent from the plan expenditure for social security and social welfare programmes

For understanding the social security system in the country the authors have concentrated the case of Kerala as an example for the other states to follow in the country Some features of the Kerala's social security system is worth mentioning As of 1993 there are more than 30 social security and welfare schemes implemented in the state of Kerala They belong to three categories schemes which are fully financed by the state, schemes which are financed partly with state support and schemes which are financed outside the budget and operated by the respective boards

In 1992-93 alone the state has committed Rs 80 crore which represents 2 77 per cent of the state revenue budget The overall coverage of all these schemes taken together is about 25 per cent of the total 60 plus population in the state Among the beneficiaries 80 per cent are from three major schemes such as the agricultural worker pension scheme and special pension for the physically handicapped and destitute and widow pension scheme

THE GREY STATE

Major issues raised in the Kerala case study are as follows There are complaints about wastage and overlapping in the major pension schemes Are the beneficiaries deserving cases? Is the assistance enough? The financial implications of social assistance and security schemes is expected to increase in the near future As of now the pension

commitment could not be met due to paucity of funds for Kerala How is the government of Kerala going to face this issue? It is interesting to watch and learn from the experience of Kerala for other state governments in India

Initiating a discussion P N Mari Bhat regarded that the problem of the elderly is not confined to any state as such The magnitude as well as the growth rate of elderly are very high even in the northern states One of the notable weakness of planning process in India according to Mari Bhat, is the overemphasis given to the growing population size disregarding its structure In this respect, the studies of this type revealing some realities on the situation of elderly in India is of great relevance Moreover, the state-level projections done by the authors are much useful for any planners in the country However such exercises should concentrate on extracting welfare implications In this regard the chapter on safety net for the elderly to certain extent failed to draw certain implication on continuing such policies Some countries like Japan, Sweden even spend nearly 20 per cent of its Gross Domestic Product for welfare measures Do we have to also follow the same? This is the question which remains unanswered Intervening the debate I S Gulati disregarded the view that the existing safety social security net work available is inadequate to meet the demand The real question is not how much we spent but how efficiently that is utilised Though there are several measures available for the welfare of the elderly the real benefit does not reach them Commenting on the point Mari Bhat emphasised that the states like Kerala should take an initiative for maintaining the more efficient social security system

Alaka Basu opined that the magnitude of elderly in the country should not be a worry to government Among them how many are poor who are unable to take are of themselves at old age should be emphasised In other words one has to remove the creamy layer from the total number and the policies should aim mainly at economically poor sections among them The second session was chaired by K Saradamoni and Leela Gulati, P K B Nayar and S Krishnakumari participated as discussants Another four chapters of the report were presented by S Irudaya Rajan, U S Mishra and P S Sarma The chapters are living conditions among elderly persons perception of elderly persons, life histories of elderly persons and re-examining he conceptual issues

As a part of this national aging project, the authors have conducted a National Aging Survey (NAS) among elderly in six major states in India, collaborating with the Gujarat Institute of Development Research, Ahmedabad (Pravin Visaria and Leela Visaria), Tata Institute of Social Sciences, Bombay (S Parasuraman) and Population Centre, Bangalore (P H Reddy) The states are Gujarat, Bihar, Maharashtra, Karnataka, Tamil Nadu and Kerala They have also conducted a mail survey to understand the situation of residential institutions of elderly in India In addition, a small survey among elderly living in old age homes in Tamil Nadu and Kerala has been carried out to observe their problems due to staying at old age homes Moreover, they have conducted fifteen life histories of elderly persons above 60 years of age in the states of Kerala Tamil Nadu and Orissa Along with that, five group discussions were undertaken in Kerala and Tamil Nadu to understand their needs

The National Aging Survey (NAS) indicates that with an increase in age the work participation among elderly declines However, there remains a greater degree of disparity in work status between sexes with more than half of the elderly males reported to be working as against 13 per cent females Among the surveyed working elderly around 80 per cent have been contributing to the household expenses Detailed investigation reveals that around 81 per cent of male working elderly are contributing to household expenses as against 72 6 per cent of females

HEALTH STATUS

The health status of the individual plays a predominant role in work status of the elderly On this aspect the NAS found that 45 50 per cent of those reported healthy or fairly alright seem to be working Remember this is self reporting by the individual himself The prime means of subsistence of elderly is reported to be co residence with children Means of subsistence reported otherwise are current work financial support by children elsewhere savings from the past work and pension etc

The NAS indicates a high proportion of female elderly living in single member households The headship status seems to be showing a declining proportion with increasing age of the respondent Interest-ingly, 51 per cent of widowed females reported as head of the household indicating that females takeover the headship after their husbands' death Definitely husbands absence make them independent in their course of life

With regard to opinion such as 'children are the main support in old age three fourths of the respondents irrespective of sex agree with the view of children being the sole caretakers in old age Regarding the preference to stay with son or daughter, most of them (70 to 75 per cent) favour sons as against any other choice However 50 per cent of males and 25 per cent of females are able to materialise their choice of staying with son in old age

The NAS indicates that 35 per cent of the surveyed elderly are reported to be having some or the other perennial health problems which seems to be more in proportion with increase in the age of the respondent Among the three major handicaps faced by the elderly handicap in vision seems to be prominent with one-third being victims of poor eyesight Ninety per cent of the respondents irrespective of sex stated that they had consulted a doctor in case of sickness and the most popular system of treatment preferred by the Indian elderly is the allopathic system of medicine With regard to the saving for old age, 42 per cent of the males and 32 per cent of the females perceive saving as essential for unproductive days in old age and such feeling is stronger among the literate ones

In terms of vegetarian and non vegetarian status, it is found that more of elderly females (36 4 per cent) are vegetarians as against only 22 per cent of males Also more and more are reported to be vegetarians at later ages in life At the same time an average 7 hours of sleep per day is reported by the surveyed elderly which too shows a declining trend with an increase in age As of 1989 there were 329 old age homes in the country The data indicates that 41 per cent of the existing old age homes and care centres started during the period 1951 75

The number of institutions for elderly care in Tamil Nadu and Kerala are higher than any other states in India As of 1989 there are 71 old age homes in Tamil Nadu and 70 in Kerala On the whole most of institutional care centres (57 per cent) are housed in the four south Indian states The proportion of new homes started in recent years are significant in Tamil Nadu and Andhra Pradesh

As expected, majority (57 4 per cent) of institutions are run by Christians in India Among the organisations run by religious identity, 93 per cent of them are run by Christian organisations Among the old age homes 68 per cent provide residential facilities where as only 6 per cent of them provide day care services for elderly in India As of 1989 15 471 elderly stay in old age homes in India

The information indicates that 67 per cent of old age homes provide the services free of cost for the inmates as most of them are run by religious institutions A survey also felt the need for more old age homes in future for the poor destitute sick and handicapped elderly In terms of facilities available in the old age homes 53 76 per cent enjoy residential doctor facility 27 96 per cent enjoy vehicle facility and 88 per cent have one or the other recreational facilities

A major handicap reported by the functionaries of the old age homes seems to be lack of finance which restricts them increasing the strength despite increasing demand for new entries Among the old age home inmates under study 46 per cent of them do not have a living son or daughter and prefer to live in old age homes Among the inmates who have children 74 per cent of them do not feel lonely or feel uneasy to live away from their children, relatives or friends This, to certain extent is an indication of elderly's bitter experience with living children

The most encouraging observation is that 91 per cent of the inmates are overwhelmingly happy about their stay in old age homes and on the service rendered Also 77 per cent of them are satisfied with the quality as well as quantity of the food served in the old age

homes Surprisingly only 4 per cent of the inmates are supported by children as against the common belief that children are the main support in old age Therefore,it is time that the government should seriously consider extending social assistance schemes for elderly irrespective of the number of living children

The major points emerged in the group discussion among elderly are outlined by the authors Opinions on meaning of old age, advantages and disadvantages of being old, preferred living arrangements, community involvement and need of elderly persons are obtained through these group discussions Though the discussion was aimed on the above lines the elderly participants opined on issues of reemployment, retirement age, inequalities in pension difficulty in obtaining benefits from social assistance schemes, suicide among elderly and euthanasia or mercy killing Opinions emerging from several groups varied widely depending on their characteristics and composition

The rural male elderly seem to be quite frustrated on the breaking down of joint family system Though all of their married children live closer (or in the same village), they are not interested to take care of aged parents On defining old they attribute declining health status and restrictive activity pattern to be the major criteria The rural elderly are against the chronological cut off point of 60 in considering one as old One participant stated categorically, 'for us, only one retirement, not from work but from this world'

Some of the participants boldly proclaimed that they get more benefits from daughters than sons though they spend more money on sons compared to daughters On family, rural male elderly informed that they have done enough for their children but they are not reciprocated with any benefits On programmes designed for elderly, the males felt that they are discriminated by the government Demand was made for widower pension as like widow pension Most of the participants are for universal pension On expressed needs of elderly persons, the first group devoted their attention for universal pension, free transport and medical facilities

On governmental assistance such as widow pension women raise objection against the discrimination in providing pension only to those widows who have no son They maintained that pension should be made universal, irrespective of their number of surviving children and their sex composition All of them strongly felt the necessity to enhance the retirement age up to 65 years in Kerala because of longevity and late entry into labour force and late marriage Most of them took almost 10 years after the official retirement to complete their sons education and daughters marriage

About the expectation from the society to lead a happy life in old age the main demands were pension, free medical check-ups and transport facilities and if possible 10 kg rice per month through public distribution system (PDS) Some of them also expressed need for a credit system in the public distribution system because the availability of food grains in PDS and the date of pension never matches to buy the materials With regard to the old age home being an alternative place of stay in old age in case of lack of familial care, none agreed on institutional care as an alternative to the home environment

Preparation for old age was conceived with regard to finance and health among males whereas female participants indicated a sound kith and kin relationship to be another life preparatory measure The rich urban elites strongly felt that the emotional suffering is the prime problems at later ages because they lose most of their near and dear ones, friends and close associates day by day

The case studies carried out as part of this study also provide some interesting observations 'It is better to be in old age homes in the company of contemporary persons by sharing love and affection rather than staying alone with certain disability'— a widow In sum, along with god's grace, life preparation at younger ages such as education, health and finance, commitment, self-discipline, clean habits, self confidence and hard work can make one's old age happy and charming and become an asset to the household and society

Though beggary is considered to be a most disgraceful activity, it is a gainful activity for the beggar and the beggar gets returns without any investment. Beggary remains the only alternative for survival for the leprosy diseased elderly persons, stated a widow beggar from Orissa. Old age home is meant for those without children. Whatever may be the situation, this is our right to stay with children because we brought them up, argued the separated old woman.

The authors of the report have extensively discussed the definition of old age. It is felt that the cutoff point for determining aged should be in accordance with increasing life expectancy. Based on this logic, it is argued that a finite expected number of years of survival beyond an age should be the cutoff point to designate as old.

In a similar manner it makes a case for revision in retirement age to ensure a finite number of working years for all. Given the late entry in to the workforce and increasing expected years of survival, there should be a revision in the retirement age in accordance with increasing life expectancy in general and females should be given due advantage in this regard for their prolonged years of survival in the disadvantaged status of widowhood.

The conventional dependency ratio calculation considers all aged 60 and above to be dependent and at the same time some of them are reported to be working too. Hence it needs a revision to get the exact extent of dependence burden by considering only non workers above the age of 60 years. Again among the non workers those doing household duties, beggars and in rentier pensioner category cannot be considered as dependent for their being economically productive. Hence the revised set of non workers by excluding the above said three categories of non workers should be used to assess the exact extent of old age dependence.

The discussion on the second section is initiated by Leela Gulati asserting that there is no alternative to family to solve the problems of elderly. Naturally more information is needed to know the intra-family mechanism. How expensive is to take care of an elderly in a family? This should be found out to formulate genuine policies for the elderly. She is also sceptical regarding the validity of drawing conclusion from case studies. Case study should be confined to draw certain information that a usual survey cannot provide.

P K B Nair does not have a different view regarding the importance of family in taking care of elderly. He also suggested some other measures such as strong counselling to release elderly from loneliness and prepare them to live a healthy old age life. Krishna Kumari argued that nearly all couples need the help of elderly in the family. However, the requirement vary during different life cycles of the couples. Therefore, a better means to comprehend the elderly problem is to understand that life cycle in which the elderly are least demanded so that the policies can be formulated to supplement the expenses of keeping them for that life cycle.

A strong view emerging from the discussion was that the problem of the elderly is more psychological than material. This is because the economic problem is associated with all stages of life. The feeling that originates in old age is the feeling that we are unwanted which is more disheartening. Consequently, the real solution to the problem of elderly is to organise themselves to fight for their rights, to chalk out strategies to solve their problem and thereby relieve form the loneliness.

The concluding session focused mainly on the recommendation of this study for the policy action and was presented by S Irudaya Rajan. The following recommendations are made and discussed in the seminar. The Census of India should seriously consider in preparing special tables on aged persons as they do for scheduled castes and tribes. As of 1991, India has 54 million old people and they need special care like scheduled castes and tribes.

This study recommends the constitution of a national committee on aging in the Planning Commission together with a separate ministry with a minister dealing with the aging affairs in the country. Also unlike other countries in the world, a National Aging Centre should be started to prepare inputs related to the problems and prospects of the elderly for discussion in planning forums. A demand must be made for more user friendly transportation services through giving special concessions (in terms of free or subsidised fare and seat reservations) in availing transport services to the elderly as vulnerable group like women and children. With regard to health services, geriatric specialists for treatment of the elderly, special wards for inward treatment as well as separate system to meet the doctor are proposed. To compensate the sudden dip in income level of elderly immediately after retirement there should be some provision of reemployment for those willing or otherwise to encourage them for self earning. Elderly should be exempted from income tax. Required aid should be provided to old age homes by the government for smooth running. Also all efforts should be made to have charitable homes for the poor.

The National Aging Survey (NAS) group discussions and case studies have clearly pointed out that elderly face mostly three types of handicaps: hearing, seeing and walking and most of them have problem in hearing and seeing. These two handicaps can be rectified through eye glasses and hearing aids. Ministry of Health along with NGOs should plan something for the elderly such as providing free glass and hearing aids.

As the general feeling is that old people are liabilities and for which they are very often neglected in family setups, efforts should be made with regard to provision of family incentives to those families who have an elderly. For instance, an income tax exemption for those who stay with an elderly. As this proposal remains limited to the elite class, financial incentives can be extended in poor and barely sustainable households through provision of necessities in public distribution system.

The government of India should introduce an identity card for elderly to be in the part of social security system. The Ministry of Welfare, New Delhi should make provisions for an identity card for all elderly persons for implementing various social security schemes. All the social assistance schemes such as old age pension, making identity cards for elderly to obtain free services in transport, priority in housing and hospital facilities and some incentives through public distribution system should be handed over to the elected panchayats in the country. The Panchayat Raj and Nagar Palika Bill have an appropriate role to play in shaping the elderly in the future. Social assistance schemes such as widow pension should be made universal rather than selective. The government should take serious steps to enhance the retirement age to 65 years, and also to have differential retirement age by sex. The Life Insurance Corporation of India should introduce schemes to insure all citizens in the country so that they can get some financial and medical support in old age. The department of women and child development should finance research on older women and widows. Almost 70 per cent of the women aged 70 and above are widows in the country. They should recommend certain policy measures to improve the elderly women in general and widows in particular. For instance they should lobby for universal widow pension throughout the country.

The discussion that followed on the recommendation doubted the benefit that might accrue to elderly through the suggestion on reducing income tax to those who stay with them. Saradamoni suggested the authors to specify clearly what data are needed to have more information regarding elderly form census.

Finally as the seminar concluded everybody was aware of the impact of demographic change on the creation of a different dimension of problems in the coming years. There was no difference of opinion that this problem should be handled at its infancy so that in the coming years we will not end up in groping in the dark. Furthermore, an optimism was visible in all faces confirming that if manoeuvred carefully, elderly indubitably becomes an asset to the society.

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Terrorism: Past, Present and Future

Robi Chakravorti

The practice of terrorism has a long history. A universally acceptable definition of terrorism as a specific form of violence is difficult to evolve.

TERRORISM like democracy and human rights, is one of the terms frequently appearing in the media today. It would be difficult to define it precisely and clearly in a few words distinguishing it from other types of violence. A book on the subject (*Political Terrorism* by Alex Schmid, 1983) listed over 100 definitions of the term. To give another example, different government agencies in the US have produced different definitions of the term. A list of definitions by different US government agencies described in a newspaper article ('Terrorism—A Term Notoriously Difficult to Pin Down' by Rushworth M Kidder, *Christian Science Monitor*, April 18, 1986, p 12) included samples from the US department of defence, FBI, state department, department of justice and the vice president's taskforce on combating terrorism. As one goes through these definitions three words are repeatedly used in different orders. 'Coercion' and 'intimidation' are used in four definitions, one definition mentions 'non combatant targets', another one 'civilian population'. The term 'unlawful use of force or violence' is used in three definitions. These three words—coercion, intimidation and non combatant targets—highlight the main problem of a proper acceptable definition of terrorism as a specific form of violence and its shifty use by parties either criticising terrorism or defending such acts. If the term 'unlawful' is included one will have the additional problem of treating cases of the establishment approved acts of coercion and their liaison with unlawful elements in society in the past and contemporary times.

To begin with if we take the terms coercion and intimidation as primary indices of terrorism there is no human group or country in the world which never used some form of coercion and intimidation to forge stability in the crucial stages of its socio political formation. As the group expanded from small tribes or sects to the modern forms of nation state these two features of terrorism were often used with different styles of justification. As some nation states became stable and then tended to expand their power and influence outside their territories they used coercion and intimidation. If we trace the origin of the term it comes from the latin word *terrere* to frighten. The English words terror and terrible have the same origin. If we use the original meaning of the term terror has been used regularly as a technique throughout history to maintain power and enforce policies by arousing fear in the ruled.

From this viewpoint, we can divide the history of its practice in three categories: establishment, anti establishment and criminal professional. The objective of establishment terrorism is social solidarity through enforced compliance. It consists of rituals of violence in support of establishment values and norms. They symbolise a kind of propaganda of punishment for violation of norms and sacrifices for their preservation. Several illustrations of this type of terrorism can be cited such as the burning of women as witches under Christianity and of suttees in parts of Hindu India, including amputation of body parts practised by some Islamic countries and public hanging or lynching of people under the aegis of constitutional secular governments.

Some of these modes of terrorism are still practised in several societies and the political systems where these forms are obsolete today had practised them in not so distant past. American Indians were scalped, Joan of Arc was burned at the stake. British conduct after the sepoy mutiny in India involved acts such as blowing mutineers with field guns. In the US after the slave insurrection of 1811 heads of 16 slaves were displayed on poles at intervals up the Mississippi river as a warning to blacks.

Perhaps the best example of anti establishment terrorism is the Jacobin reaction to the French monarchy during the French Revolution. A modern version can be the actions of the Khmer Rouge in Cambodia. The conceptual distinction between the establishment and anti establishment types of terrorism looks categorically neat but may obscure the complexity of the process of consolidating and legitimising authority after forcible changes in regimes. This is an interesting area for studying terrorism as a form of violence which has been used both by the votaries of establishment and their opponents holding different ideologies throughout history. Once an establishment is in place whether a tribe in the past or a nation state in contemporary history the terror used during its formation is usually either obscured, played down, recapitulated in romantic terms or reviewed as *ex post facto* historic documents.

To give an illustration from US history the introductory commentary written by journalist Harrison Salisbury to 'A Report to the National Commission on the Causes and Prevention of Violence' entitled *Assassination and Political Violence* (1970) pointed out, "The use of violence or terror by the state, be it a medieval kingdom or barony or a contemporary military or political dictatorship, is so customary that it almost goes without note" (p xxi). As for the democratic US, Salisbury noted that 'violence has marked every step of the creation and building of the American society'. The commentary gives the examples of the vigilante law—the law of summary justice enforced by the mob and lynch law—the law of summary terror also enforced by the mob. Both were illegal but they were American institutions as sanctified by practice and custom as the law of constitution, the courts, the judges' (p xvii). An interesting side-note on this type of terrorism is provided by another writer, Richard Maxwell Brown (*Strain of Violence: Historical Studies of American Violence and Vigilantism*, 1975) who quotes US president Teddy Roosevelt's support of vigilantism in the US and of the imperialist actions by the British against Egypt, French against Algeria and Russians against Turkestan and his own presidential actions against Panama (p 163).

This description of the role of violence and terrorism during the consolidation of a political system brings to attention what can be described as the third type of terrorism—criminal professional. Two simple examples of this type are the mafia today and thugs in India in the past. Although this type of terrorists can be described as non political in their objectives they can often have links with establishment or anti establishment acts of terroristic violence. The mafia is still powerful in Italy. When the government recently tried to crack down on the mafia criminal gang members murdered two anti mafia judges and gunned down a priest in church. Daniel Bell, in a chapter in his book *The End of Ideology* (1962) entitled 'Crime As An American Way of Life' gives a sophisticated account of different gangs associated with ethnic groups and their linkage with the US business and political interests.

There are studies of the relationship between gangsters and politics in the US and other countries, but this interesting area still remains relatively unexplored. *Gangsters and Revolutionaries* by Robert Cribb (1991) presents a detailed document based account of relationship between gangsters and young left wing nationalists during the Indonesian national revolution (1945-49). According to this study, many successful rulers overcame the problem of maintaining the relationship with such unlawful elements by incorporating them in official roles such as local headman in exchange for acknowledgment of the ruler's broad authority and promise to regularise their depredations. The relations between the

gangsters and state authorities, however, tend to oscillate between the poles of recruitment and selective acts of suppression. This is an interesting area for studying certain unknown and unspoken dimensions of political machinations.

The criticism of terrorism in the western media from the 1960s onwards until the collapse of the Soviet government focused mostly on communist terrorism. The target of contemporary attention has shifted to a selective, odd collection of people engaged in acts of violence in different parts of the third world demanding some groups' rights of self-determination, the idea of which received international recognition after the first world war. The violence generated by this idea can be described as a form of secular religion which has become popular as the Marxist idea of global class consciousness did not work out the way it was meant to. Perhaps the most graphic way to describe this development is to rephrase a comment made by Julien Benda in his *The Treason of the Intellectuals* (1969). "Political passions", he wrote, "are now centred on material incentives for a group like the state, country or class and they are 'divinised' into ideologies. The state, country, class are now frankly god; we may even say that for many people (and some are proud of it), they alone are god" (p 39). With the decline of the pull of the ideology of the working class consciousness on a global scale, one can argue that the country and the state have now acquired dominance as a secular version of god.

Another way to get out of the definitional problem often distorting our analysis of terrorism seen in contemporary and historical perspectives is to separate it from other types of violence which have plagued human history. This can pose a problem, too, since one type of violence seen as an ideal-type category may look analytically distinctive, but may not be so in real practice. Inter-state war, distinguished from terrorism, is supposed to involve battles between organised armies, but in recent times it has involved indiscriminate killing of civilians. The analytical division between terrorism and other types of violence, is nonetheless pedagogically important for understanding the contaminating role of the concept of terrorism in contemporary times.

Categorising Terrorism

The simplest way to categorise terrorism as different from other major types of violence that has marked human history is to distinguish it from assassination, regular war, and guerilla war. Communal riots are a separate type of violence in the sense that they generally involve collective behaviour not organised behaviour. While the goal of communal riots can be the same as that of organised acts of terrorism, this species of violence can be treated as a separate category. On the other hand, there can develop a planned or unplanned connection between all these four types of violence. As one type of violence spreads, other types may follow, not necessarily in a unilinear fashion.

When we contrast terrorism and its various definitions with these three other forms of violence, we usually stress the presence or absence of two characteristics—discriminatory use of violence aimed at specific targets accused of immoral acts and the relative immunity of non-combatants or civilian population in general. Terrorism ignores the discriminatory use of violence and the difference between the combatant and non-combatant sections of the population. In the past, the targets of assassination, regular war and guerilla war used to be selective and clear-cut and if violence spilled over to non-target or non-combatant areas of the conflict, it was either regretted or explained away as unintentional. Assassination attempts in the past, for example, were aimed exclusively at specific individuals seen as symbols of evil and carefully avoiding non-target persons. There have been cases when the assassin did not carry out the task because it might hurt other people, or regretted the accidental death of wrong or innocent persons in the target area. Recent acts of assassination do not always observe these limitations.

One interesting point about the history of assassination is that the victims have often been the advocates of peace. Lord Buddha was the target of unsuccessful assassination plots. Mahatma Gandhi and Martin Luther King were assassinated. Count Folk Bernadotte who went to west Asia as a UN mediator to work out a peace formula was assassinated in September 1948 by a Jewish terrorist gang. Western countries, too, have been the scene of frequent assassinations. According to an account (*Assassination and Terrorism* by David C Rapoport, 1971), during the period between 1865 and 1914, in Europe "one head of state or major minister fell nearly every eighteen months" (p 6).

An American report on the subject, mentioned earlier (*Assassination and Political Violence, 1970*) presented data in support of the thesis that the US ranks relatively high in frequency of assassinations even when the data are adjusted for population size (p 160). The sets of data presented covers 50 years between 1918-1968 and another about 20 years between 1948-1967. In terms of the 50-year data, the US ranks second among six countries with population over 100 million. In terms of 20 years data, it ranks first.

The strategy of war nowadays involves killing of non-combatants or civilian population on a large scale and this has posed a moral problem for the superpower US whose war strategies in Vietnam involved widespread destruction of non-combatant population. Such acts are either hidden from public notice or when revealed are justified on strategic grounds and cosmetised by language such as 'collateral damage', 'surgical strike' or 'compellance', a new term coined by the Pentagon to justify air-strikes. 'Compellance' is described as 'strategic coercion'. Conservative columnist William Safire who once worked as a speech-writer in the White House used a sophisticated word-game in describing it as "the use of air power to persuade by punishment". "The purpose of the tactics is a sudden infliction of 'national pain' involving shutting down of electric power, fuel supplies, putting a missile in war ministry" (William Safire's column in *New York Times*, April 19, 1993, entitled. "The Case for 'Compellance' "). The term may be used in future to justify some future acts of violence singularly aimed at the civilian population.

Terrorism as Tactic

Terrorism as a tactic for the political objective of domination seems to have begun along with the escalation of regular warfare from 'gentleman's war' to 'total war' in modern times, then spread to areas of conflict related to different types of 'liberation' struggle, ranging from demands for populist self-determination to national self-determination. Populist self-determination encompasses violent movements based on the ideals of liberty, equality and fraternity; national self-determination refers to the secessionist movements threatening to break up the territorial arrangement of nation-states.

War in the European continent at one time followed the convention of avoiding hurt to non-combatant civilian population. "During all the wars of Napolean, not a single town was destroyed deliberately by his troops. When the Prussian army besieged Paris in 1870, it refrained from indiscriminate shelling of the city" (*The Uses of Comparative Sociology* by Stanislav Andreski, 1969, p 112). This was the European tradition in the 19th century. The Romans and the Greeks in the past had fought in a brutal manner affecting non-combatants. Assyrians and Mongols often committed genocide to terrorise enemies. The politico-religious war that shook up central Europe between 1618-1648 called the 'Thirty Years War' deserves special mention in this context. Its direct and indirect results involved the death of one-third of the population in the areas of conflict. Its ideological effects were the decline of the rule of religion and the emergence of the 18th century worship of 'nature' and 'reason'.

Terrorism as a tactical part of regular war strategy was officially introduced in modern

times during the civil war in the US according to an account presented in *Nationality in History and Politics* (1966) by Frederick Hertz. According to him, a step towards what is called today as 'total war' was made in the civil war in America. Democratic north in the civil war took lead in this new type of warfare while the south clung more or less to the old concept of a 'gentleman's war'. "In the Franco-German war of 1870-71, the American General Sheridan visited Bismarck and stayed with him behind the German lines for some time. Once when the question of humanity of war was being discussed, and a high Prussian official was advocating humane methods, Sheridan dissented and said it was advisable to treat the population with the utmost vigour. It was an aim of strategy to cause the inhabitants so much suffering that they must long for peace and force the government to demand it. The people, Sheridan remarked, must be left nothing but their eyes to weep with. This observation pleased Bismarck" (p 231). The above report was quoted from *Bismarck, Some Secret Pages of History* by Moritz Busch (1898).

Terrorism is different from assassination and guerilla warfare. The target of assassination is generally an individual. It is an occasional, passing act whereas terrorism is a process aimed at a system. From the terrorists' viewpoint, the guilt or innocence of individuals in a group which is the target of attack is irrelevant. This viewpoint distinguishing terrorism from assassination and the old-fashioned 'gentleman's war' is best described in colourful language in an extremist statement quoted in *Assassination and Terrorism* by David C Rapoport (1971). Rapoport quotes an American Ku Klux Klan gang member's statement about indiscriminate bombing which killed some black children: "When I go to kill rattlesnakes, I don't make no difference between little rattlesnakes and big rattlesnakes because I know it is in the nature of all rattlesnakes to be my enemies and to poison me if they can. So, I kill 'em all, and if there's four less little Niggers tonight, then, I say, good for whoever planted the bomb" (p 42).

The term guerilla used in guerilla warfare came from the Spanish origin, meaning 'little war' and people engaged in it in the traditional sense can be seen as small-scale warriors aiming at the establishment's conventional forces for piecemeal destruction. According to a history of guerilla warfare (*War in the Shadows: The Guerilla in History* by Robert B Asprey, 1975), its use stems from the Duke of Wellington's Iberian campaigns (1809-13) when Spanish-Portuguese irregulars or 'guerrilleros' (also referred to at the time as partisans or insurgents) helped drive the French from the peninsula (p xi, vol I).

Compared to the guerillas in this sense, the terrorists are not soldiers, but civilians. They generally avoid direct face-to-face confrontation with conventional forces. Sneaky attacks against conventional troops or their managers, however, form part of terrorist tactics. The above distinction between guerilla warriors and terrorists may pose a problem when we note that the participants in a long-standing terrorist organisation describe themselves as the Irish Republican Army and the reports of guerillas in Latin America killing or torturing civilian population accused of supporting or harbouring what they consider as enemies.

While the analytical distinctions between terrorism, assassination, regular war and guerilla war described and illustrated above are important for an understanding of terrorism in relation to other types of group violence, there is often one element common to all these four types of violence which can sometimes be interrelated. This element can be labelled as "the propaganda by the deed" which Russian anarchists of the 19th century supporting terrorism is reported to have used (*The Morality of Terrorism: Religious and Secular Justifications*, edited by David C Rapoport and Yonah Alexander, 1989 (p 15)).

As we survey the history of terrorism and other forms of group violence, it is clear that terrorism in one form or another was used all over the world and continues to be used even today. It is questionable, however, whether terrorism alone as a strategy can lead to the overthrow of a regime. Walter Laqueur, the author of *The Age of Terrorism* (1987) argued in an article in the *Harper's Magazine* (March 1976), entitled, 'The Futility of Terrorism' that "There is no known case in modern history of a terrorist movement seizing political power, although terror has been used on a tactical level by "radical political parties" (p 103). The second part of the statement labelling the "radical political parties" alone as having used terror on the tactical level is wrong; it is an example of political bias in many scholarly studies of terrorism. Laqueur ignores the 'tactical' use of terrorism by parties other than the radicals.

James Reston, the columnist of the *New York Times*, in an editorial page article (July 22, 1987) entitled, 'File and Forget?' listed some CIA undercover activities which included the blowing up of an Indian Airlines plane that was supposed to carry Zhou En-lai to the Bandung conference in 1955. He, also, mentioned charges of assassination attempts on Fidel Castro of Cuba and Patrice Lumumba of Congo. Selective use of terrorism and assassination as illustrated above, as a tactical part of a broad strategy may yield results. We can describe this as systematic terrorism different from unorganised terrorism. Systemic terrorism can form part of the intervention strategy by a big power or a tactical part of a broad social movement or expressive symbols of militancy as

warning signals by both the proactive and reactive forces. It is questionable, however, whether terrorism as the main element of strategy can lead to the overthrow of a regime.

Another question about terrorism is its destructiveness compared to other forms of violence. An illustrative sample of destruction caused by different forms of violence shows that terrorism alone does not anywhere match the range of destruction caused by regular war, guerilla war and communal riots. Guerilla war in Vietnam and Cambodia escalated into regular war and turned into massacres of civilian population. Likewise, anti-Soviet guerillas in Afghanistan became engaged in indiscriminate killing in the style of modern-style, well-armed and well-organised communal rioters. Communal riots in the past involved simple tools like sticks, stones, knives, spears and swords. Now, guns and bombs, even missiles are used.

One exception to the above note on the limited human loss caused by terrorist activities alone is perhaps the situation in Ireland. A study on the subject claims that between 1969-1975 the number of fatalities in Ulster relative to its population was twice the losses suffered by Britain in the Boer War and about twice the number of deaths absorbed by the US forces in the Korean and Vietnam wars (*Northern Ireland: A Time of Choice* by Richard Rose, 1976, p 27). The phrase, 'relative to the population', is italicised so that the human costs of terroristic acts in Ireland are not compared in absolute numbers with the war costs cited.

A book entitled, *The Paths to Domination, Resistance and Terror* edited by Carolyn Nordstrom and JoAnn Martin (1992) presents startling figures about 'wholesale genocide of tribal peoples" in the last century estimated to be about 50 million. These figures are seldom included in war-related casualties (p 9). A report of the Independent Commission on International Humanitarian Issues (1986) quoted in the above book claimed that there were at least 150 wars since the end of the second world war resulting in the death of approximately 20 million people (p 19).

The proportion of civilian casualties compared to battlefield deaths has increased dramatically, according to some data cited in the above book. In the first world war over 80 per cent of battlefield deaths were soldiers, by second world war, half of the casualties were civilians while today nearly 90 per cent of war-related deaths are civilians. 'It may safely be said that the least dangerous place to be in a war today is the military' (footnotes 1, p 271). Harold Isaacs in his *Idols of the Tribe* (1975) presents startling data on communal riots between 1945-1967 including two million deaths during the partition of India and creation of Pakistan, 1,00,000 Chinese killed by Indonesians and 35,000 Khambas killed by Chinese in Tibet, 2,00,000 Watusi and Bahutu mutually slaughtered during the separation of Burundi and Rwanda (p 3). If we add the number of recent casualties in Rwanda the number of total deaths in the region due to communal slaughter can be doubled. These illustrative examples show that terrorism defined in a narrow sense as occasional acts of violence against civilian targets is not as destructive compared to regular war as developed by the western powers, guerilla warfare with modern weapons as exemplified in Afghanistan and communal conflicts with modern destructive weapons in different parts of the world.

One area of terrorism which has not yet been practised, however, poses a serious danger in future. This can be described as nuclear terrorism involving use of nuclear material or sabotage of nuclear plants. Likewise terrorists can also use equally lethal weapons such as chemical or biological poisons to cause disaster. Several years ago a Ford Foundation report drew nightmare scenarios of what a few terrorists can do with a small amount of poisonous plutonium. The *Wall Street Journal* in a recent front-page report (May 11) hinted that the theft of bomb grade plutonium or uranium from countries with nuclear facilities can lead to secret manufacture of nuclear bomb in a short time. 'Builders with raw material could have less need for scientists and a ten-year project might be cut to 10 months." Since plutonium is often used in nuclear reactors, it can be stolen or waste plutonium can be recycled to construct a nuclear device. Strategic long-range nuclear weapons are difficult to steal and transfer, but tactical nuclear weapons with limited range and impact can be stolen and shipped. The *Manchester Guardian*, in a recent issue (May 29), reported that the US administration could not account for up to 1.4 tons of plutonium, enough raw material for 300 nuclear weapons. What makes nuclear terrorism potentially disastrous is its possible use by madmen rather than goal oriented political terrorists. A report by investigative reporter-columnist Jack Anderson nearly 20 years ago ('Will Nuclear Weapons Fall into the Hands of Terrorists?', *Parade*, September 29, 1974) gave an interesting scenario of this possibility in an incident involving a 15-year-old Florida boy who threatened to incinerate a city unless he was paid one million dollars. His demand was backed up with a 'technically good' drawing of a nuclear weapon. The city was ready to pay until the Atomic Energy Commission decided that no fissionable material was missing from the nuclear plants and therefore, the boy could not produce a bomb.

While the concern for the terroristic manufacture and use of nuclear weapons in the context of the current issue of nuclear non-proliferation can be valid, one should not forget the historic fact that the only country which has so far used its nuclear arsenal is the US. Over 1,00,000 Japanese were killed by the atom bomb dropped on Hiroshima and Nagasaki. President Truman's justification for the use of the the bomb was the claim that it forced the Japanese to surrender thereby saving an estimated 5,00,000 American combat deaths. This claim has been challenged by respectable American experts including Admiral William D Leahy who chaired the joint chiefs of staff during second world war. According to him: 'The Japanese were almost defeated and ready to surrender... being the first to use it, we adopted an ethical standard common to barbarians of the Dark Ages." The real reason for the first use of the nuclear brand of terrorism was the US geopolitical paranoid concerns about Stalinist Russia's advance and influence in the Asian Pacific region.

The potentiality of the use of chemical and biological weapons by terrorists poses another threat in future. They are easier to develop and use. The uses can aim at various targets such as poisoning of a water system, destruction of crops or generation of gases in enclosed spaces. As in the case of nuclear bomb, the US is one of the leaders in the use of chemical weapons during the Vietnam war. According to a recent report by Vietnam's labour ministry, defoliants and other chemical weapons used during the war turned about two million people invalid. As in the case of the use of nuclear bomb, the use of anti crop defoliants was justified by a military tactical logic. The purpose, it was argued by the science advisor of president Johnson, was to force population out of the communist controlled areas to areas under the Saigon regime (*Chemical and Biological Warfare* edited by Steven Rose, 1969, p 153).

Various forms of terrorism, along with other acts of violence, are likely to plague state formation inter-state, ethnic and gang-related conflicts in the future. Terrorism alone as a political tactic is unlikely to succeed unless it provokes establishment officials into extreme repressive measures, which may, under certain conditions, lead to the establishment's loss of popular support and the erosion of its legitimacy. The equation of the political effects of terroristic acts involves three factors—the influence of the propaganda by the acts, the response of the political targets of the acts, and the impact of these two factors on the public attitude and the state organisational set-up. It is difficult to measure adequately the balance among different dimensions of all these factors and additional exogenous factors such as covert and overt intervention by external forces.

The Billion Plus Population

Another Dimension

K C Seal
P P Talwar

While there are many estimates on the size of India's population in the year 2000 AD most people agree that a successful family planning programme will play a crucial role in bringing down the fertility rate

IN view of the crucial importance of the rate of population growth in the overall programme of economic and social development it has become essential to accelerate the pace of decline of the population growth rate this decline has to come from rapid decline in fertility Therefore a great deal of debate has been generated as to the strategies which can help in achieving this goal In a publication *The Inevitable Billion Plus* Vasant Gowariker has predicted that the population size of India will be substantially lower than any projection/prediction made so far by even the most optimistic demographers [1] He has used his own extrapolation of data to predict that With the birth rate down to around 21 per thousand, the death rate of 8 per thousand per year and the natural increase of 13 per thousand India will reach the threshold of the Net Reproduction Rate (NRR) = 1 0 within a decade from now [1] He is aware of the fact that this extrapolation may not be acceptable to most of the others but he deliberately wants to draw attention towards his assumed realism with a view to "deepen the debate on this important issue He has implied that one cannot be complacent on this possibility rather there is need to be serious about the population problem and has suggested that the government should set up three national missions to give necessary urgency and priority towards tackling the population problem Like past efforts which led us closer to our goals, such missions will give the necessary impetus for handling population-related issues on a war footing and bringing about population stabilisation within a short period

An attempt has been made here to examine critically some of the conclusions drawn by Gowariker keeping in view the various constraints regarding their feasibility in the present scenario of demographic transition The study focuses attention on (a) plausible levels of the vital rates in the future, (b) realistic time horizon for attaining the replacement level fertility (NRR = 1 0) and (c) likely population size by 2000 AD Some comments are also offered on the validity of Gowariker's assessment that India s population will never exceed China s population

CONTROVERSIAL PREDICTIONS

Gowariker s predictions seem to be based on a trend analysis of a few demographic parameters estimated from the past data as well as on the fact that a very major thrust is being given to the population control programme both by the central and the state governments In this paper the following conclusions drawn by Gowariker have been carefully examined

(1) The natural growth rate in 2001 AD will be 1 3 per cent This growth rate alongwith the observed growth rate of 2 14 per cent during the decade 1981 91 will give an exponential growth rate for the period 1991 2001 as 1 42 per cent i e, a very steep decline from the present level of 2 14 per cent during 1981 91

(2) India s population will not reach a billion mark in this century but may do so one or two years later

(3) India will reach the threshold of the Net Reproduction Rate of unity within a decade from now around which time the benchmark figure will appear and India s population will begin to move towards stabilisation at the billion plus level

(4) There is no possibility of India s population exceeding China s and threfore the prophecy of India becoming the most populous nation in the world in the future should be rejected

Exponential growth rate for 1991 2001

The natural growth rate for the period 1991 is the difference between birth rate and death rate for the year This comes to 29 5 9 8 = 1 97 per cent based on Sample Registration System data [2] Gowariker predicts the birth and death rate levels in 2001 as 21 0 and 8 0 and therefore, according to him, the natural growth rate of population in 2001 will be 1 3 per cent From these two figures (natural growth rate of 2 14 per cent in 1981-91 and 1 30 per cent in 1991), he computes the annual exponential growth rate for the period 1991-2001 as 1 42 per cent It is not possible to get this rate of growth unless the growth rate falls very steeply in the initial years 1991-93 itself, this is quite improbable Therefore, we do not accept this optimistic prediction of Gowariker

As a matter of fact, his prediction of birth rate of 21 and death rate of 8 by 2001 is in itself too optimistic and very doubtful An attempt has been made to predict a more realistic national levels of birth and death rates in 2001 by us A simple extrapolation of the pattern of yearwise decline in the level of three-year moving average of crude death rates for some of the states from certain past periods when it declined to about 9 8 (current level of national death rate) gives the level 8 1 in 2000 and 7 9 in 2001 [2] (Annexure 1) (The use of three-year moving average was made to smoothen the changing levels for the random fluctuations observed in annual figures) This figure is fairly close to the figure given by Gowariker

It may be stated however that this method of extrapolation assumes that the whole country will follow the pattern of decline in the vital rates similar to the states which have shown relatively higher declines in the vital rates than demographically less-advanced states Thus this method is expected to give an optimistic level of vital rates, the real value is likely to be higher than these optimistic levels unless the family planning programme shows much better results in the demographically backward states like Bihar, MP, Rajasthan and UP than in the past This approach which gives an optimistic level of vital rates seems to be reasonable in the context of various 'action possibilities' enunciated in Gowariker s paper

Gowariker has also predicted that the level of crude death rate may stabilise at the level of 8 This prediction does not seem to be reasonable when one considers the international experience of decline in death rate up to the level of about 6 and then going up to about 10 to stabilise Similar situation is noticed in Kerala where the CDR level has already declined to about 6 plus Possibility of such declines for the country like India is important in the context of the goal of NRR = 1—lower the level of death rate, lower has to be the level of fertility in order to achieve NRR of unity For instance, earlier projections of NRR = 1 had projected crude birth rate of 21 and crude death rate of 9 (National Health Policy [3]) but if the crude death rate declines to 7 9 in 2001, then the crude birth rate has also to be lower than 21 for NRR to be unity and the process of stabilisation to start

Regarding crude birth rate (CBR), a conservative estimate has been given (by Gowariker) to be 21 by 2001 Though this is the goal set by National Health Policy and all of us sincerely wish to be able to achieve it, the extrapolation of the recent trend in the levels of birth rate even in the "demographically advanced" states does not bring us anywhere near that desirable situation The fact of the matter is that extrapolation of the trend of birth rates from three-year moving average for some of the states which had reached the level of around 29 5 (that of India) in the recent past suggests that the average decline in future will be of the order of 0 56 units per year This will mean that the predicted level of crude birth rate in 2001 will be around 23 9 (Annexure 2) instead of 21 projected by Gowariker It is worth emphasising that the aforesaid level of birth rate has been arrived at under some optimistic assumptions which may not materialise in the near future

The recent data on Effective Couple Protection Rate has not shown optimism and therefore some demographers may argue against this level Nevertheless the type of efforts being made under the World Bank funded project like Child Survival and Safe Motherhood (CSSM) and the USAID funded project like Innovations in Family Planning Services (IFPS) suggests that the programme will pick up in the demographically backward states and 0 56 units of decline every year for the country as a whole might be feasible Thus our predicted birth rate in 2001 is 23 9

The natural rate of population growth on the basis of our alternative method from our prediction thus comes to 1 6 (23 9 7 9) in the year 2001 Based on the levels of growth rate in 1991 (1 97 per cent) and 2001 (1 6 per cent) we feel a more plausible exponential growth rate for the period 1991 2001 as 1 77 per cent per year This is far higher than 1 42 per cent predicted by Gowariker

India s population will not reach a billion mark this century

With the average annual exponential growth rate of 1 77 per cent per year for the period 1991-2001 and the population size of 846 3 million in 1991, the population size in 2000 and 2001 are predicted to be as shown below

2000	992 4
2001	1010 2

We therefore agree with the prediction of Gowariker that the population will not reach 1 billion by the end of the century However, it should be noted that these figures have been computed on the basis of 846 3 million population in the Census of 1991, this count has not been corrected for the under-count of the census which generally occurs

An independent check on the upper limit on India s population in 2000 AD could be obtained by using the figures of population projections given by the Standing Committee on Population Projections (1989) for the four demographically backward states of the country (Bihar, MP Rajasthan and UP) The percentage these four states together made in the Census of 1971, 1981 and 1991 of the whole country are 38 7, 39 0 and 39 7 respectively Their projected population size in 2001 divided by 0 397 will give an upper limit of India's population in 2001 (as it is expected that their percentage, i e 39 7 will further go up in 2001) The projected population size of these four states in 2001, corrected for the actual census count in 1991/projected count of 1991 gives the expected projection size of the aforesaid four states Dividing this count by 0 397 is expected to give an upper limit of the population size of India in 2000 and 2001 as given below

2000	995 1
2001	1015 8

This alternative approach also shows that India s population is not expected to reach 1 billion in 2000

India will reach threshold level of NRR=1 within a decade

The NRR of unity in our country will normally mean the total fertility rate of about 2 1 Therefore in order to predict the time period when India will achieve the total fertility rate level of 2 1, we have projected the pattern of decline in the total fertility rate (TFR) for some of the states which had achieved TFR of about 3 9 (the level of TFR for India for the period 1988-90) This method is similar to the one already discussed in Section 3 1 This method takes into consideration the fact that the pattern of decline in TFR differs from one level of TFR to the other but for reasons cited earlier this method is expected to give an optimistic time frame which is acceptable in the context of this paper

The states which had achieved TFR of about 3 9 or lower in 1981 83 were Andhra Pradesh (3 9) Karnataka (3 6) Kerala (2 8) Punjab (4 0), Maharashtra (3 7) Tamil Nadu (3 3) and West Bengal (4 1) The pattern of decline in TFR from this level to their level in 1988-90 has been determined (Annexure 3) it was found that the TFR changed by about 0 09 units every year [4] With this pattern applied for India, an optimistic time frame of TFR for India in different years is as follows

2000	TFR 3 0
2010	TFR 2 1

It therefore seems that prediction of Gowariker when he says that 'India will reach the threshold of Net Reproduction Rate of 1 within a decade from now (around 2003)' is too optimistic and is not expected to materialise For the country as a whole NRR=1 cannot be expected to be achieved at least till 2010

An independent check in this regard is available from K S Natrajan—he has fitted regression equations to the last 10 to 20 years trend data on TFR based on TFR for different states The long-term trend revealed by these regression equations have been utilised by him to compute the periods when different states of India will attain NRR=1 According to his calculations the states and the time periods when they will attain NRR=1 are shown in Table 1 Achievement of the replacement level of fertility by around 2003 as predicted by Gowariker for the country as a whole is therefore unrealistic and highly improbable

Stabilisation level of India s population

Another point has been made by Gowariker when he says that around 2003 India's population will begin to move towards stabilisation at the billion plus level In this regard it may be stated that though the process of stabilisation of India s population might start soon after 2010 the population will keep on growing till the next 60 to 70 years, a zero population growth will be reached only thereafter A computation of the increase in population after attainment of NRR=1 suggests that population may increase by about 20-30 per cent from the point it achieves NRR=1 to the point it achieves stable population with the rate of population growth of zero [5]

TABLE 1

States	Time Period When NRR=1
Gujarat Kerala Tamil Nadu and Punjab	Before 2001
Andhra Pradesh Assam Haryana and West Bengal	2001 2006
Maharashtra	2011 2016
Orissa and Karnataka	2016 2021
Rajasthan UP Bihar and MP	After 2021

TABLE 2

		Year 2001
Crude birth rate	=	23 9
Crude death rate	=	7 9
Rate of natural increase	=	1 60
Population size	=	1010 2

TABLE 3

Time Period	Population (Million) of India	China
2001	1017	1290
2025	1365	1569
Hypothetical size of stationary population (million)	1886	1890

Thus in our view, a more realistic (and somewhat less optimistic) prediction of different demographic parameters and the population size of India in 2001 are as in Table 2. For the country as a whole NRR=1 cannot be attained before the year 2010. Whatever might be the year, the population of the country will stabilise only after 60-70 years at about 20-30 per cent higher level than the level in 2010 or a later year when NRR=1 is attained. Under the optimistic assumption that NRR=1 will be attained in 2010, we have also computed India's population in 2010 and ultimately at the time of stabilisation. The projection of crude birth rate and crude death rate for the states from the time they achieve the CBR level of 23.9 and CDR level 7.9 (based on the method enunciated in Section 3.1) suggests that the crude birth rate and crude death rate in India in the year 2010 will be

		Year 2010
Crude birth rate	=	18.1
Crude death rate	=	7.3
Rate of natural increase	=	1.08

Thus according to our calculations the exponential rate of population growth for India per annum for the period 2001-2010 would be 1.31 per cent. This gives a population size in 2010 as 1,136.6 million. Since the level of population when it stabilises will be about 30 per cent higher than this level, India's population cannot be expected to stabilise at a level lower than 1,477.6 million in around 2080. It may also be noted that this size is much less than the projection of the World Bank [6].

Will India's population exceed China's?

For comparing India's population with that of China, it is necessary to adopt a similar set of assumptions on the vital rates and the same methodology. This has been attempted by the World Bank [6]. Their projections are set out in Table 3. It is noteworthy that despite considerable progress made by China towards achieving a zero rate of population growth, the population of China in 2025, as projected by the World Bank, is 1,569 million; this is substantially higher than 1,477.6 million which has been arrived at in the previous section as the stationary population of India around 2080 after attainment of NRR=1 in 2010. Thus with fairly quick success in controlling population growth, India's population is expected to be lower than that of China in the future. On the other hand, following the World Bank's model, India's stationary population after attaining zero population growth could be quite close to that of China; still it is less than that of China (though by a number of only 4 million). In this respect Gowariker's prediction may prove to be correct.

Concluding Remarks

Efforts have been made in the sections above to examine the demographic parameters for India till the country attains Net Reproduction Rate of Unity. Our alternative predictions are based on the extrapolations of trends in birth and death rates when they reach different levels. These trends reflect an optimistic scenario of India's population but it may not be difficult to achieve if our efforts towards family planning programme are genuine and serious. We feel that our estimates have greater reality because one expects difference in the pace of decline from one level of vital rate to the other. Nonetheless they are still extrapolations and the underlying assumption is that the programme will continue with policies and strategies which are more or less similar to the past and the experience of better-performing states will find more and more application in the programme of poor-performing states. It is therefore necessary that sincerity of efforts shown by better-performing states may be brought up into the programmes of the poor-performing states particularly in the states of Bihar, MP, Rajasthan and UP which form about 40 per cent of the country's population.

Gowariker, on the other hand, "visualised a pronounced downward gradient of the

Annexure 1

Time Period and Patterns of Change in Mortality in the States where Crude Death Rate is around 9.8

Time Period	Level of Crude Death Rate for States							
	Andhra Pradesh	Gujarat	Haryana	Karnataka	Maharashtra	Punjab	Tamil Nadu	West Bengal
1981-83			9.8	9.2	9.2	9.1		
1982-84			9.7	9 4	9.1	9.0		
1983-85			9.7	9.2	9.0	9.1		10.2
1984-86			9.6	9.0	8.7	8.7	9.9	9.7
1985-87	10 0		8.9	8.7	8.4	8.4	9.6	9.1
1986-88	10 0		9 1	8.7	8.2	8.2	9 5	8.6
1987-89	9 9	10.2	9 0	8.8	8.2	8.2	9.3	8.7
1988-90	9 6	9.9	8.9	8 5	8.1	8 1	8 8	8.5
1989-91	9 4	9.0	8.4	8 6	7 9	7 9	8.7	8.5
1990-92	9.1	9.1	8 6	8 5	8.2	8.2	8.4	8.3
Average decline	.18	.37	.23	08	14	.10	.25	27
	Average decline = 19 units per year							

Source: Registrar General of India, *Sample Registration Bulletin*, 27 (1), July 1993.

Annexure 2

Time Period and Patterns of Change in Fertility in the States where Crude Birth Rate is around 29.5

Time Period	Level of Crude Birth Rate for States						
	Andhra Pradesh	Gujarat	Karnataka	Maharashtra	Punjab	Tamil Nadu	West Bengal
1981-83			28.4	29.3		27.9	
1982-84			29.2	30.2		27 9	
1983-85			29.7	30.0	29.7	26.9	
1984-86			29.6	30.0	29.1	25.5	29.8
1985-87			29.2	29.3	28.6	24 1	29.9
1986-88	29.7		28.9	29.4	28.6	23.5	29.6
1987-89	27 8	29 7	28.5	28.9	28.5	23.3	28.8
1988-90	26.5	29 3	28.2	28.4	28.2	22.5	28.0
1989-91	26.1	28.6	27 6	27.4	27 9	21.8	27.5
1990-92	25.5	28.3	27.0	26.3	27.5	21.0	26.6
Average decline	1 05	0 47	0 16	.33	0.31	0.78	0.63
	Average decline = 56 units per year						

Source: Registrar General of India, *Sample Registration Bulletin*, 27 (1), July 1993.

Annexure 3

Time Period and Patterns of Change in Fertility in the States where Total Fertility Rate is around 3.9

Time Period	Level of TFR for States						
	Andhra Pradesh	Karnataka	Kerala	Maharashtra	Punjab	Tamil Nadu	West Bengal
1981-83	3.9	3.6	2.8	3.7	4.0	3.3	4.1
1988-90	3.1	3.3	2.0	3.4	3.3	2.4	3.4
Average decline	.11	04	.11	.04	.10	.13	.13
	Average decline = .09 units per year						

1981 variety to occur in the current decade". In this sense, his prediction should have been similar to ours since we have also assumed the continuance of the past trends, at least of better-performing states. But, what we interpret as the reason for greater optimism of Gowariker is the idea 'that an average rural and urban folk of this country, through his common sense and wisdom, will take a practical view of what he hears about the desirability of a small family". Such internal urge can definitely accelerate the pace of acceptance of small family and prediction of Gowariker may come true but unfortunately majority of India has not yet realised such socio-economic milieu and we feel that it will take still several more years for that environment to come.

Therefore, in our view, the country has not come to achieve the environment which Gowariker has visualised and which has led him to give a picture of great optimism. We feel that we still have to depend for a major part of our reduction in population growth rate on effective and efficient family planning programme which not only should create demand for the services but also meet demand through provision of good quality services. Though the programme has started to bring about such a culture but it is a time consuming process, we have to give much more impetus to accelerate its pace.

Gowariker's book *The Inevitable Billion Plus* besides three articles of Gowariker contains a large number of other interesting articles written by specialists dealing with specific aspects of India's population problem. Although the reasons for the undue optimism of Gowariker are not very clearly indicated in his article it seems that he has laid considerable emphasis on our success in networking various action possibilities highlighted in others' articles so as to overcome the current apathy towards universal acceptance of a small family norm in a large number of states (particularly the four Hindi speaking states) and certain segments of population. Gowariker's suggestions are undoubtedly good and worth pursuing by the government but to expect quick results out of them, will in our view be too optimistic. Past experience suggests that many useful 'action possibilities' have failed to yield the desired results because of the social economic cultural political and bureaucratic milieu in the country. Therefore our alternative methodology provides a more plausible scenario, which though somewhat optimistic yet may not be very difficult to achieve.

Our analysis on the four issues discussed in Gowariker's two papers referred to earlier tends to suggest the following:

(a) India's population in 2000 AD might be slightly less than a billion but it would cross the billion mark in the next decennial census.

(b) Replacement level of fertility (NRR=1) will not be reached for the country as a whole at least till 2010 AD.

(c) Even if NRR=1 is achieved in 2010 the stationary population of India will be substantially higher than one billion namely, about 1,478 million and the stationary population can be expected to be reached only around 2080 AD.

(d) India's population may not exceed that of China for many years to come despite China's far better performance than India's towards population control programme in the last two or three decades. Nevertheless the gap in the population size of the two countries is likely to be reduced substantially unless family planning programme in India shows sharp improvement in its performance especially in the four Hindi-speaking states which have remained demographically backward during the last four decades.

Three national missions on (a) full literacy (b) adequate energy and (c) innovative communication to popularise small family norm advocated by Gowariker are no doubt worth pursuing. In our view creation of a mammoth cadre of innovative communicators to convey family planning message to all married couples in an effective manner would be a stupendous task. The adoption of small family norm especially by the poor couples would certainly depend on their conviction that their essential needs (both current and future) could be met with a small family such as only a son or a daughter who can provide them with adequate social security at their old age. This may be found extremely difficult unless innovative social security schemes are also launched in our country to cover the poor and neo-literate couples to provide them adequate old age security. Of course harsh measures as adopted in China in the past for forcing couples to accept one child norm might yield quicker result but adoption of similar disincentives for non acceptance of family planning programme may not be feasible in a democratic country like India.

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Excerpts from the speech delivered by Mr. J. T. Dewing, Chairman, at the 33rd Annual General Meeting on August 10, 1994

As all are aware, our Chairman Emeritus, Mr S L Kirloskar, passed away on April 24, 1994 at the age of 91 years He was a man of vision and foresight - recognized here, and by others who had the privilege of meeting him, as one of the best businessmen He founded KCL in 1962 His guidance helped enable your Company to be the leading independent diesel engine manufacturer in India

Leadership

Last year, we gave a briefing of the Cummins joint venture tie up with Telco to produce engines for powering Telco vehicles I have been asked to assume responsibilities for overseeing all Cummins business activity in India Mike Dodsworth has agreed to take on the job of Managing Director of KCL effective August 1, 1994 I will continue as Non-executive Chairman and may have the privilege of addressing you for yet a few more years I want to take this moment to express to all my sincere thanks for supporting me in discharging my responsibilities

I would like to mention in particular the guidance given to me with generosity and goodwill for KCL and CDS&S by my predecessor, Arun Kirloskar

In this regard, I would also like to recognize two Directors who have helped shoulder the leadership responsibility during my tenure Sudhakar Nagpurkar, President of KCL and Mohan Tol, Managing Director of CDS&S For over 30 years, Nagpurkar and Tol have served your Company with unswerving loyalty, fierce dedication, intelligence that keeps learning and increasing wisdom

Company's Performance

Indeed, last year is best understood as the sum of two distinctly different halves -

- The first six months as the end of a recessionary phase
- The second six months as the start of a dramatic recovery with 40% growth in KCL's domestic sales

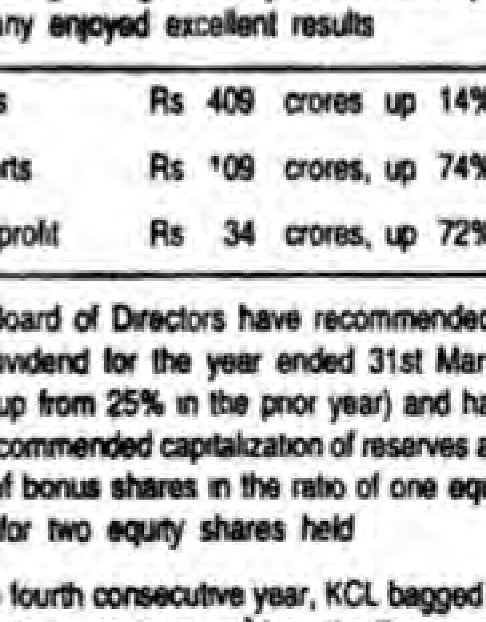
Export markets for your Company's products were strong throughout the year, therefore, your Company enjoyed excellent results

Sales	Rs 409 crores	up 14%
Exports	Rs 109 crores,	up 74%
Net profit	Rs 34 crores,	up 72%

Your Board of Directors have recommended a 30% dividend for the year ended 31st March, 1994 (up from 25% in the prior year) and have also recommended capitalization of reserves and issue of bonus shares in the ratio of one equity share for two equity shares held

For the fourth consecutive year, KCL bagged an all India top exporter award from the Engineering Export Promotion Council

Your Company has a tradition of being number one The past year was no exception, **KCL was awarded the Gold Trophy 'BEST AMONG WINNERS' in the first Rajiv Gandhi National Quality Award Competition.**



Rajiv Gandhi National Quality Best Among Winners Award

This meant that not only was KCL adjudged best of engineering companies but also, best among the winners from other industry segments

I can further announce that last week your Company successfully passed a 3 year mandatory ISO 9001 re-certification audit of its quality management systems by BVQI (Bureau Veritas Quality International)

Commitment to Excellence

In December, 1993, your Company conducted an exhibition of improvement work by the entire management team called CPS convention CPS stands for Cummins Production System, a framework of concepts and practices by which your Company is strengthening its lead in India and increasing its exports

70 % of management volunteered to participate in 165 different project teams This is a positive indicator of the extent of involvement in continuous improvement efforts

"To give more insight into the methods we are using, I want to share with you a few highlights of the 10 CPS practices"

Highlights of the 10 CPS practices

1. Put the customer first

We want to understand our customers' business needs so well that we can keep them as "customers for life" We strive to provide each customer a "value bundle" of product, information and services that creates a measurable comparative advantage This work involves each employee of the Company

2. Involve People

Your employees are the Company's greatest strength Customer delight can be created only by employees who are competent, enthusiastic and involved in improvement work We have increased the percentage of hours dedicated for training and development for each employee Our target is to reach 100 hours per employee per year We are committed to the practice of connecting people in cross-functional teams and supporting their efforts to improve the flow of work through the Company. Our people know each of their internal customers and work to improve performance to them.

3. Synchronize flows and shorten lead times

Once work is seen as a series of flows, improvement comes from the premise that work is "pulled through the plant" at a pace that will meet customer needs on time. The synchronizing or "timed co-ordination" of many different streams

All projects were judged and the top projects were recognized with the winning team going to Columbus, Indiana, U S A. to represent KCL in the Cummins International CPS Convention.

Business outlook

During the first four months of this year, your Company has shipped nearly 2500 engines and sales turnover is in the range of Rs 150 crores This is 25 % better than the previous year and reflects growth of 40 % in domestic engine sales Our export business remains strong and we are actively engaged in developing new projects with Cummins in the higher horsepower range

The most concerning economic variable is inflation caused in large part by supply constraints versus the powerful flow of funds in the economy Controlling inflation must remain of utmost concern for the country as its effects are always cruel and disproportionately assessed Whatever the stated rate of inflation the "misery index", which is the inflation rate of basic essentials, is much higher

Your Company is in the energy business The gap between energy demand and generation is estimated at approximately 10,000 MW in 1996 and growing This means higher generating set business Ambitious plans for increasing production of coal and other minerals, and boosting productivity in terms of output per manshift mean higher requirements of engines both in numbers and horsepower ratings Other sectors and applications, industrial, locomotive and marine also offer excellent prospects

One aside - I would like to note the trend to higher horsepower requirements in borewell applications in order to drill yet deeper wells to reach receding water tables How long can the water table continue to drop? What is the country's policy and action programme?

All this growth in demand means doubling the production of engines within the next 3 years Your Company is geared up to achieve this target by working as per the Cummins Production System We are confident that we can compete with the best

Our collaborator, Cummins Engine Company, the world's largest producer of diesel engines above 200 horsepower is celebrating a 75th anniversary during the current year Cummins considers this as an opportunity to thank all the customers suppliers distributors, communities, shareholders and employees for their part in helping Cummins succeed The on-going, open and mutually collaborative relation of your Company as part of Cummins world-wide family is a key competitive strength In this regard, your Company s competence in alternative fuels is opening another avenue of promising collaboration with Cummins in advanced engine development Cummins leadership in materials technology and fuel efficient, low emission electronically controlled engines continues to provide KCL with a stream of product advantages

Appreciation

Let me conclude by thanking the Financial Institutions, Company's Bankers Depositors and Shareholders for the trust which they have reposed in the Company I also thank the central and state governments and the local bodies for their help in achieving our targets I would also like to place on record our appreciation of the cooperation received by the Company from our various collaborators and suppliers I want to thank all employees for their hard work, inspiration and excellent team spirit which has enabled your Company to achieve excellent results Last, and most emphatically I thank our customers for their on going confidence expressed in each decision to buy

Note This does not purport to be a record of the proceedings of the Annual General Meeting

of work is essential Much careful analysis and creative work is needed to simplify processes eliminate bottlenecks reduce wasted motion reduce non-value added activity and shorten cycle times This work must be done at the most detailed part by part step by step level

4. Build in quality at source

We strive to make a perfect part every time This means each operator must achieve quality control and not rely upon inspectors Much work must be done to anticipate and eliminate sources of error what we call "failsafing" The first question to ask is "what is wrong not who is wrong" The documented quality system is essential and must be followed precisely and in detail

5. Ensure equipment is capable

Perfect parts cannot be made each time without the right tools in the right condition This begins when the part is being designed by selecting a best match with production process We use statistical methods to determine that processes are able to produce parts within the allowable tolerances Care and maintenance of equipment and tooling is essential to maintain these capabilities

6. Create functional excellence

Excellent overall results for customers depend on each person's knowing his or her job This cannot be left to chance All work is to be defined and, so too, the specific skills and knowledge which are crucial With carefully defined "position profiles" managers can establish training needs. Formal training for each skill and knowledge module is developed to meet these needs. Detailed check lists are also designed for each function to assess its total system approach and identify priorities for improvement

7. Establish right environment

People perform better when work conditions are right This means keep things simple and visible so that variations "scream for attention" A clean, orderly tidy healthy and safe environment is essential for quality results We have given this practice special emphasis for improvement in the current year and this will continue

8. Treat suppliers as partners

The plant outside KCL is equally important to customer satisfaction as is the KCL plant We work to develop longterm relationships with our suppliers and commit our people to work with them to install quality systems that provide defect-free parts, fit for use on the required day We view them as partners in our business and try to do joint analysis of ways to eliminate waste and reduce cost

9. Use common approach

We have training underway to teach people a common approach for solving problems and improving processes This not only sharpens each employee's skills but also allows efficient teamwork since the terms and methods have consistent definitions We use a cascaded training technique starting with leaders We recognize that true mastery comes only when one has prepared and taught a subject to others We extend this training to suppliers and dealers

10. Achieve continuous improvement

Through all the above, we are only and always in the process of getting better Of course, the rate of improvement must be faster than the competition's. We teach that making small improvements is a superior method to waiting for "delayed perfection"

Explanation in Social Sciences

Mohammad Talib

Explanation and Understanding in Human Sciences by Gurpreet Mahajan; Oxford University Press, Bombay; pp xii + 124; Rs 150.

SELF-CONSCIOUS perspectives in social sciences, informed of their philosophical underpinnings, continue to be intrigued by question such as 'what constitutes an explanation?'. It may even be a query desperate to qualify the claim to veracity: 'What is a good explanation?' Simple answers elude the question inasmuch as 'good' satisfies different standards of authentication. Thereby, 'good' remains a common adjunct to different explanations at the same time. Surely, the cognitive interest of researchers and their varying definitions of objects of knowledge are critical factors in analysing the construction of explanation in social sciences.

Explanations are also construed in terms of the chosen ontological features of the being under examination (discursive vs practical, meaning orientation vs extra-meaning conditions, particularising vs generalising features of the objects of knowledge). The book under review offers an account of a range of explanations in human sciences. Each mode of explaining the phenomenon seeks to do justice to the specific nature and complexity of their objects of study. Perforce, the relative appropriateness of an explanation draws upon the judgments pronounced by social scientists about the nature of the thing to be explained.

The title of the book provides only a partial glimpse of the problematic of the study. Indeed, the detailed exegesis of the study pertains to the various claims to knowledge of the social world. The terms 'explanation' (commonly the causal mode) and 'understanding' (usually the hermeneutic tradition) appearing in the title, are merely two conceptual motifs of the argument under examination. As a matter of fact, the study presents reason-action explanation, hermeneutic understanding and the narrative as three alternatives to the causal mode of inqufry that has, in some form or the other, dominated the social sciences for several decades. Not that there was a unanimous agreement on its precepts; simply that the causal mode served to set the context of debate about the nature of social sciences (with reference to its methodology and the object/subject of investigation). The present study 'specifies the distinctiveness of each mode of inquiry...it analyses the implications of using a particular vocabulary and language. More significantly, it examines whether the language of text and understanding, and whether the new language and the world-view expressed in it can be accommodated with other non-causal forms of explanation' (pp ix-x).

Causal Mode of Explanation

This form of explanation assumes that the observed event is a consequence of some other antecedent event or condition, that the cause and effect are linked contingently through a law. The existence of such a law or "exceptionless generalisation is regarded as a pre-condition for the existence and affirmation of a necessary connection between two variables" (p 4). Indeed, it is on the basis of such laws that the given phenomenon is explained through the identified cause. Consequently, the search for laws is considered to be an indispensable part of causal investigation. "Two kinds of arguments are adduced in support of this claim: First, causal assertions are implicit in and may be deduced from such laws; second, every causal assertion refers, at least implicitly, to one such general law and the stipulated causal connection is defensible only if the corresponding general law is defensible" (p 5).

The notion that every causal explanation must refer at least to one general law and without such a law no explanation is possible has been challenged on two grounds. "It is argued that social scientists, particularly historians, are concerned with the study of particular occurrences: they examine what happened in *this* particular instance and not what happens every time such events occur...Secondly, and more importantly, 'dredging up' the relevant law is *not* always necessary for explaining a given occurrence...(in other words), the linking together of two variables or objects points to the existence of a law but an explicit reference to that law is not necessary for furnishing an adequate explanation" (p 9). In a sense, the concept of cause gets redefined by "the claim that the social scientists provide explanations of particular events rather than of types of events" (p 14).

Given this framework, the cause refers to "a condition that was contingently necessary or necessary under the circumstances...The cause is here conceived of as an INUS condition, i e, a condition that is an insufficient but necessary moment of a complex that is unnecessary but sufficient for producing the given effect (p 17)...The notion of cause as an INUS condition takes into account the possibility of there being more than one complex of minimal sufficient conditions, and hence, it suggests that (a given condition) could be regarded as the cause (a necessary moment) only if it is a part of complex of minimal sufficient conditions that was present at that time (p 18)...INUS condition is specified in the context of a particular inquiry, i e, it has an identified causal field...(It) also approximates the social scientist's/historian's use of the term 'cause'. However, it is difficult to apply this notion of cause to situations...where two or more minimal sufficient conditions containing different elements are present simultaneously (making it difficult to) specify an INUS condition" (p 19).

One learns "that the notion of cause that is most appropriate for the social sciences is one that undermines the very ground on which causal explanations are frequently privileged and justified. By dissociating explanation from prediction and relinquishing the search for general laws, it renders these explanations incapable of serving technical interest" (p 25). Therefore, one is persuaded "to look beyond causal explanations and explore other ways of explaining an occurrence" (p 25).

Reason-Action Explanation

It has been argued that the subject matter in social sciences do not have an objective existence independent of the investigator. Rather, the social scientists deal with objects that are produced by human beings and their social world, which in turn, have a bearing on the actions of people themselves. It has been suggested that the significant historical events, for example, revolts, campaigns, etc, can only be explained as 'doings', performances of groups and individuals. This requires a reference to the actions of the agents which in turn are grounded in the intentions, motives and beliefs of the individual.

This mode of explanation wherein an agent's action is understood in terms of his avowed reasons is shown to present at least *four* problems: "First, agents do not always give reasons for their actions, so it is not always possible to refer to avowed reasons. Second, even when they do give reasons there is no way of determining that the avowed reason is the 'real' reason for performing that action. Third, most often historical agents give reasons retrospectively to justify their action and to make it appear reasonable. Fourth, while explaining the same action, historical agents sometimes offer different reasons to different audiences" (pp 31-32). Consequently, it is suggested that a choice is to be made between different avowals, for no a priori criterion exists for

privileging one assertion over another. In view of these difficulties, historians frequently hold the avowed reasons in a temporary abeyance and seek to locate the reason for an action through an analysis of the existing situation and the expressed intentions of the agent

Critics argue that the reason-action explanation "brackets the historicality of agents and assumes that human nature is the same and that there are certain known and given patterns of intention-action interrelationship" (p 42) It is further argued that 'what happened in history cannot be reduced to the intentions of agents and events cannot be understood merely as the products of human action" (p 43) Therefore, it is pointed out that reason-action explanations serve a limited purpose, while they can help us to explain the actions of the agent, they are unable to explain the occurrence of the historical event' (p 43)

Hermeneutic Understanding

The next form of inquiry that follows rational-action explanation is hermeneutic understanding (This) is primarily a way of recovering the meaning of the utterances and performances of the historical agents However what distinguishes it from other modes of inquiry is the historical nature of its perception namely its claim about the historicality of human existence and the plurality of historical worlds' (p 50) Such an exercise creates fewer tribulations as long as the object of knowledge and the researcher share a common society and history But the act of understanding becomes complex and difficult when the researcher addresses the linguistic expression and practices of people who belong to a historical time and culture quite different from our own (p 53)

The purpose of an hermeneutic inquiry is stated to be two fold (a) it seeks to understand the other and (b) by making available the life of the other it opens up new worlds and possibilities to us (p 64) This phenomenological excursion in the world of other reveals to us the finitude of our existence and offers us another world on the basis of which we can question our beliefs and certainties (p 67) This form of explanation too is severely limited in its grasp of human action One significant limitation is that it neither reflects upon the condition of effective history that 'ink certain perception with determinate structures of material reality nor does it consider the possibility of comparing and relating aspects of the cultural religious and economic system" (p 70) Furthermore this mode of understanding is shown to suffer from an implicit contradiction "On the one hand, it questions the universalism and scientific rationality of the enlightenment mind On the other it postulates a high degree of consensus and homogeneity within a society It recognises the plurality and incommensurability of world-views over spatial and temporal boundaries, but it does not seriously consider the existence of different world-views and language games within a given society" (p 71) "The hermeneutic method remains restricted to the world of shared meanings and practices and ignores in the process, the contestation of values and meanings within a society" (p 71)

The narrative mode is presented as "a form of explanation in which the explanandum (the event to be explained) follows from and appears as a consequence of the actions of individuals and groups placed in some determinate historical situation" (p 81) This mode of explanation claims 'to grasp the uniqueness and particularity of the object and explicate precise configuration of forces at that time" (p 76) A historian seeking to explain a historical event by depicting it in the narrative in terms of "a reconstruction of an occurrence or a situation that has not itself survived Thereby, the narrative assumes a representational picture and not an imitation or copy of the past" (p 88)

The concluding consideration on method aptly remind the reader that the presentation of different modes of inquiry in the study was no attempt 'to privilege any one method absolutely and unconditionally The discussion of particular modes of inquiry (becomes more meaningful) in the context of the specific conceptions of the nature of social science and judged in terms of what they seek to analyse and what they exclude from examination (p98) Amidst competing claims to knowledge the existence of various examinations is legitimised in terms of their ability to offer new insights and uncover different aspects of reality" (p 102) Pluralism in explanation is also justified in terms of an absence of a theoretical grid from which we can view the world in itself and write its history (p 102)

The exegesis of the various modes of explanation presented in the study carry at its back various unexplicated presuppositions These pertain to the nature of subject object relationship or the dialectics between the enquirer and the phenomenon under study An epistemological picture etched on the descriptions of various explanations The picture is that of an enquiring mind on the one side and an independent reality enquired into, on the other The enquirer remains an active principle, equipped with the instrument of knowledge and a creator of the definition of the object under study At the other polarity, the social reality to be explored is assumed to present itself as a passive resource for the required constructs of knowledge The reality to be explored appears to be discursively incapable of revealing what it is not but could possibly be [1] Furthermore, the exegesis does not clarify why a given explanation furnishes different slices of reality in accordance with the differing cognitive interests of the enquirer Change the cognitive interest in the pursuit of social science and the entire human preoccupation with knowledge change will acquire a qualitatively different mode Even the theoretical statements about facts and the discursive strategies employed would be predicated upon a different knowledge-constitutive interest (i) knowledge that expands our power of technical control, (ii) knowledge that make possible the orientation of action within common traditions and (iii) knowledge that frees consciousness from its dependence' on hypostatised powers [2]

As the analysis of various explanations treats the enquirer as an active principle, the phenomenon under study appears as a 'pebble by the seashore' It is grasped out of an accidental encounter, as a chance of fortuitous occurrence The enquirer is gathering knowledge to reinforce a customary expectation or a policy prescription But sure enough, the active voice of the enquirer is not constituted within the ambit of a dialectical movement of an agency or an organised praxis seeking (through the pursuit of explanation) a retrospective grasp of its self-development [3] There does not seem to be a way out of the given frame The exegesis in its content and scope, remain restricted to a philosophical-methodological locus characterised by explanatory pluralism The equal status granted to various explanations, are forever, condemned to stay in a state of humble submission before the world-in-itself (for the moment the terrain beyond cognition)

The particular aspect of the being chosen as its constitutive feature, also become the methodological axis around which the intuitive material pertaining to the object of knowledge in different situations, is regulated for the purpose of explanation The constitutive feature of the being transforms into a regulative category monitoring the scientists' gaze This is how an explanation allows itself to a priorise an object of knowledge in matters of further research Understandably the explanation gets altered into a theoretical slant a logical screen influencing the selection and organisation of perception

The various explanations presented in the study stop short at the object of knowledge without examining how the object graduates into a subject of research These explanations are limited to the task of ascertaining adequacy (with respect to the standards of authentication set by the community of social scientists) and not relevance of knowledge to people themselves whose status is otherwise restricted to provide data about themselves This asymmetry between the subject and the object in the conventional mode of explanation is an outcome of the social asymmetry between those who do

research and those upon whom a research venture is routinely carried out [4]

A step beyond the mode of explanation presented in the study necessitates that the asymmetry between the subject-object relation is overcome in the theory and practice of research. Reference may be made to an emerging tradition in the history of research methodology where the subject-object relation is represented dialogically and self-reflexively. This mode of explanation involves not merely representing the phenomenon adequately but a complex mutual engagement of the subject and the object. It transforms the object of knowledge into "a speaking subject, who sees as well as seen, who evades, argues, probes back" [5]

Thus the dialogical or participatory mode of explanation does not relate to a static picture of the phenomenon or a series of them from singular points in time. Instead, it refers to a dialogue over time dealing with the dynamics of reality. And also, "the objects of the theory actually become subjects to it which is to say they help to fashion it by their own choices and actions, and by their responses to it" [6] This mode of explanation involves both subject and object and no part of it intrinsically belong to either. Whatever stands on the side of the subject can be transferred to the side of the object, and vice versa. This view provides corrective to the idea that the subject/object are something absolute and ineliminable.

For such an explanation, the validity of claim to knowledge is partially located in terms of the responses that the social actors themselves have to the theory and partly in terms of whether the theory offers a way out of an untenable situation [7] That an explanation indeed offers a glimpse of the possible reality is not merely decided by a community of scientists but the community of people as well who recognise it so and who are able to organise their praxis in its catalytic medium.

The dialogical and participatory mode of explanation seeks sensitivity to the reality not-yet. It recognises that the realm refers to the phenomenon which has not yet given itself a reality of its own, a reality produced from its own collective resources of people's projections, imagination, dreams, ideological anticipations etc. The not-yet belongs to the domain of the possible distinguishable from the actual. A typical experience of an intuitive understanding lacks the orientation to know what lies outside the fold of immediate sense intuition. A possible reality slips out of hand inasmuch as it is unable to produce a certificate of viability issued by experience [8]

This explanation, an alternative to those described in the study, recognises that the very things which make knowledge possible—our ability to monitor our own monitorings, to learn and hence to change our interpretations, actions and responses [9]—are also processes which make the social science enterprise a complex of dialogism and mutual participation between the subject and the object. But this remains not just an external and contingent sociological condition of learning but its constitutive force, which not only drives it but shapes its form. The radical implication of this can be revealed by referring to the role of researchers in stimulating this potentially emancipatory change in others in the process of understanding them. The book under review addresses themes at the centre of current developments in philosophy and theory of research methodology in social sciences. It will be essential reading for all those concerned with the issues and debates in the area.

Notes

1 A pungent retort against such a state questions: "What science is this that only holds true when its subjects hold still? Strange laws that presuppose humanity in formaldehyde! What scientists are these who peer into everything below yet see nothing ahead?" quoted from Nicolaus Martin, 'The Professional Organisation of Sociology: A View from Below' in Robin Blackburn (ed) *Ideology in Social Science*, Fontana/Collins, 1979.

2 This classification is drawn from Jurgen Habermas, *Knowledge and Human Interests*, Polity Press, 1987, p 313.

3 A radical reconstruction of social can immensely benefit from the rich material produced on Hegel Critique of Kant. The present insight is derived from W H Walsh's contributions in Stephen Priest, *Hegel's Critique of Kant*, Clarendon Press, 1987.

4 For further details to a critique of conventional research see Walter Fernandes and Rajesh Tandon (eds), *Participatory Research and Evaluation: Experiments in Research as a Process of Liberation*, Indian Social Institute, 1981.

5 Quoted in Clifford James, 'Introduction: Partial Truths' in James Clifford and George E Marcus (eds) *Writing Culture*, Oxford University Press, 1986.

6 Quoted in Brian Fay, *Social and Political Practice*, George Allen and Unwin, 1975, p 109.

7 Ibid. The chapter offers valuable observations for the development of critical social science.

8 Quoted from Zygmunt Bauman, *Towards a Critical Sociology: An Essay on Commonsense and Emancipation*, Routledge and Kegan Paul, 1976, p 77.

9 This argument can be further appreciated in the light of experiences of an anthropologist while carrying out a research project among marginalised women in Sri Lanka. For reflections on the subject see Joke Schrijvers, 'Dialectics of a Dialogical Ideal: Studying Down, Studying Sideways and Studying Up' in Lorraine Nencel and Peter Pels (eds) *Constructing Knowledge: Authority and Critique in Social Science*, Sage Publications, 1991.

Managing Common Resources

Dolly Arora

Managing Common Pool Resources: Principals and Case Studies by Katar Singh; Oxford University Press, Delhi, 1994; pp xx+366, Rs 425.

WITH the rapidly-worsening state of world's natural resources and the growing realisation of the need and urgency of averting this, the attention of scholars/policy advocates the world over has been drawn towards understanding this degradation and destruction, and further, devising strategies for their sustainable management. Numerous exercises have been undertaken in both theoretical and empirical realm, especially with a focus on common property resources, which have undoubtedly been the worst afflicted by this tragedy. The explanations and remedies offered by various scholars as well as policy-makers in various settings, however, have been as diverse as the empirical evidence obtained regarding the state of commons themselves. The book under review provides a good introduction to existing theoretical frameworks for analysing common pool resource management problems on the one hand, and offers a detailed analysis of several specific cases in CPR management in India, on the other.

Written primarily for graduate and post-graduate students in common pool natural resource management and resource economics, it makes no claims to originality of ideas and approaches presented in it. The author, however, emphasises its unique approach, organisation, focus and mix of theory and practice, and asserts—quite rightly so—that no other comparable book on CPRs is available in the market. The book is divided into three parts. Part one deals with the basic concepts and connotations of CPRs, theoretical approaches, management regimes and instruments of CPR management. Part two provides a detailed discussion of a some nine cases in CPR management in India, and evaluates these in terms of the theoretical frameworks dealt with in part one of the book. Part three attempts to synthesise the analytical conclusions and lessons which flow from case studies and the literature reviewed in the book.

Differentiating common pool resources from common property resources on account of the irrelevance of any well-defined property rights in defining the latter, Singh has chosen to focus on the broader category of common pool resources, which may or may not be privately or commonly owned, and which are so defined because they are accessible to and jointly used by people living in a particular geographical location such as a village or a cluster of villages—global commons remain largely out of the scope of the study. Most of India's rural poor, he rightly underlines, depend considerably for their livelihood on CPRs. But with the growing commercial exploitation of CPRs that is now going on, the poor find it increasingly difficult to meet their basic requirements from CPRs (p 19).

Conservation, development, and utilisation of CPRs, argues the author, are highly influenced by national and international policies and politics. There are many instances where national export promotion policies and international transfer of technology have significantly boosted the rate of utilisation of natural resources, most often beyond the limits set by local conventions and traditions. While a major change in the utilisation-pattern of natural CPRs in India came with the British who linked these resources with the direct and large-scale non-local demands of western Europe, after independence also the colonial institutional framework for natural resource management did not change materially (p 22). Lack of appropriate environmental protection policies and ineffective enforcement of existing policies led to degradation of natural resources and environment. International aid and trade policies also affected the state of natural resources in general and CPRs in particular: these policies generally tend to promote free markets, privatisation, entrepreneurship, and export-led growth, all of which lead to over-exploitation of CPRs for commercial purposes. Most of the loans from international development banks like the World Bank and its regional counterparts, by requiring the recipient countries to pledge so-called counterpart funds to complement the foreign aid and investment, and by linking the repayment of loans to exports from the recipient country, sadly led to exhaustion and degradation of natural resources, including CPRs, at an accelerating rate (p 23).

With Oakerson, Singh defines the CPR problem as one of co-ordination: although common pool natural resources include such diverse things as community pastures, lakes, rivers, streams, groundwater basins, forests, fishing spots, etc, they all face one common problem of how to co-ordinate the actions of individual users to attain an optimal rate of production or consumption for the whole community (p 12). The need for co-ordination and management is presumed to emerge when the flow of products/services from the resource is insufficient to meet the demand of a community. The primary causes of demand for products/services of a CPR exceeding their supply are identified as: increase in human and animal populations, discovery of new uses for the CPR and/or its products, development and availability of new technologies for exploiting the CPR and for processing, transportation, and marketing its products, discovery of new markets, and launching new public policies and programmes. The possibility of a CPR problem, occurring when the demand is constant is linked to a decline or deterioration in the supply of the resource caused by such factors as degradation due to natural processes, destruction by natural and/or man-made calamities, lack of necessary maintenance, etc (p 12).

Five theoretical approaches to the diagnosis and analysis of CPRs problems—the static equilibrium model, Olson's theory of collective action, Buchanan's and Tullock's cost approach, the game theoretic approach and Oakerson model—have been discussed and evaluated. The objective is to understand the human behaviour which threatens CPRs. The CPR analyst, it is suggested, can benefit from the logical use of conclusion reached by all five models. The case studies presented in the book too have drawn insights from all these models, though Oakerson model has been given a more favourable treatment. For Oakerson model, feels Singh, can be easily adapted to fit any situation.

Three alternative systems for managing CPR problems—privatisation, nationalisation, and creation of some other institutions for collective management, such as CPR user's organisations, etc—have been examined. Though it is suggested in the beginning of the book itself that there are many factors inherent in the structure of the rural economy of most developing countries which make it desirable for these to hold as common property as much of their natural resources as possible, this section emphasises that since there is no one best system of CPR management for all situations and all times, the choice of the system will have to be situation-specific. Irrespective of the system chosen, however, the government is expected to facilitate creation of collective management systems by providing an enabling legal framework, technical information and assistance, and some financial help initially, if and where absolutely essential (p 70). Privatisation, nationalisation and collective management have been treated as institutional frameworks within which a wide range of policy instruments discussed in the book are supposed to become operative. These tools are grouped into four categories—public finance which includes public investment, taxation and subsidies; money and credit; direct controls, such as quantity quotas, seasonal restrictions safe minimum standards and price controls; and changes in institutional framework, implying the management regimes also. The compatibility of tools chosen with the conditions under which management is to apply is considered extremely important. So also is their effective enforcement, which, it is emphasised, has always been problematical (p 95).

The case studies presented in the book cover a wide range of subjects as well as contexts—the Gambhira Co-operative Farming Society, Gujarat; the privatisation

of common pool land in West Bengal, the Mitteman Watershed Project, Karnataka, the Mohini Water Co-operative Society, Gujarat, Common pool irrigation tanks, Andhra Pradesh and West Bengal, the Parwara Van Panchayat, Uttar Pradesh, the Aslali Village woodlots, Gujarat, the joint forest management experience of Arabari, West Bengal and the Bergram Majhipara Common Pool Fish Pond West Bengal. Some of these cases have been analysed and evaluated in terms of the Oakerson model, with its four components—the technical/physical attributes of the specific resource, the decision making arrangements organisations and rules that currently govern relationships among users the patterns of interaction among decision makers and outcomes and consequences which in turn imply evaluation in terms of equity and efficiency.

Since Oakerson does not consider the time factor in specifying efficiency and equity and since time is an important determinant of optimal allocation and use pattern of most natural resources Singh has defined both efficiency and equity in the long run presumably to take these closer to sustainability and intra and inter generational equity in distribution of benefits from CPRs. However this reviewer feels that since these criteria are applied only with reference to the context under study/project without referring to the implications of actions/inactions for the wider reality the evaluation is likely to be misleading in many cases. Successful conservation efforts leading to increased productivity or even equity in a given region may at times be at the cost of decline of these in other regions. In case of forest protection efforts in certain specific areas, for instance, it has been noticed that neighbouring regions often bore the brunt of their concern for increased productivity, for people in the protected area turned to these to meet their needs from forest. Islands of high achievement may also have negative implications for other surrounding or even distant areas. sustainability therefore must take into account the spatial linkages between success and failure too.

The book undoubtedly makes an interesting reading especially for those not yet initiated into the study of commons problems. It must however be read with care especially by the policy makers and managers or NGOs concerned with finding ways of saving the CPRs. The limits of professional management of complex and varied local contexts must not be under estimated. And suggestions about the replicability of what is considered by the author to be a successful and replicable experience must not be interpreted without qualifications. While almost every case analysis presented in the book emphasises that no generalisation can be made on the basis of a single case, an attempt is nevertheless made in each case study to differentiate the variables which could simply not be replicated in other situations from those which, the author felt, could be found in other contexts, and therefore could make way for similar results there too. In doing so, however, the inter-relationship/interdependence of these variables is not duly acknowledged. It is doubtful if some replicable variables can accomplish the results which emanated from a complex relationship of these to several others which cannot be replicated. The suggestions like attempting replication of the Mitteman Watershed Project have to be interpreted with sufficient care. For similar efforts elsewhere—in Haryana, for instance, after the much celebrated success of Sukhomajri Project—have thrown up serious challenges.

With its accent on professional management of CPRs the book, in fact appears to be addressed primarily to policy makers, managers, or would-be-managers and NGOs interested in intervening from above. Even as Singh talks of involving CPR users in the planning and programming exercise from the outset, his is clearly a top down model of management. He advocates the organisation of CPR users into village resource development and management societies but suggests at the same time that these should be professionally managed by appropriately trained and motivated natural resource managers. Purely member controlled societies he opines cannot function successfully until and unless people are empowered. But the means of such empowerment are supposed to be good education training information financial support etc. The faith placed in good honest benevolent, self enlightened local leadership which is dedicated to the service of the poor and the weak and which is also apolitical for making such societies successful, is noteworthy and equally noteworthy is the passimism underlying the observation that good leaders are scarce and therefore the author fails to see any encouraging prospects for such organisations becoming a major instrument of CPR development in India in the near future (p 326).

NGOs are expected to play a catalytic role in establishing and nurturing people's organisations and making them effective over time and the government is expected to create a facilitative environment for them as well as the CPR users (p 326). NGOs are also supposed to conduct education and training programmes for CPR users (p 93). Even as Singh emphasises in the introduction itself that commercial interests and international agencies have adopted policies which adversely affected the state of common pool resources, the possibility of NGOs being used by these interests to serve their own concerns is not even considered.

Although the author admits that the imperfect knowledge of CPR users is only one aspect of the problem and that they are forced by various economic and institutional factors to behave the way they do so, he nevertheless places enormous hope in education and underlines the relevance of educating the CPR users, the politicians and the voting public about the extent and seriousness of CPR problems and the need for public policy. To suggest that the absence of effective or appropriate policy is because of the lack of awareness of the CPR users and politicians however is to undermine the various structural constraints faced by the former while overlooking at the same time the role of numerous pressures in extracting decisions from the latter. The forces which inhibit the state from pursuing an appropriate policy it may be emphasised, lie in the realm of power relations rather than mere extent of awareness or education of policy-makers and managers.

The assumptions about the policy-project relationship which inform Singh's analysis are not convincing either. For successful implementation of a policy, he considers it necessary that the policy be translated into a set of manageable projects. But in this very act of following project approach, policy is likely to lose much of its meaning from the viewpoint of those who remain uncovered by the project, and, as mentioned earlier also evaluating policy in terms of project success can sometimes be even more dangerous because the costs inflicted by some projects on those who remain uncovered fail to enter the project evaluation charts at all. There remains a third problem with Singh's advocacy in this respect the translation of policy into projects is supposed to be done by professionally trained CPR managers. And this further reduces the role of people in the management of CPRs. There have been numerous instances of people managing their commons effectively without any professional help from outside. It is significant that such experiences are not undermined while certain poorly managed instances become the sole determinants of policy and its implementation.

The most disturbing aspect about the book, however, is its concluding section which outlines a CPRM policy for India. For it tends to almost delink the state of CPRs from the general economic policies which as the author himself emphasised elsewhere, created grounds for the worsening state of CPRs. One wonders if the survival of human and other life systems sustainability and efficiency and equity—the three objectives of CPRM policy outlined by the author—can be attained without introducing correctives at the level of other general economic and developmental policies. Or, if CPRs can at all be saved/managed sustainably without questioning the very model of development being pursued.

Despite these limitations, the book nevertheless deserves a close reading, especially by those not yet into the study of commons' problems as also, by those wanting to acquaint themselves with the existing approaches to their analysis. The jacket cover depicting a badly wounded yet struggling banyan tree effectively captures the plight of CPRs it does well to invite the reader too.

South Africa: End of Apartheid and After

Alex Callinicos

The South African elections of April this year were a world-historic event. The black majority's conquest of citizenship denied them under white rule represented far more than simply the elimination of the last vestiges of formal colonial domination in Africa. It was the culmination of a struggle which the oppressed majority had waged in order to win acceptance of their claim to be recognised as human beings, of equal value to and with the same rights as their oppressors.

What made this miracle possible? More specifically, what caused the head of the apartheid regime, F W de Klerk, to make the momentous decision in February 1990 to unban the ANC and free Nelson Mandela? How had the tortuous negotiations which ensued between the government and the ANC succeeded in achieving the constitutional settlement under which the elections were held? And what will the ANC, victorious at the polls, make of its triumph—in particular, to begin to transform the lives of the black majority?

These are the questions addressed in this article.

'HISTORIC' is one of the cliches of media-speak, readily applied to events—summits and elections, for example—whose point is usually that nothing should change. Every now and then, however, something comes along which can properly be described as of world-historic significance. For Hegel, after all, world history was "the progress of the consciousness of freedom".[1] By that measuring rod, the 1989 revolutions in eastern Europe were world-historic events. So too were the South African elections of April 26-29, 1994.

For the first time the black majority in South Africa voted. Their conquest of the citizenship rights denied them under white rule represented far more than simply the elimination of the last vestiges of formal colonial domination in Africa. It was the culmination of a struggle which the oppressed majority had waged in order to win acceptance of their claim to be recognised as human beings, of equal value to, and with the same rights as their oppressors.

The meaning of the simple act of voting to the vast crowds of black South Africans who queued patiently for hours, even days, was evident enough even to those who could only follow the election from their television sets thousands of miles away. It is well conveyed by one black journalist, Mondli waka Makhanya:

> I like to think I'm a tough guy, the type who only cries at family funerals. But on Wednesday, alone in my voting cubicle, tears clouded my eyes as I held that piece of paper in my hand.
>
> This was not just a vote. It was a spiritual experience. Like the octogenarians who had cast their votes the day before, I felt my humanity had been restored.
>
> I made my cross next to the picture of Nelson Mandela, a man who a few years ago I could only sing about and whose photographs I used to hide at the bottom of the family deep-freeze. As I put my ballots in the boxes I almost suffocated with emotion as I realised the sanctity of the act I was performing. Together with millions of my black countrymen I was completing a journey that began more than three hundred years ago when the white man landed in the Cape and proceeded to strip away my humanity.
>
> This was the end of the nightmare.[2]

But what made this miracle (as veteran anti-apartheid campaigner Archbishop Trevor Huddleston called it) possible? More specifically, what caused the head of the apartheid regime, state president F W de Klerk, to make the momentous decision he announced on February 2, 1990 to unban the African National Congress (ANC) and to free its main leader, Nelson Mandela? How had the tortuous negotiations which ensued between the government and the ANC succeeded in achieving the constitutional settlement under which these elections were held? And what will the ANC, victorious at the polls, make of its triumph—in particular, to begin to transform the lives of the black majority? These are the questions which I address in this article.

I
Crisis of Apartheid

While forms of white domination do indeed, as Makhanya says, date back to the first colonial irruption into what is now South Africa, the occupation of the Cape by the Dutch East India Company in 1652, the system of oppression known as apartheid originates in the development of industrial capitalism slightly over a century ago as the process of colonial conquest was completed. The 'minerals revolution' of the 1870s and 1880s, which followed the discovery of diamonds at Kimberley and gold on the Witwatersrand, led to both the emergence of an extremely powerful group of locally-based mining capitalists, and the elaboration of forms of labour control—in particular the exploitation of large numbers of low-paid African migrant workers housed in company compounds, their movements controlled by a system of pass-laws—of which apartheid represented a more systematic development. The establishment under the aegis of British imperial power of a unified South African state in 1910 represented an accommodation between the two most powerful forces in white settler society, English-speaking mining capital and the Afrikaans-speaking landowners who dominated the countryside, often on a semi-feudal basis. Union was followed by the formalisation of territorial and urban residential segregation. The further penetration of capitalist relations—in particular, the proletarianisation of many rural Afrikaners, and the formation, as a result of the expansion of manufacturing industry between the 1910s and the 1940s, of an urban African working class outside mining—threatened to disrupt the established forms of domination. The election in 1948 of the National Party (NP), champion of the cause of Afrikaner republicanism, at once anti-British and anti-black, marked the victory of a strategy which sought to respond to this challenge in two ways: first, minimising class cleavages among the Afrikaans-speaking majority of whites by consolidating the position of the white working class as a materially and politically privileged labour aristocracy, and using state power to advance the cause of Afrikaner capital in its rivalry with English-speaking business; secondly, extending the existing forms of racial segregation in order to reduce Africans in the 'white' areas (some 87 per cent of the country) to the status of disenfranchised migrant labourers tolerated only to the extent that they performed an economically useful role. The NP's radical segregationism—*apartheid* (separation) as it came to be called—evoked mass resistance led by the ANC, and by the black exclusivist Pan Africanist Congress (PAC) which broke way in 1959. But the regime's ruthless use of repression—most notoriously in the Sharpeville massacre on March 21, 1960—eventually broke the popular movements,

The ANC and PAC were driven underground, and after an unsuccessful switch to armed struggle most of their leaders were either gaoled or forced into exile The triumphant NP proceeded rigorously to turn apartheid into a system of separate development' where Africans right to self-determination was acknowledged only in the form of the Homelands or Bantustans the predominantly rural areas reserved for African ownership after Union whose tribal rulers were now given powers of self government and groomed for eventual 'independence' though it was evident that these new states would remain Pretoria s clients [3]

One way of summing up this process is to say that till the 1960s the system of racial domination proved beneficial to the process of capital accumulation in South Africa given the salience of sectors—above all mining and white agriculture—reliant on highly repressive systems of labour control [4] There after, however the evidence mounted that apartheid was becoming a fetter on the further development of capitalism in South Africa During the 1970s and 1980s South Africa entered a period of profound and chronic crisis Three elements in particular were involved First the South African economy after a burst of secular growth during the 1960s stagnated for much of the following two decades Real gross domestic product rose at an annual rate of 4 9 per cent between 1946 and 1974 in the subsequent decade to 1984 the annual growth rate fell to 1 9 per cent and throughout the 1980s as a whole to 1 5 per cent Among the most serious consequences was the growth in unemployment, estimated by researchers to be running at a rate of about 40 per cent among Africans by the end of the 1980s While the South African economy highly dependent on the world market was seriously affected by the global recessions of the mid 1970s and the early 1980s it became increasingly clear that slow growth was a consequence of the prevailing model of capitalism in South Africa One of the most alarming symptoms of this crisis was the contradiction between the sophistication of the South African economy which emerged from the 1960s boom with a wide range of manufacturing industries reflecting high levels of investment in advanced technology, and its failure to become, like the Newly Industrialising Countries of Latin America and East Asia, a major exporter of manufactured goods Indeed, in key areas such as international trade in machine tools South Africa's position actually deteriorated between the 1950s and 1980s The key earners of foreign exchange remained classically 'colonial' exports of agricultural and mining produce South African manufacturing industries' poor international competitiveness was evident from the low levels of labour productivity, which in turn were often traced back to the restrictions imposed on labour mobility by apartheid [5]

Secondly, the post-war development of manufacturing industry brought about a momentous structural change in socio-economic relations The demand for skilled and semi-skilled workers greatly exceeded the supply of white workers whose monopoly of skilled work was legally entrenched by apartheid measures such as job reservation This monopoly was progressively eroded by the spread of assembly-line production, which replaced the old hierarchy of white craftsmen and unskilled black labourers with a new racial division of labour in which whites moved into supervisory and white-collar positions while blacks dominated semi skilled manual employment The result was a shift in the balance of power between white capital and black labour Black manual workers increasingly required levels of education and training which meant it was now too expensive simply to impose discipline by dismissals and other repressive measures Their discovery of the bargaining power this gave came in a wave of spontaneous mass strikes in the Durban-Pinetown area in January-February 1973 In the next two decades a powerful and militant black trade union movement developed Blacks improved position in the labour market was reflected also in a significant compression of racially based income disparities and in their progressive movement into higher levels of the occupational structure including both routine white collar jobs and even professional and managerial positions [6]

These socio economic transformations underlay the third dimension of the crisis of apartheid the development of semi insurrectionary mass resistance to white rule especially in the urban areas The artificial calm among black South Africans induced by the destruction of the popular movements in the early 1960s was broken on June 16 1976 when school students took to the streets of Soweto the country's largest African township outside Johannesburg The issue which sparked off the rising was a new regulation requiring certain subjects to be taught in the medium of Afrikaans the language of the oppressor, but more profound causes were involved—the confidence instilled by the re emergence of the black workers' movement and by the collapse of the Portuguese colonial empire in Africa the agitation of the Black Consciousness movement (Steve Biko and his co thinkers) the growing tensions within the black school system, which had been greatly expanded to meet employers' demands for more skilled African labour, but which still was subject to the requirements of apartheid 'Bantu education' to prepare pupils for a subordinate role in society Repression initially merely fuelled the school students' anger, and when the rising finally subsided in late 1977, it was clear that the regime had only gained a temporary respite [7]

Under P W Botha, who became prime minister in September 1978, the National Party embarked on a new strategy designed to preserve white domination by conceding limited reforms to a minority of blacks The package had two main components First, a variety of socio-economic measures were adopted in order to enhance the position of black entrepreneurs, professionals, and skilled workers—for example, the legalisation of African trade unions, the abolition of job reservation, and the restoration to blacks of the right to purchase leaseholds and then freeholds in the urban areas The aim of these concessions was to dissociate socio-economic from racial inequalities, and thereby to promote the development of a group of relatively affluent blacks with a stake in the status quo Secondly a new Constitution was adopted in 1983 which created a parliament composed of three chambers, one elected by whites, the other two by each of the minority black communities, Coloureds and Indians Once again the idea was to widen the regime s base The limitation it imposed on white rule was however minimal the White House of Assembly still had the greatest say in key decisions for example in the election of the new executive state president political representation was based on ethnicity and most important of all the African majority remained disenfranchised Hermann Giliomee and Lawrence Schlemmer aptly describe Botha s policy as reform apartheid and sum it by quoting a prominent business leader We Afrikaners must try to find the secret of sharing power without losing control' [8]

Botha s strategy was a classic instance of authoritarian reform and it ran into the standard difficulties faced by such attempts to change repressive regimes from above Far from widening the National Party s base the reforms succeeded in alienating many of its traditional supporters while at the same it fed the black majority s appetite for more fundamental transformations The right wing of the NP broke away over the new Constitution in 1982, and launched the Conservative Party (CP) to defend traditional apartheid It emerged from the 1987 white election as the official opposition with 27 per cent of the vote having picked up support from many poorer whites fearful of black advancement and adversely affected by the monetarist economic policies pursued by Botha which, by running down the public sector, and slashing farm subsidies, reduced key forms of traditional state support for whites At the same time, a plethora of more extreme right-wing organisations emerged, many of them adopting paramilitary tactics and fascist rhetoric, of these the most notorious was the Afrikaner Weerstandbeweging (AWB)

Of far greater significance, however, was the popular opposition Botha's policies succeeded in provoking The reaffirmation

of white supremacy implied by Africans' exclusion from the Tricameral Parliament stimulated mass campaigns against the new Constitution organised by two broad coalitions, the United Democratic Front (UDF) and the National Forum Political militancy was fed by material grievances The enhanced Black Local Authorities which were Botha's one political concession to urban Africans were forced to finance themselves by imposing higher rents and rates at a time when economic recession and rural drought were already placing living standards under pressure Successful boycott campaigns during the elections to these municipal bodies and to the new black parliamentary chambers spilled over into outright insurrection The risings began on September 3 1984 the day the new Constitution came into force, appropriately enough in Sharpeville and the other townships in the Vaal Triangle south of Johannesburg Soon they had spread to the rest of the Pretoria Witwatersrand Vereeniging (PWV) region that is the economic hub of South Africa and to the Eastern Cape traditionally an ANC stronghold The imposition of a State of Emergency in parts of the country in July 1985 did not stem the tide of resistance which indeed spread to the predominantly Coloured townships of the Western Cape in October Black youth—school students and unemployed—were as in 1976 the driving force in the confrontations which continuously took place with the security forces But much more threatening were two other features of the risings First the popular insurgency had a genuinely national character reaching into many remote white country areas and Bantustans Secondly the emerging trade union movement played an increasingly prominent role The legalisation of African trade unions rebounded on the regime The new unions refused their proposed role as a labour aristocracy and began to organise the mass of workers in such key sectors as the mining and metals industries Developing traditions of democratic rank and file control made the unions effective mediums for their members political as well as economic aspirations The formation of the Congress of South African Trade Unions (COSATU) at the end of November 1985 marked the decision of the bulk of the independent unions to use their growing industrial strength for political ends The following years were to see a number of major political mass strikes [9]

Though the risings had developed independently of the exiled ANC, their effect was greatly to enhance its political standing The UDF, which from the start aligned itself with the ANC, emerged as the main anti-apartheid coalition The dominant faction inside COSATU also identified themselves with the ANC The exiled movement's military wing, Umkhonto weSizwe (MK), mounted a growing number of guerrilla actions which won strong support in the townships The regime therefore found itself under increasing external pressure to release Nelson Mandela, whom the risings had helped make a world figure, and to open negotiations with the ANC Tentative steps to map out a basis for talks were made under the auspices of the Commonwealth Eminent Persons Group (EPG) which visited South Africa in early 1986 Botha, first having sanctioned these contacts, broke them off, and imposed a nation-wide State of Emergency on June 12 1986 The scale of the repression was unprecedented By June 1987 over 26,000 people had been detained without trial [10] Death squads organised by the South African Police (SAP) and Military Intelligence (MI) murdered many leading activists Township organisation—the civic associations and youth and student congresses which had sprung up in the early 1980s and which provided the UDF with its backbone—collapsed Insurgent youth and workers whose hopes had been lifted by the risings at their height were reminded of the stark fact that the regime retained an overwhelming advantage in the distribution of military power

II
From de Klerk to Mandela

The risings of 1984-86 marked a turning point On the one hand they established that the black majority could no longer be contained within the framework of apartheid Their organisational resources and political aspirations were now too powerful to be ignored or repressed It soon became clear that the abatement of popular insurgency was temporary The independent unions continued to grow and to mount industrial action under the State of Emergency In June 1988 COSATU and a smaller black federation the National Council of Trade Unions (NACTU) held a successful three day general strike in protest against government plans to tighten up union laws On the other hand, the regime retained considerable reserves of strength During the Emergency many activists drew the conclusion that the popular movement was too weak to remove the existing state by revolutionary means They therefore converged on the strategy long pursued by the ANC leadership of using a variety of tactics—armed struggle, economic sanctions consumer boycotts, strikes—to force the regime to the negotiating table The ANC president, Oliver Tambo, had highlighted his commitment to such a strategy by receiving a delegation of white business leaders headed by Gavin Relly, chairman of the vast Anglo American Corporation, in September 1985, when the township insurrections were near fever pitch

The two sides were at an impasse Neither, it seemed, was strong enough to crush the other An accommodation between the two was, therefore, necessary Botha did not rule out such an option completely Secret negotiations between ministers and Mandela, which had begun during the EPG's unsuccessful mission to South Africa, were allowed to continue Botha indeed appointed a four person committee to deal with Mandela [11] Nevertheless the main emphasis of his final years in office was to use a policy of selective repression and reform to undermine resistance in the townships Change continued to take place in 1986 the system of influx control already fatally weakened by a vast influx into the cities of Africans fleeing rural poverty was abolished But a new *strategy* only emerged after Botha resigned as state president in August 1989, to be replaced by F W de Klerk De Klerk had scant credentials as a reformer As leader of the NP in the Transvaal where pressure from the far right was intense he had been one of the more conservative members of the cabinet The issues which led to Botha's removal had concerned not whether or not to talk to the ANC, but rather the way in which the NP parliamentary caucus and cabinet had been effectively marginalised in decision making while the political influence of the South African Defence Force (SADF) had grown dramatically Nevertheless it was de Klerk who made the great gamble of February 1990, when he unbanned the ANC, PAC and the South African Communist Party (SACP), and freed Mandela

Three elements were involved in this decision First there were the objective constraints on the regime These included not merely the internal political impasse but the deteriorating economic situation The risings of the mid 1980s had caused a collapse of confidence in the South African economy A particularly belligerent speech by Botha in August 1985 provoked a flight of capital from the country a sharp depreciation of the rand and South Africa's default on its debts to western banks Denied access to foreign capital the South African government found itself subject to what *The Financial Times* called a 3 per cent ceiling on economic growth since expanding at a faster rate would precipitate a balance of payments crisis Africa's most dynamic economy is having to be reined in before it can achieve the sort of 5 per cent to 7 per cent growth of which it is theoretically capable, and which is necessary if black unemployment and a nearly 3 per cent [annual] population growth rate is to be absorbed [12] The adoption of sanctions packages by the US and the European Community in 1985-86 indicated that even western leaders as sympathetic as Ronald Reagan and Margaret Thatcher were unable to resist the growing pressure from their electorates to isolate South Africa

The second element in de Klerk's decision is far more impalpable put it was strongly stressed by him and by other NP ministers

such as Roelf Meyer, in interviews during the April 1994 election This was that they had ceased to believe that apartheid was morally defensible One does not have to take these professions of faith at face-value to recognise that one condition of profound political transformations is that the dominant group comes to doubt the legitimacy of its rule Scepticism about Marxist-Leninist ideology was widespread among the Soviet *nomenklatura* well before the collapse of existing socialism In the South African case the Afrikaner business elite who owed their rise to support from the NP controlled state had become increasingly integrated with their English speaking counterparts and therefore more cosmopolitan in their orientation Many Afrikan speaking professionals had also as a result of more sophisticated education foreign travel and the development of a mature consumer society among affluent whites, come to adopt western liberal democratic values and therefore to feel themselves distant from the organic nationalism of NP tradition These changes helped to make the option taken up by de Klerk in February 1990 imaginable

This does not mean that he was embarking on an altruistic surrender of power The third element in his decision was ruthless strategic calculation As Ronald Aronson put it de Klerk s brilliant manoeuvre was to release Mandela unban the ANC begin the negotiations and move to end apartheid *before* he was forced to [13] These moves committed the NP to the establishment of a non racial democracy in which blacks would enjoy—equal citizenship rights with whites Nevertheless de Klerk hoped by seizing the initiative and acting before further uprisings had begun significantly to erode the state s coercive resources, to control the transition and therefore also the terms on which the new democracy was constituted The NP s maximum position in the negotiations was set out in constitutional proposals published in September 1991 These sought to limit the effects of introducing universal suffrage by conceding extensive powers to local and regional governments, and by institutionalising permanent rule by coalition at all three tiers of government [14] De Klerk s methods were different from Botha s but the aim still seemed to be that of sharing power without losing control

Whatever the precise form of a constitutional settlement, plainly the NP's political bargaining power in a future parliament would depend in part on its electoral base De Klerk made determined efforts to win over conservative black opinion Thus substantial elements of the Labour Party, which dominated the Coloured chamber in the Tricameral Parliament were persuaded to cross over to the NP Ministers talked of building a multiracial 'Christian Democratic alliance' against the ANC and its allies in the SACP The key force in African politics which the NP sought as an ally was the Inkatha Freedom Party (IFP) headed by Chief Gatsha Buthelezi, premier of the KwaZulu Homeland Buthezeli had built up the IFP into a mass force claiming by the early 1990s some three million members by appealing to an ambiguous mixture of Zulu traditionalism and conservative African nationalism Earlier on relatively good terms with the ANC and with emergent trade unions, Buthelezi was by the end of the 1970s seen by activists involved in the new resistance movements as an enemy The development of the UDF and COSATU during the mid 1980s in Natal where most Africans are Zulu speakers threatened Buthelezi s base A vicious war developed between UDF and Inkatha supporters in the late 1980s, claiming thousands of lives in the townships and squatter camps of Natal Then in July and August 1990 the violence spread to the PWV region as fighting broke out between the predominantly Zulu speaking dwellers in migrant workers hostels and supporters of the ANC in the townships around Johannesburg [15]

The violence which claimed 7 000 lives between February 1990 and June 1992 far more than had died in political conflicts during all the years of apartheid took the gloss off all the hopes raised by De Klerk s speech and Mandela's release The New South Africa increasingly assumed a most sinister aspect Many politicians and commentators both in South Africa and abroad were quick to seize on the fighting to argue that the architects of apartheid had been right to see Africans as lacking any shared identity and divided into tribes whose ancient conflicts once the restraint of white rule was relaxed were issuing once again into bloodshed This interpretation bore no relationship to the facts The fighting in Natal after all took place between two groups of Zulu-speaking Africans distinguished not by ethnicity but by their political allegiances In Soweto perhaps as many as a third of the population are Zulu-speakers The political division there between ANC and IFP supporters was closely related to the social gulf that has developed between the more settled township inhabitants and hostel dwellers most of them migrant workers or unemployed drawn chiefly from rural Zululand often despised as country bumpkins by Sowetans For this marginal and wretched group of urban Africans Zulu ethnicity offered a way of making sense of an alien and often incomprehensible world and a means of acting on that world the member of a Inkatha *impi* rampaging down a Soweto street Kalashnikov or assegai in hand could feel a sense of power he was denied in everyday life

The conflict between the ANC and the IFP was thus less a tribal faction-fight than a political struggle between two rival nationalisms—the revolutionary non racialism of the ANC and its allies in COSATU and the SACP, and Buthelezi's conservative Zulu nationalism The two sides, moreover, did not meet on a level playing field, where the state acted as an impartial umpire From the beginning of the violence in the PWV, evidence began to accumulate of the complicity of the security forces in IFP attacks on ANC areas The first real corroboration of claims made by the ANC of the existence of a 'third force' based in the state manipulating the violence came on July 19, 1991 when the Johannesburg *Weekly Mail* and the London *Guardian* published documents showing that the SAP had financed IFP activity after February 1990 'Inkathagate' was followed by a flood of revelations about the role played by military intelligence in particular in training arming, and directing IFP supporters It took nearly 18 months for de Klerk to acknowledge on December 19, 1992 that elements in the security forces 'have been involved, and in some cases are still involved in illegal and/or unauthorised activities and malpractices' SADF officers were forcibly retired It was not till the eve of the elections on March 18 1994 that the Goldstone commission appointed by de Klerk to investigate political violence issued a report accusing SAP deputy commissioner Basie Smit and two other police generals of complicity in third force activities The revelations raised the question of how much the state president himself had known of the role of his own army and police in stoking up political violence The Botha era had seen the proliferation of secret agencies controlled by a shadowy network of unaccountable securocrats —for example, the Civil Cooperation Bureau, and the Directorate of Covert Collections both run by MI and the SAP death squad based at Vlakplaas De Klerk told the ANC secretary general Cyril Ramaphosa that these bodies had escaped his control If true this augured ill for a future democratically elected government It may be however that de Klerk had cast a blind eye on activities which had the politically useful effect of disorienting the ANC and forcing its supporters onto the defensive

The ANC leadership meanwhile had to strike a difficult balance between its orientation towards negotiating with the regime and its base in the vibrant democratic mass movements that had emerged in the course of the 1970s and 1980s It was these movements which had forced de Klerk to the negotiating table, but their aspirations towards radical socio-economic change, hostility to the state, and emphasis on democratic decision making and accountability constantly threatened to disrupt the pursuit of a settlement with the government The ANC held its first National Conference inside the country for a generation in July 1991 A new leadership emerged headed by Mandela as president and Ramaphosa (former leader of the miners' union) as secretary-

general with the authority to negotiate. But the ANC rank and file constantly expressed their impatience with their leaders' caution and compromises. For example, the ANC's agreement, in the Pretoria Minute of August 6, 1990, to suspend the armed struggle caused fury among township dwellers suffering the IFP's first great assault on the Rand.

In managing these tensions the ANC leadership were aided by their Revolutionary Alliance, formalised in May 1990, with the SACP and COSATU. The link with the Communist Party dated back to the 1940s. For much of that time, however, the party was a predominantly exile organisation, particularly influential in MK, fiercely loyal to Moscow, and strongly Stalinist in ideology and internal regime. An orthodox Stalinist stages theory, according to which national liberation was distinct to, and took precedence over socialism, provided the SACP with the ideological justification for the alliance. In the early and mid-1980s there were fierce political clashes between SACP supporters arguing that the new unions should integrate themselves within an ANC-led coalition and the so-called 'workerists', who advocated the pursuit of independent class politics and a strategy which linked socialism to national liberation rather than subordinating one to the other. These divisions began to blur as the decade wore on, however, and the ANC's influence inside COSATU grew. The response of the SACP secretary-general, Joe Slovo, to the east European revolutions of 1989—which he made the occasion of a (somewhat belated) critique of Stalinism and the party's previous failure to confront it—had the effect of defusing the suspicions many trade-union activists had previously had of the SACP. Tens of thousands of these activists, including most leading socialists within COSATU, rallied to the SACP after it was unbanned in February 1990. The SACP seemed to be evolving into a relatively open mass party whose ideology was social-democratic rather than Marxist. In the unions also, the view developed that the aim should be, not to expropriate capital, but to use state and union power to contain it and force it to become democratically accountable. The popularity in COSATU of the idea of a 'social contract' implied the development of a process of corporate bargaining in which big business and organised labour sought to define their interests within a collaborative framework regulated by a democratic government.[16]

Nevertheless, as serious negotiations got under way, both the NP and the ANC had to chart a difficult course, since each had to bring along with it a constituency large sections of which were deeply suspicious of the entire process. If Mandela had to cope with a mass base impatient for change and often under severe pressure from Inkatha, de Klerk had to wage a running battle with a far right busy stoking white fears of majority rule. It is not surprising, therefore, that the pursuit of a constitutional settlement should have turned out to be so protracted and tortuous an affair, liable to interruptions which often seemed to threaten to bring the process to an end.

The first round of negotiations proper began on December 20-21, 1991, with the first full session of the Convention of a Democratic South Africa (CODESA). This forum embraced, apart from the principal actors, the ANC and the NP, a wide-spectrum of parties, but on the left the PAC and the Black Consciousness Azanian People's Organisation, and on the right Buthelezi (though not the IFP) and the Conservative Party refused to participate. Intensive discussions in four working groups followed the plenary session (or CODESA 1, as it came to be known). An impasse soon emerged. The crucial issue concerned the nature of the transition to full-blown non-racial democracy. The ANC wanted a rapid establishment of a popularly elected constituent assembly to draw up the new constitution and appoint a democratic government to manage the transition. The NP, by contrast, argued that the bulk of the constitution should be settled by negotiation prior to any elections, and sought a protracted lead-up to democratic rule during which time the country would be governed by a coalition of the main parties—objectives plainly intended to secure disproportionate white influence and to minimise the authority the ANC could claim by virtue of its popular support. The distance between the two sides ensured that the second plenary session, CODESA 2, held on May 15-16, 1992, rapidly deadlocked over the government's insistence that key constitutional clauses should be approved in the constituent assembly by a 75 per cent majority, a measure that would in all likelihood force the ANC to respect the NP's wishes on these measures. In retrospect it is clear that de Klerk overplayed his hand. He had just won an important victory, having secured the endorsement of his policy of seeking a settlement with the ANC from 68.7 per cent of those voting in a white referendum held on March 17. Having defeated the right, de Klerk seems to have thought that he could afford to squeeze the ANC. But, as Colin Eglin of the liberal Democratic Party (DP) later told him, "in politics, it is not clever to win everything".[17]

The ANC reacted to the collapse of CODESA 2 by launching a Mass Action Campaign. This tactic served two purposes: it put pressure on the government to make concessions, and it offered a response to the widespread impatience among the ANC rank and file at the slow pace of negotiations. Already on March 8 COSATU had threatened a campaign of "mass action on an unprecedented scale" unless the NP regime were replaced by an interim government by the end of June. Feelings were further heightened when 42 people were killed by IFP supporters in the Vaal township of Boipatong, amid allegations of security force involvement. The Johannesburg *Weekly Mail* called it "one massacre too many".[18] The slaughter at Boipatong brought the anger and frustration among ANC supporters over two years of bloodshed on the Rand to a head. In the aftermath Mandela announced the ANC's withdrawal from CODESA. Amid an atmosphere heightened by a number of major strikes in the PWV region strategies implying a return to confrontation with the regime—for example, the 'Leipzig Option', a campaign of mass demonstrations designed to bring de Klerk down—were hotly debated in ANC circles.

Nevertheless, the ANC's campaign reached its climax on August 3-4, 1992, with a massive general strike that brought out four million workers—an achievement that was all the more impressive since the black-exclusivist wing of the movement, the PAC and NACTU, opposed the stayaway. Mandela in a speech at a rally outside the Union Buildings, the seat of government in Pretoria, signalled his willingness to return to the negotiating table: "History will not forgive any of us if the search for face-saving formulae prevents us from finding the correct responses which allow negotiations to be successfully resumed". On August 22 the two principal negotiators, Roelf Meyer for the government and Cyril Ramaphosa for the ANC, officially met for the first time since CODESA 2's collapse. The basic equation which had led in the first place to the great break of February 1990 remained valid: neither side saw any alternative to reaching a compromise with the other. Various developments served to nudge the ANC and the NP back towards each other. On July 23 the US under-secretary of state for African Affairs, Herman Cohen, publicly attacked the regime's pursuit of a minority veto, declaring: "All sides must recognise the right of the majority to govern".[19] The west's patience with de Klerk was beginning to run out. On September 7 soldiers of the 'independent' Homeland of the Ciskei fired on ANC demonstrators attempting to march on the Bantustan's capital, Bisho. Twenty-eight people died. Ronnie Kasrils, an ANC/SACP leader seen as a vocal advocate of the Leipzig Option, was widely blamed for tactical errors that helped make the massacre possible; the affair was, therefore, a political defeat for the ANC's more militant wing.[20]

The effective resumption of full-scale talks was marked by a summit between Mandela and de Klerk on September 22, 1992, at which a Record of Understanding was signed. Though the measures the government promised to take against Inkatha in this agreement were not implemented, it was widely seen as a retreat on the NP's part. Meyer and Ramaphosa intensively pursued

discussions in the following months, while a fierce debate developed in ANC circles over the idea—first floated by SACP chairman Joe Slovo—that the ANC accept 'sunset clauses'—temporary concessions to white privilege in the new constitution—as a way of easing the transition. This proposal was accepted by the ANC National Working Party on November 18. The ANC took a further step in the same direction on February 18, 1993 when, after prolonged negotiations and agonised internal discussion, the movement's National Executive Committee approved a proposal for a five-year transitional government of national unity representing all parties which won either 5 per cent or 10 per cent of the vote in elections to the constituent assembly. The ANC had thus accepted temporary power-sharing with the NP. These moves made possible a return to round-table talks among the parties. On April 1, 1993 the first session of the new Multi-Party Negotiating Forum (MPNF) was held. Twenty-six parties were represented, including, for the first time, both the PAC and the Conservative Party.

At this stage, however, the nature of the transition away from white rule remained in significant respects undefined. Two crises in the following year, in both cases involving the intervention of the masses, had a decisive effect in promoting a more democratic solution favourable to the ANC and the oppressed majority. The first of these crises came when Chris Hani, General Secretary of the SACP, was assassinated on April 10, 1993. Janus Waluz, an anti-communist Polish emigre, and Clive Derby-Lewis, a CP leader, were later convicted of his murder. Hani, formerly a senior figure in MK, was the most popular ANC leader after Mandela himself, and had an especially strong constituency among the more radical youth and workers. His death provoked an enormous and convulsive, potentially uncontrollable wave of anger among black South Africans. The ANC alliance mounted various protest actions, including two stayaways. Much more effectively than the previous year's Mass Action Campaign, the popular response to Hani's assassination demonstrated the immense strength of the ANC's support among the black majority: it also indicated the indispensable role of the ANC leadership in channelling and controlling the masses' aspirations for change. Significantly, it was Mandela, not de Klerk, who appeared on television after Hani's death to appeal for calm. Patti Waldmeir of the London *Financial Times* describes the assassination as "permanently tilting the balance in the ANC's favour and allowing them to extract the crucial concession that elections would be held on April 27 [1994]."[21]

Further concessions by the government followed. The Interim Constitution finally approved by the MPNF on November 17-18, 1993 fell far short of the NP's objectives. One-person, one-vote elections to a National Assembly and to nine provincial legislatures would be held on April 26-28, 1994. The Assembly would, together with a Senate consisting of 10 representatives of each province, act as a constituent assembly required to draw up a permanent constitution by a two-thirds majority within five years. During this period, a government of national unity representing all parties with at least 5 per cent of the vote would hold office under a president elected by the Assembly. Similar arrangements would operate at the provincial level. The distribution of powers between provincial and central government favoured the latter. In this and other respects the Interim Constitution favoured the ANC's goal of as rapid as possible a move towards a system of government in which the will of the majority would be subject only to the kinds of restriction normal in liberal democracies, notably an entrenched Bill of Rights. De Klerk at the very last minute made a final stand to demand that the cabinet take important decisions by a two-thirds majority, but Mandela refused to give way. "Power-sharing? Madiba cracked him", one ANC leader commented ('Madiba' is Mandela's clan-name).[22]

There remained, however, one very serious obstacle to a democratic outcome in South Africa. On the far right a coalition of all those forces with a vested interest in the preservation of apartheid emerged. Formed in October 1992 as the Concerned South Africans' Group (renamed the Freedom Alliance a year later), this embraced, on the one hand, Buthelezi and the IFP together with the governments of two 'independent' Homelands, Bophuthatswana and Ciskei, and, on the other, the white far right.

The black reaction to Hani's assassination caused a *grande peur* to sweep through large sections of the white population. At his funeral, Peter Mokaba, leader of the ANC Youth League, led the crowd in chants of 'Kill the Boer! Kill the Farmer!' The next day, on April 21, a Committee of Generals was formed by four retired senior military and police officers headed by Constand Viljoen, former chief of the SADF. Subsequently the Afrikaner Volksfront (AVF) was formed under Viljoen's leadership to unite the highly fragmented white extreme right in opposition to majority rule and to win a white *Volkstaat* (people's state) in which the traditions of Afrikaner nationalism could continue undisturbed. The involvement of such respected military figures as Viljoen make it more likely that armed white resistance to the new Constitution—constantly threatened by the AWB's sinister-comic leader Eugene Terre'Blanche—would take place with the support of elements of the SAP and the SADF. At the same time, the IFP continued to demonstrate its capacity, in both its home base of KwaZulu/Natal and the key PWV region, to cause mayhem. The townships and squatter settlements of the East Rand were the scenes of especially terrible violence between ANC and Inkatha supporters in the course of 1993 and early 1994.

The ANC and the NP, now, along with the other parties to the constitutional settlement, represented on the Transitional Executive Council (TEC) responsible for managing the lead-up to the election, found themselves confronted with an extremely dangerous problem. The Freedom Alliance threatened to boycott the elections—a threat which the governments of KwaZulu, Bophuthatswana, and Ciskei had the power to enforce over a significant portion of South Africa. Moreover, reports proliferated of the involvement of the AVF's burgeoning military wing in training and arming Inkatha units with the aim of mounting armed resistance to the government that would be elected in April. The ANC leadership's response was to involve the Freedom Alliance in further negotiations where they were offered concessions designed to persuade them to end their boycott. On February 21, 1994 amendments to the Interim Constitution were agreed which increased the provinces' powers and recognised white 'minority rights' by providing for a council whose aim would be to explore the possibility of a separatist white *volkstaat*.

The *Weekly Mail* and *Guardian* acerbically commented:

> The Freedom Alliance parties ... had already rejected the concessions. Senior ANC members admitted that they had walked 'yet another mile' to accommodate minority fears. Only the NP was smiling.
>
> The new concessions accepted by the country's negotiators in fact satisfied NP demands more than anyone else's, including the Freedom Alliance parties'.
>
> For the first time the NP will now be able to claim some 'victories' at the negotiating table.[23]

Once again it was the intervention of the masses which decisively tilted the balance of favour of a democratic solution. At the beginning of March growing discontent in the Bophuthatswana Homeland developed into a general insurrection. The regime of president Lucas Mangope had been resisting the Bantustan's reincorporation into South Africa and refusing to allow the elections to be held on its territory. Civil servants and industrial workers went on strike over economic issues such as wages and pensions. They were joined by students, a group with a long history of opposition to Mangope. The turning-point in the rising came when the Bophuthatswana Defence (BDF) and the police mutinied. A desperate Mangope appealed to Viljoen for help. Viljoen sent a force of perhaps as many as 3,000 armed AVF supporters. They included some 500 outright AWB fascists, who went on the

rampage in Mmabatho, the Homeland's Capital The BDF reacted by refusing to obey their government's orders to supply the AVF with heavy weapons, and by driving the AWB off the streets The AVF force's commander, Colonel Jan Breytenbach a veteran of the Namibian war then decided to withdraw from Bophuthatswana Three right-wingers, including an AWB 'general' were killed during the retreat, while television cameras recorded their last moments for a world audience [24]

The consequences of the Bophuthatswana rising were momentous The symbolic significance of the sight of Terre Blanche's strutting storm troopers begging ineffectually for their lives for millions of black South Africans used to countless humiliations at white hands cannot be underestimated The image of the white far right's reputedly awesome power was shattered forever The rising's more immediate practical impact was felt very quickly The SADF intervened in Bophuthatswana to restore order but the Homeland was in effect reincorporated into South Africa under the administration of two commissioners appointed by the TEC Within days the regime of Colonel Oupa Gqozo had been overthrown by a similar rising in the Ciskei Meanwhile General Viljoen already uncomfortable with the extremism of allies such as Terre Blanche and CP leader Ferdie Hartzenburg, broke with the AVF and launched the Freedom Front to contest the elections in order to demonstrate support for a white *volkstaat* The Freedom Alliance hitherto so threatening collapsed like a house of cards

This left Buthelezi still boycotting the elections The formidable threat represented by Inkatha was underlined as violence escalated in KwaZulu/Natal Amid extra ordinary scenes on March 27 eight people died in a gunbattle between guards and 10 000 IFP demonstrators outside the ANC head quarters in Johannesburg But the risings in Bophuthatswana and the Ciskei encouraged the ANC leadership to take a much tougher line with Buthelezi They supported the government s decision to declare a State of Emergency in Natal on March 31, though the very limited deployment of the SADF in the province made little difference to the slaughter 88 people died in political violence in KwaZulu/Natal in the first week of the Emergency[25] In the event it was the tactical skill of key ANC negotiators, notably Ramaphosa and Slovo, which finally broke Buthelezi's opposition to the poll Two steps were crucial First, they (with the help of the NP chief negotiator, Meyer) effectively sabotaged the attempt at international mediation—one of Buthelezi's key demands—by Henry Kissinger and Lord Carrington The rapid departure from South Africa of these two worthies was according to Solvo, "decisive in showing Buthelezi he had reached the end of the road" Secondly, the ANC carefully courted the Zulu king, Goodwill Zwelithini, a figure of enormous symbolic importance to all Zulu-speakers but hitherto thoroughly under his prime minister's thumb offering him the role of constitutional monarch of KwaZulu/Natal and an independent income (Buthelezi had tightly controlled the royal purse-strings) Deserted by his king, and under severe pressure from IFP moderates Buthelezi finally agreed at a summit with Mandela and de Klerk on April 19 to participate in the elections The scene was set for the ANC's triumph [26]

III
Results and Prospects

The actual conduct of the elections was remarkable both for its disorganisation and for the absence of violence The elections were chaotically run so much so that they had to be extended for another day in parts of the country Various factors seem to have been responsible the speed with which the elections were set up, the entry of the IFP only a week before polling and the inexperience and incompetence (and perhaps downright malice in the case of some officials) of the Independent Electoral Commission (IEC) charged with running the whole affair [7] Throughout all the resulting confusion the black masses patiently waited for the moment when they could finally have their say At least they did not have to suffer the paroxysm of killing that had been widely predicted A series of bomb explosions on the Rand during election week did cause 21 deaths, but they came to an abrupt halt when the SAP arrested 32 members of the AWB s paramilitary Ystergarde including several of Terre Blanche s chief lieutenants [8] Far more noteworthy however was the fact that the election proceeded peacefully in KwaZulu/Natal This cast doubt on the claims of those such as the Oxford political scientist R W Johnson (in his case from a standpoint sympathetic to the IFP) that 'Inkatha and ANC forces are equally guilty of killing one another' On this analysis, according to which "the ANC Inkatha battle is a struggle between two equally ruthless brands of African nationalism' one would expect both sides to continue to prosecute the war for territory and votes right up to the end of polling [9] In fact as soon as Buthelezi ended his boycott of the elections, the killing stopped in KwaZulu/Natal which strongly suggested that the bloodshed of the previous months had been a consequence of the chief s strategy of using violence in order to force better terms from the ANC and the NP

The results when they were eventually announced on May 6, delayed by yet more IEC bungling confirmed the ANC's popular mandate Its share of the vote, at 62 6 per cent, was not far short of the two-thirds majority which would have given it a fairly free hand in writing the final constitution The NP came second with 20 4 per cent, Inkatha won 10 5 per cent the Freedom Front 2 2 per cent the Democratic Party 1 7 per cent and the PAC 1 2 per cent [30] The geographic distribution of the different parties votes suggests that to a large extent the electorate polarised along racial lines, Africans voting for the ANC whites for the NP There were however two significant exceptions—the two provinces out of the total of nine which the ANC failed to capture

IFP narrowly won Natal with 51 per cent of the vote the ANC's share was 32 7 per cent the NP s 11 4 per cent The result undoubtedly reflected Inkatha s entrenched position in the province Two other factors, however also played some part First, there was evidence of widespread election fraud an IEC report of Northern Natal cited cases of ballot box stuffing the forced removal of IEC officials and ANC agents from ballot stations in KwaZulu the transfer of voting stations to Inkatha controlled areas and the issuing of temporary voter cards to 13 and 14 year olds by the KwaZulu authorities [31] Secondly the ANC—organisationally divided into three regions in Natal and politically polarised between moderates such as Jacob Zuma ANC candidate for the provincial premiership and militants like the tough Stalinist veteran Harry Gwala—ran a poor campaign The *Weekly Mail* and *Guardian* reported

> The reality is that the ANC failed to mount ongoing door to door campaigns in secure areas with the exception of KwaMashu On election days the ANC failed to get its voters to the polls There were also no ANC party agents at some polling stations in ANC strongholds and in other cases those present were youths By contrast prominent IFP leaders took a central role in getting proper identification for their people and ensuring they got to the polls '

The ANC national leadership decided in any case to accept the result in Natal According to *The Financial Times*

> Local ANC officials are screaming foul play and they are almost certainly right, there were no doubt many petty frauds and perhaps some grand ones in the province But the ANC s national leadership has either decided to accept that its hands too were not clean or more plausibly the ANC simply accepted that it had to concede the province to Inkatha or jeopardise the whole election [33]

The only other province to resist the ANC landslide was the Western Cape Here the NP won 54 2 per cent of the vote, the ANC 33 per cent and the DP heir of the tradition of Cape liberalism a mere 6 8 per cent The NP under the leadership of Hernus Kriel the hardnosed outgoing minister of law and

order, ran a campaign designed to play on the fears of Coloured people, who make up 53 per cent of the province's population. Astonishingly, given the suffering inflicted on Coloureds under apartheid, many of them were willing to forget the past and back the Nationalists. Their readiness to do so may reflect the socio-economic structure of the Western Cape, where Coloureds tend to predominate in the more skilled manual occupations, while Africans, if fortunate enough to be employed at all, are usually found in the lowest-paid jobs. The NP seem to have been able to exploit the insecurities of Coloureds in an area which had since over the past decade a huge influx of Africans into the vast sprawl of squatter camps around Cape Town. Coloureds were encouraged to believe that only by voting NP could they protect their homes and jobs from the invading African hordes.

The NP's appeal to a distinct Coloured identity did not always work. In the Northern Cape, over half of whose population is Coloured, the ANC won 50 per cent of the vote, compared to the NP's 40.7 per cent, and the Freedom Front's 6 per cent. The long-standing patterns of racial domination in this area, long a stronghold of labour-repressive agriculture may have encouraged Coloureds to back the ANC against their white masters. Certainly, in the four predominantly rural northern provinces—the Orange Free State, Northern Transvaal, Eastern Transvaal, and the North-West—the ANC won gigantic majorities. The South African *platteland*, where white landowners had ruled with the sanction of church and state, experienced a political revolution as the rural labourers who had till then been forced to remain silent swept the ANC into office at both provincial and national level. As Mandela told the South African people on April 26, as voting started: "This is your day".

Political revolution took place, of course, at the national level as well: Mandela's inauguration as president on May 10 symbolised this transformation. But to what extent would the assumption of office by the ANC lead to a significant improvement in the lives of the oppressed and exploited majority? The composition of the government suggested a policy of careful reform, in which great efforts would be made to reassure white opinion. The Interim Constitution required the new government be a coalition: the NP's and the IFP's shares of the vote entitled them to cabinet posts. Mandela, however, went further than was required of him, by retaining Derek Keys, the outgoing finance minister in de Klerk's government. *The Financial Times* reported that Mandela made this decision "[d]espite opposition from within his own African National Congress", and that in doing so he

> delighted investors, businessmen and white South Africans ... Nothing else would have persuaded the outside world—not to mention sceptical South Africans—of his commitment to free market economics and political moderation. Again and again, Mr Mandela has stressed the need to restore business confidence and attract foreign investment. Yesterday he took the most concrete steps possible towards achieving those goals.[34]

Indeed, so successful had Mandela's wooing of capital already been even before the election that a poll commissioned by the *Weekly Mail* and *Guardian* of a hundred top business leaders revealed that 68 per cent backed him for president, and opposed to 32 per cent who supported de Klerk.[35] Keys's retention as finance minister was a step towards further consolidating the ANC's relationship with big business. Consistent with the broader policy of reconciliation of which this was part was Mandela's praise at his inauguration for de Klerk, second deputy president in the new government. Mandela invoked the language of African nationalism, calling the NP leader "one of the greatest sons of our soil".[36] The same approach was evident in Mandela's appointment of Buthelezi as minister of home affairs. The bulk of the cabinet, however, was composed of ANC members. Here the distribution of portfolios reflected the influence of what the *Weekly Mail* called "an old-school-tie exile's network", as opposed to the younger generation of leaders who had emerged in the UDF and the unions in the 1980s. Thus Thabo Mbeki, long-standing ANC head of information and foreign affairs, was appointed to the key post of first deputy president and effective prime minister. Ramaphosa the other candidate for the position, chose to stay outside the government and concentrate on his job as ANC secretary-general. Alfred Nzo, his notoriously incompetent predecessor, whom Ramaphosa had ousted in 1991, was appointed foreign minister. Nevertheless, the *Weekly Mail* noted, "[t]here is no evidence that these internal dynamics reflect any ideological or strategic divide—merely a paying of personal debts and pursuit of individual vendettas".[37]

Interestingly, some of the most adventurous appointments were made in the area of economic policy. Alec Erwin, a veteran trade-union leader and perhaps the key intellectual influence on the workers' movement, was appointed deputy finance minister to serve as what one cabinet member called a 'watchman' over keys.[38] In an even more strategic position was Jay Naidoo, ex-general secretary of COSATU, who was appointed minister without portfolio in the state president's office, with responsibility for the Reconstruction and Development Programme (RDP). The RDP was the main economic plank in the ANC's election platform. It proposed a series of measures which during the life of the National Assembly could begin to achieve perceptible improvements in the material situation of the poorest South Africans—for example, the construction of a million houses in five years—without requiring significant increases in taxation or in state regulation of the economy. The funding of the programme was a matter of controversy from the start, with the NP arguing that it would in fact require substantial tax increases. After the election, the National Institute for Economic Policy (formerly the ANC's own Macroeconomic Research Group) came up with estimates according to which the RDP would cost some 135 billion rand (nearly $ 37 billion) over five years, though much of the cost could, the institute believed, be covered from improved public sector efficiency and cuts in apartheid programmes.[39]

The first weeks of the new government indicated the kind of difficulties it now confronted. A report recommending that MPs be paid market-related salaries met with widespread indignation in the unions and the ANC-aligned South African National Civics Organisation. The gap between the 16,000 rand (nearly $ 5,000) a month which MPs would be paid if the report were implemented and the 900 rand ($ 246) basic minimum for public sector workers was simply unacceptable to many ANC supporters. Controversy also surrounded the surge in illegal land seizures by homeless people. Informal squatter settlements had been burgeoning in the PWV region for several years, but many of the homeless seemed to have taken the ANC's victory as cue to occupy empty land. The decision of Johannesburg City Council to destroy a shack settlement at Liefde en Vrede, leaving several hundred squatters homeless on one of the coldest nights of the harsh Highveld winter, caused considerable indignation. The government response was ambivalent. PWV provincial premier Tokyo Sexwale condemned the evictions, but the national housing minister, SACP chairman Joe Slovo, said that some of the land invasions were being orchestrated "by outsiders who do not have the best interests of [the squatters] at heart", and the provincial land ministry claimed that the occupations could "create a climate conducive to 'Third Force' exploitation".[40]

It is easy enough to see disputes of this kind as consequences of the conflict between the policies of a government harshly constrained by circumstances and the unrealistic expectations of its supporters. But things are not so simple. Traditionally the ANC and its allies had drawn a distinction between national liberation and socialism, that is, between political and socio-economic transformation. The struggles of the 1980s had, however, fused the two. The political rhetoric and the forms of organisation that had developed in the unions, the civic associations, and the youth and student

congresses involved giving a social content to political demands; the very mobilising power of these movements arose from their supporters' material grievances as well as their sense of political exclusion. The consciousness that emerged in the 1980s did not vanish in the 1990s. On the contrary, it provided the most powerful impulse behind the ANC's successful electoral campaign. Mandela and his ministers were now trying to restrain the very movement that had brought them to office.

The unions are likely to play an important role in the conflicts which develop in this situation. It is hard to think of another major revolutionary nationalist movement that was as dependent on the organised working class as the ANC has become. The organisational infrastructure provided by COSATU was essential to sustaining the ANC in the late 1980s and early 1990s: community-based organisations such as the civics never recovered from the impact of the 1986 State of Emergency, and the development of ANC branches was disrupted in some parts of the country by the Inkatha terror. The contribution of the unions to providing the ANC with some of its ablest personnel also bears noting. Ex-unionists in the government include not merely Naidoo and Erwin, but Sidney Mufamadi, minister of safety and security. Ramaphosa developed his negotiating skills as a miners' leader. The elections creamed off many other union activists who stood as ANC candidates. The *Weekly Mail* reported:

> No fewer than 50 leaders of the Congress of South African Trade Unions, including the federation's general secretary, seven of its nine regional secretaries and eight secretaries of its affiliate unions, have been absorbed by the national and regional governments.[41]

It does not follow that the relationship between the government and the unions will necessarily be a harmonious one. It is true that, as we have already seen, COSATU moved towards both advocating and participating institutionalised corporate bargaining at the end of the 1990s—a process that began with discussions involving COSATU, NACTU, the NP government, and employers' representatives over union laws, then extended into a broader National Economic Forum, and could be expected to develop further with ANC in office. But the unions were pulled in another direction as well, by their own rank and file, concerned both to defend existing wages and conditions and to secure improvements under the new government. The Transitional Executive Council's appeal for a strike truce during the elections fell on deaf ears. A wave of strikes followed the ANC's victory, notably in the former Homelands and on the mines, reflecting the degree to which workers had been emboldened by the ANC's victory. If popular impatience with the pace of change in the new South Africa emerges it is sure to be reflected particularly clearly within a union movement that has developed powerful traditions of rank-and-file democracy.

Perhaps the best way of summing this up is with the old slogan of the liberation struggle in Southern Africa: *A luta continua;* the struggle goes on. The great risings of the 1970s and 1980s have achieved one great victory. The ANC now has its hands on the levers of political power (though how securely remains to be seen, given the presence of the NP and the IFP in the cabinet, and the fact that the same generals command the army and police as did under de Klerk). How effectively the ANC uses this power is likely to depend on the extent to which the movement which brought it to office remains mobilised fighting to translate the political victory into concrete improvements in people's lives. And within that movement the debates which raged in the 1970s and 1980s—over race and class, socialism and national liberation, workers' organisation and popular coalition—are likely to revive, in new forms, and alongside new controversies as well. The outcome of these debates, and the struggles with which they will be linked is likely to determine whether the hopes raised by the ANC's victory are fulfilled, or whether instead South Africa becomes another case study in the failure of national liberation in the third world.[42]

Notes

[Under the apartheid regime's system of racial classification, the South African people were divided into four main 'population groups': Africans (71.5 per cent of the population); whites (16.6 per cent); Coloureds (9 per cent); and Indians (2.9 per cent). Obnoxious though this terminology is, it is unavoidable when talking about a society still shaped by apartheid. I use 'black' to refer to all those who were defined as 'non-white'.]

1 Hegel, *Lectures on the Philosophy of World History, Introduction* (Cambridge, 1975), p 170.
2 Johannesburg *Weekly Mail* and *Guardian* (hereinafter *WMG*), April 29, 1994.
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Devaluation, Liberalisation and Structural Linkages between India's Foreign Trade and National Income

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The structural links between a developing country's foreign trade sector and its domestic economy have a crucial bearing on the results likely to be achieved by trade liberalisation and currency devaluation. These links are often overlooked.

This paper provides a macro model of the Indian economy based on a specification of the structural linkages among GDP, exports and imports, using data for the period 1973-89 and tries to identify the repercussions of trade and exchange rate policy changes on the trade deficit and GNP.

I
Introduction

FOR a developing country the structural links between its foreign trade sector and the domestic economy have a crucial bearing, especially in terms of the results achieved by a package of policy reforms. Typically the latter includes trade liberalisation and currency devaluations. This demands a specification of the nature of these structural links in terms of a macro economic model which takes note of these relations. These aspects however are sometimes overlooked in the available literature.

An attempt is made in the present paper to overcome such lacunae in analysis by providing a macro model of the Indian economy which is based on a specification of these structural linkages between GDP, exports and imports. Data relating to the Indian economy for 1973-89 have been used for the purpose of an econometric testing of the model. The period chosen includes the years of a liberalised regime which began in 1985-86 preceded by the earlier years of a trade regime (1973-74 to 1984-85) when controls were relatively prominent. Liberalisation in India has been marked by both devaluation of the rupee and wide ranging trade decontrols.

The model set up in Section II of the paper specifies the pattern of structural linkages between India's GNP, exports and imports in terms of a simultaneous equation system. The specification, as can be seen from an econometric testing of the model in Section III, enables us to identify the repercussions of policy changes on the size of India's trade deficit and GNP. An attempt has been made to quantify the *net* effect of real depreciation of the rupee (changes in RER) on the three variables in terms of the structural relations specified in the model as a whole. Finally we explore the possibilities of parametric shifts in the functional forms relating to the three respective variables as could result from liberalisation efforts (excluding devaluation) under the liberalised regime. Evidently the exercises situate the recent policy changes in the economy by having reference to the pattern of structural interdependence between the different activities of production, exports and imports.

A crucial aspect of our approach which is reflected in the specification of the model deserves here a special mention. Analysis of the structural links between GDP and foreign trade in this paper rests on the notion that imports and exports can be respectively treated as direct and indirect inputs to the production process in the economy. While imports provide the physical inputs needed for production in the domestic economy, exports indirectly provide for them by procuring the requisite finance from abroad. Treating exports as well as imports as inputs to the aggregate production process indicates a marked departure from the conventional demand deficiency models where foreign trade is reckoned in terms of its demand generating capacity. In India with export earnings or import payments each forming less than 10 per cent of the country's GDP it is probably legitimate to underplay the demand generating/repressing role of the trade balance in the economy. Exports however play a crucial role in providing exchange earnings which supplement the country's import capacity. With moderate to high degrees of dependence on imported inputs the country's production process may thus come to a halt if the flows of imports are interrupted. This is typical in a country with a foreign exchange bottleneck, one where exports serve as indirect inputs to the productive system. With external debt and debt related contractual obligations increasing relative to the domestic output and export earnings, net inflows of external finance tends to taper off. Exports have an additional significance under such situations, by providing the finance needed for additional imports. For a country like India where the potentials of a large home market often remain unexplored because of the difficulties of financing imports which are vital to the production process, exports tend to have significance more as a foreign exchange earner than a demand generating activity.

Viewing foreign trade as a supply (production) augmenting rather than as a demand generating/contracting factor also affects the implications of important policy changes like the depreciation of local currency on the domestic economy. It has been pointed out that devaluation may turn out to be contractionary despite an improved trade balance when a redistribution of output from wages to profits (and rents) in the domestic economy causes an upward shift in the aggregate savings propensity [Krugman and Taylor 1978]. The reasoning however is based on the effects of devaluation on aggregate *demand* than *supply*. In terms of our argument devaluation may turn out to be contractionary by curtailing the availability of imports and hence the supply of aggregate output. This may happen when devaluation causes adverse movements in the terms of trade of the country thus reducing the volume of imports which the country can afford. The sequence has been earlier described by us as an import-led GDP compression which in the present case is triggered off by devaluation [Gylfason 1983 and Sen and Das 1991]. In a similar manner liberalisation measures (other than exchange rate adjustments) also can have contractionary effects on domestic GDP by raising the import content of output when the measures have no positive effect on export earnings. A similar result, without a complete set of explanations has been offered earlier by Edwards (1986) to show the contractionary effect of real devaluation in the short run. The model set up in Section II and the results of the econometric exercise reported in Section III address the following questions:

(a) What are the structural links between domestic output and foreign trade in the Indian economy? Do these provide a basis for treating imports (and export earnings) as inputs to the production process?

(b) Can domestic output be affected by changes in India's real effective exchange

rates keeping in view their impact on trade and the structural links between trade and domestic output?

(c) Can other forms of liberalisation (especially those which affect trade) influence changes in domestic production and trade?

The three issues would be taken up in Section III where the model set up in Section II is put to an econometric exercise

II
A Macro-Model of Structural Linkages in Indian Economy

The introductory remarks provided in the preceding section can now be used to formulate the following model for the Indian economy

$$Y_{dr} = \beta M_r^{\tau},\ \beta,\tau > O \qquad (1)$$
$$M : M(RER,\ X,\ Y_d) \qquad (2)$$
$$X : X(RER,\ XS,\ Y_f) \qquad (3)$$
$$TD : M-X \qquad (4)$$

where

Y_{dr}	=	real GNP of India
Y_d	=	value of India's GNP
M_r	=	real imports of India
M	=	value of India's imports
X	=	value of India's exports
RER	=	trade-weighted index of real effective exchange rate for the rupee
Y_f	=	trade-weighted index of GNp of 20 major trading partners, at current prices
TD	=	value of India's trade deficit
XS	=	export subsidies

While Y_{dr} and M_r are calculated in real units, all other variables, Y_d, M, X and TD are expressed in units of dollar, which is arrived at by converting the current rupee values at current rupee-dollar exchange rates Y_f is obtained in dollar units

The essence of our argument is captured by equation (1) in terms of the output supply function Y_{dr} which depends on the flow of real imports M_r The equation can be rewritten

$$Y_d = \beta M^{\tau} (RER)^{\tau} (pe)^{1-\tau}$$
$$\text{or } \ln Y_d = \ln \beta + \tau \ln M + \tau \ln RER + (1-\tau) \ln (pe) \qquad (1a)$$

The dollar values Y_d and M in equation (1a) has been arrived at by converting the respective rupee values (volume x rupee prices, p) at e, the nominal dollar exchange rate for rupee Equation (1a) specifies, for each 1 per cent rise in RER, the percentage change in Y_d, given by τ provided p and e remain constant Evidently, Y_{dr} would also be subject to the same order of change as long as changes in (pe) are ruled out

Equations (2) and (3) provide the functional forms of the import and export value equations RER provides the role of a price relative between domestic and foreign goods in both functions A depreciation of rupee, indicated by a drop in RER, would exercise a price-effect the direction (sign) of which may turn out to be different for exports and imports when the commodities face an elastic demand The standard behavioural impact is captured by Y_d and Y_f in the respective equations for M and X X, the value of export earnings influence dollar value of imports in equation (2) by providing the requisite foreign exchange In equation (3), XS, the level of export subsidies influences the level of export earnings by changing their competitiveness TD, the dollar value of trade deficit is spelt out in the identity given by (4)

The model can be used to test the impact of policy changes like devaluation on Y_d, X and M In equations (2) and (3) the coefficients to RER indicate the partial elasticity of the respective M and X functions *vis-a-vis* changes in RER The overall impact on the three separate variables would however be determined by the pattern of interdependence woven in terms of the structural linkages in the model

The following is now offered as a testable model

$$\ln Y_d = \beta + \tau \ln M + \tau \ln RER + (1-\tau) \ln (pe) + \tau_1 D \qquad (5)$$
$$\ln M = \alpha_0 + \alpha_1 \ln x + \alpha_2 \ln Y_d + \alpha_3 \ln RER + \alpha_4 D \qquad (6)$$
$$\ln x = \theta_0 + \theta_1 \ln Y_f + \theta_2 \ln RER + \theta_3 \ln xs + \theta_4 D \qquad (7)$$
$$TD = M-x \qquad (8)$$

where the dummy variable D is 1 for the period 1985-86 to 1989-90 D captures the impact of liberalisation which began during the period 1985 86 The entire period 1973-74 to 1989 90 as mentioned in Section I can be broken up into a trade-regime in India during 1973 74 to 1984-85 and a second period which relates to the years of 'liberalised regime since 1985-86 While data for 1990-91 and 1991-92 are available there is evidence that imports were artificially restricted by measures like trade credit restrictions This invalidates the functional form specified for our import function during these years and we have excluded these years from our empirical exercise

Equations (5) and (6) constitute a simultaneous equation structure where the parameters can be estimated by 2SLS subject to the restrictions on parameters of equation (5) However multicollinearity problems arise in equation (6) which may be due to the simultaneous existence of X, Y_d and RER This can distort the signs of the coefficients The problem has prevented us from using the 2SLS method Instead we prefer to carry out an indirect least square technique in order to estimate the reduced form parameters The corresponding equations are

$$\ln Y_d = \mu_1 + \mu_2 \ln RER + \mu_3 \ln x + \mu_4 \ln (pe) + \mu_5 D \qquad (9)$$
$$\ln M = \delta_1 + \delta_2 \ln RER + \delta_3 \ln x + \delta_4 \ln (pe) + \delta_5 D \qquad (10)$$

where

$$\mu_1 = \frac{\beta+\tau\alpha_0}{1-\tau\alpha_2},\ \mu_2 = \frac{\tau(1+\alpha_3)}{1-\tau\alpha_2},\ \mu_3 = \frac{\tau\alpha_1}{1-\tau\alpha_2},$$
$$\mu_4 = \frac{(1-\tau)}{1-\tau\alpha_2}$$
$$\delta_1 = \frac{\alpha_0+\alpha_2\beta}{1-\tau\alpha_2},\quad \delta_2 = \frac{\alpha_3+\alpha_2\tau}{1-\tau\alpha_2},$$
$$\delta_3 = \frac{\alpha_1}{1-\tau\alpha_2},\quad \delta_4 = \frac{\alpha_2(1-\tau)}{1-\tau\alpha_2}$$
$$\mu_5 = \frac{\tau_1+\tau\alpha_4}{1-\tau\alpha_2},\quad \delta_5 = \frac{\alpha_2\tau_1+\alpha_4}{1-\tau\alpha_2}$$

It may be noted that δ_2 in equation (10) represents net percentage change in M for 1 per cent change in real effective exchange rate (RER) holding X and (pe) constant However, x is also a function of real effective exchange rate, therefore, total change would be higher or smaller than δ_2 depending upon the elasticity of real exports with respect to RER (which determines the sign of θ_2) Furthermore, δ_2 can be decomposed into two parts, namely, direct impact of RER on M (which we may call 'price effect') and change in M due to change in India's nominal GNP (US $), which we propose to call 'income effect' μ_2 represents net percentage change in real output (holding (Pe) constant) due to 1 per cent change in RER

TABLE 1 PERCENTAGE CHANGES IN RER, ESTIMATED IMPORTS AND ESTIMATED REAL OUTPUT

Year	RER	Estimated Imports	Estimated Real Output
1980 81	11.42	5.90	5.25
1981-82	1.99	1.05	0.91
1982 83	−4.09	−2.19	−1.88
1983 84	1.84	0.97	0.84
1984 85	2.00	−1.06	−0.92
1985 86	−2.72	−1.45	−1.25
1986-87	−7.80	−4.21	−3.58
1987 88	−7.37	−3.97	−3.39
1988 89	−3.74	−2.00	−1.72
1989-90	−4.62	−2.47	−2.12
1990-91	−2.29	−1.22	−1.05
1991-92	−12.40	−6.77	−5.70

Notes (1) Estimated imports and real output show percentage changes in imports and real output caused by changes in real effective exchange rate with a *ceteris paribus* assumption relating to other independent variables These have been estimated by using equations (11) and (12) after substituting equations (13) for lnx

(2) Imports are measured in US $

(3) A negative sign in column 2 indicates depreciation

The OLS estimates (with t value in parentheses) are as follows

$$
\begin{array}{llll}
\ln Y_d = & -7.23 & +\ 0.72 \ln RER & \\
 & (-3.20) & (2.12) & \\
 & +\ 0.71 \ln X & +\ 0.53 \ln (pe) & +\ 0.22\, D \\
 & (4.21) & (2.34) & (4.56)
\end{array} \quad (11)
$$

Time period 1973-74 to 1989-90, $R^2 = 0.98$, $\bar{R}^2 = 0.97$, Lagrange Multiplier Test of first order serial correlation, $F(1, 11) = 0.02$

$$
\begin{array}{llll}
\ln M = & -5.44 & +\ 0.82 \ln RER & \\
 & (-2.96) & (3.12) & \\
 & +\ 0.80 \ln X & +\ 1.14 \ln (pe) & +\ 0.12\, D \\
 & (6.15) & (6.58) & (3.15)
\end{array} \quad (12)
$$

Time period 1973-74 to 1989-90 $R^2 = 0.99$, $\bar{R}^2 = 0.97$, Lagrange Multiplier Test of first order serial correlation $F(1,11) = 0.08$

$$
\begin{array}{llll}
\ln x = & 7.08 & +\ 0.72 \ln Y_f & -\ 0.37 \ln RER \\
 & (6.67) & (10.58) & (-1.96) \\
 & +\ 0.13 \ln (XS) & -\ 0.21 D_1 & \\
 & (2.31) & (-4.66) &
\end{array} \quad (13)
$$

Time period 1973-74 to 1989 90, $R^2 = 0.98$, $\bar{R}^2 = 0.98$, Lagrange Multiplier Test of first order serial correlation, $F(1,11) = 0.58$

III
Interpreting the Results

Several comments are in order to interpret the various parameter estimates in equations (11) – (13) First D which can be called the liberalisation dummy has been found significant for both output and import functions, respectively provided in equations (11) and (12) A positive and significant coefficient for D in either equation indicates that liberalisation efforts since mid-80s could favourably affect output when their impact on imports were also favourable Positive influences on Y_d and M (both dollar values) also indicate similar impact on the real variables Y_{dr} and M_r as long as RER, and (pe) are all held constant (The reader may recall the transformation of Y_{dr} to Y_d in equation (2)) In absence of additional export earnings, the rise in imports were debt-financed, a point which we would take up later while interpreting the deviations between actual and estimated TDs The point is all the more relevant as we observe the insignificant coefficient of D in the export function However, extraneous forces like the stoppage of crude oil from India in April 1985 (following the setting up of domestic refineries) make it meaningful to incorporate an additional dummy variable D_1, in equation (13) with value 1 for 1985-86 and 1986-87 Effects of RER on X indicate a negative and significant coefficient, implying that real exports from India are price elastic However the RER-import relation cannot be empirically checked because of a mis-match between the reduced form parameters and the structural parameters This prevents us from obtaining an unique solution for α_1 in equation (6) which is crucial to check the partial elasticity of real imports with respect to RER. The rather opposite movements in RER and M except during 1979-80 to 1984-85 (see the Figure) can possibly be interpreted by the intuitive reasoning that in India real demand for imports had been price (and hence RER) inelastic over the period

The crucial parameters τ and τ_1 in the structural equation (5) can now be obtained by estimating the equation using the 2SLS method, subject to the restrictions on the parameters The estimated equation with t-values in parentheses are given as follows

$$
\begin{array}{llll}
\ln Y_d = & -3.90 & +\ 0.45 \ln M & +\ 0.45 \ln RER \\
 & (-3.20) & (3.99) & (3.99) \\
 & +\ 0.55 \ln (pe) & +\ 0.29\, D & \\
 & (4.69) & (4.75) &
\end{array} \quad (14)
$$

Time period 1973-74 to 1989 90
DW = 1.62 R^2 (between observed and predicted) = 0.94

Holding the other variables (M and pe) constant, 1 per cent rise in real imports would, in terms of equation (14), bring in a 0.45 per cent increase in real output a result which is revealing

Tables 1 and 2 provide the results of a simulation exercise where the estimated values are arrived at by using equations (11) and (12) after substituting equation (13) for lnx, with a *ceteris paribus* assumption relating to other independent variables in these equations, estimates are provided for annual percentage changes in M, Y_d and TD caused by actual percentage changes in RER during the years 1980-81 to 1991 92

The major finding of the simulation results reported in Tables 1 and 2 relate to the net effects of the annual depreciations in the real effective exchange rate of the rupee on domestic real output and the dollar value of India's trade deficit during each year A reduction in the estimated size of the trade deficit, achieved through a cut in import volume, explains the simultaneous drop in the estimates for real output Thus real depreciation achieves an improvement in trade balance at the cost of domestic growth—a sequence which is based on the theme of an import led GDP compression in a foreign exchange constrained as well as import dependent economy The process also describes the possibilities of devaluation leading to a GDP contraction—for reasons which have been discussed earlier The simulations exercises incorporate the various causal relationships which often move in opposite directions For example while a drop in RER reduces output, a simultaneous increase results in dollar value of imports (provided real demand is price inelastic) and in dollar value of exports (provided real demand abroad is price elastic) The rise in dollar value of exports is likely to increase dollar value of imports while the reduced dollar value of output would reduce imports in dollar

Aggregate effects of a real depreciation (or appreciation) on real output and the trade deficit in dollar terms are thus rather complex in terms of the functioning of our structural model A simplistic approach, by calculating the partial elasticity of the trade variables *vis-a-vis* RER thus leads to false diagnosis as well as solutions

Attention needs to be drawn, before offering our concluding observations, to the disparity in Table 2 between the actual and the estimated annual dollar values for trade deficits Actual trade deficit narrowed by a margin which was much smaller after 1985-86 compared to the narrowing of the estimated trade deficit Since the latter was calculated on the basis of changes in RER alone, the deviations can be related to simultaneous changes in the remaining variables, and especially in D which acquired an explanatory power during the liberalisation regime' Debt-financed imports were rather common during the late 80s [Mundle and Mukhopadhyay 1993, Sen 1994] But for the 'changes' initiated in the economy as liberalisation package and also in the remaining variables which include both domestic prices (P) and foreign income (Y_f) throughout the entire period, actual trade deficit could have been narrower as indicated by the estimated numbers

IV
Concluding Observations

What then is the upshot of the preceding exercise in terms of the relevance of the structural linkages in the Indian economy for trade and exchange rate policies?

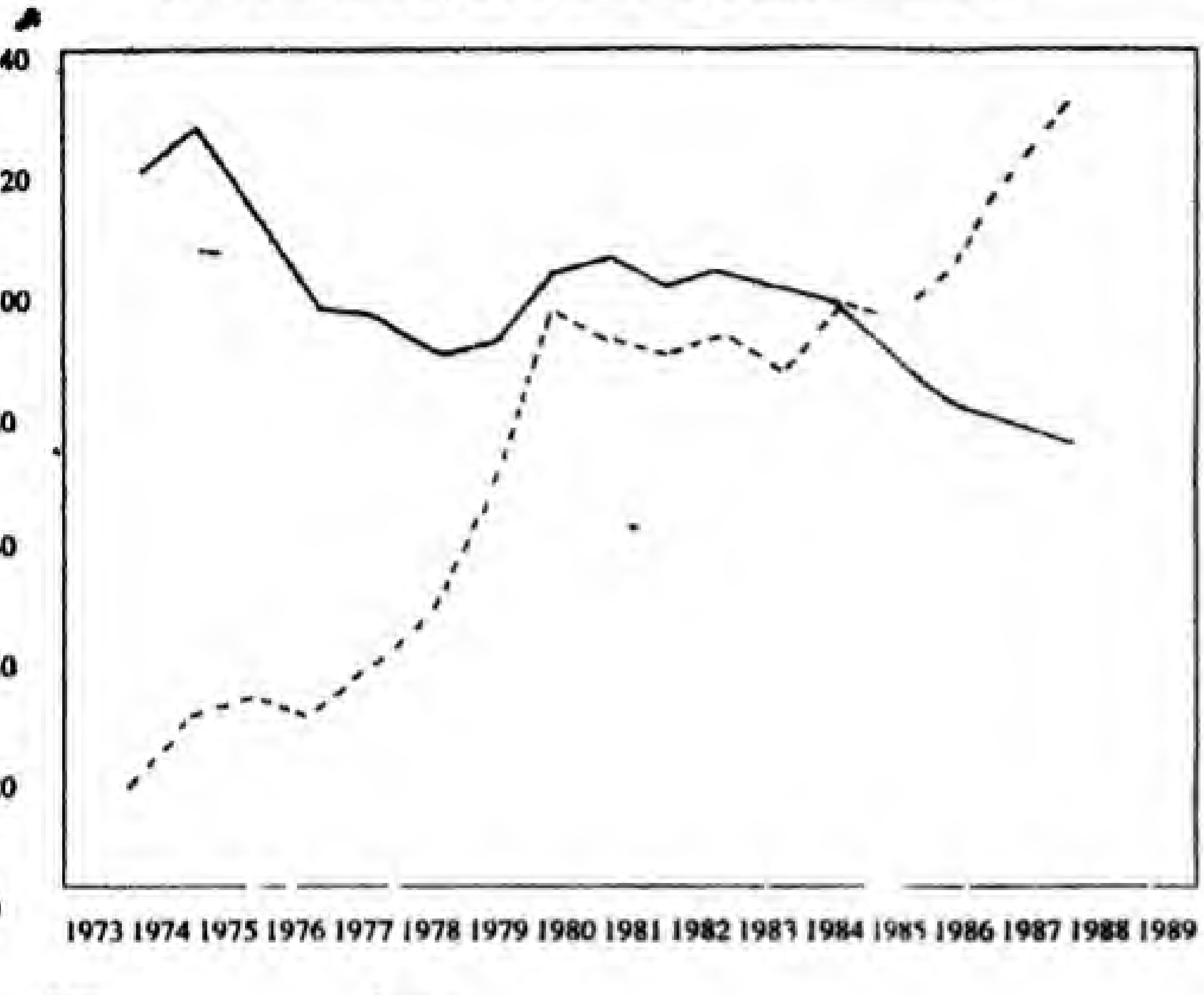
The major finding of this paper relates to the need to consider the structural linkages between different sectors including foreign trade As pointed out in our study, these

TABLE 2 PERCENTAGE CHANGES IN RER ACTUAL TRADE DEFICIT AND ESTIMATED TRADE DEFICIT

Year	RER	Actual Trade Deficit	Estimated Trade Deficit
1980 81	11 42	118 82	43 56
1981-82	1 99	−12 36	5 61
1982 83	−4 09	−12 21	−11 23
1983-84	1 84	3 20	5 51
1984 85	−2 00	−22 65	−5 78
1985 86	−2 72	57 98	−8 33
1986-87	−7 80	−16 48	−26,44
1987-88	−7 37	−15 29	−33 37
1988 89	−3 74	9 07	−24 69
1989-90	−4 62	−15 93	−40 33
1990 91	−2 29	27 63	−32 97
1991-92	−12 40	73 94	−277 01

Notes (1) Trade deficit is measured in US $
(2) Estimated trade deficit shows percentage changes in trade deficit due to percentage changes in real effective exchange rate holding all other exogenous variables constant

FIGURE INDICES OF IMPORTS (US $) AND REAL EFFECTIVE EXCHANGE RATE



structural links are of crucial significance in determining the impact of policy changes in the economy. To be specific, our study indicates that in India imports have a crucial bearing on the growth rate of output—presumably because of the nature of imports which mostly consist of raw materials and intermediates needed for production. A tendency observed during the liberalisation regime since 1985-86, for an added degree of this functional dependence between imports and GDP is borne out by results which indicate upward shifts in both import and output functions during these years. Evidently the increased level of imports contributed to additional output. Data for 1990-91 and 1991-92 indicate a reverse process with simultaneous declines in both imports and the GDP.

This paper does not analyse the implications of changes in the capital account of the country's balance of payments as resulted from liberalisation. Resort to debt financing during the late 80s when imports rose very fast resulted in steep increases for debt services. The debt difficulties led, during the 90s, to a GDP compression which was triggered off by a slowing down of imports.

The other important finding of this paper relates to the implications of major instruments of trade policy like devaluation for the economy. Unlike what is usually postulated in the literature, effects of devaluation on the country's trade deficit and the GDP are determined by the interplay of a structurally interdependent system, thus ruling out the relevance of the simplistic exercises implicit in partial approaches.

The net effect of changes in RER on domestic output and trade deficit would depend on the individual effects on imports, exports and output which work on each other. Evidently the structural linkages between the dependent variables and the relation of each to the policy-instruments or other parameters are both crucial in determining the final effect of RER. While our estimates indicate a narrowing of trade deficit at the cost of growth during the period, the story cannot, for obvious reasons, be treated as universal. Thus RER may have a very different impact on GDP and the trade deficit when the structural links and the functional forms of these variables are different.

In our analysis we have stressed the need to treat both imports and exports as essential inputs to the productive process. The approach, which deviates from the demand generating/contracting role of foreign trade is based on the structural dependence of GDP on imports and of the latter on export earnings. The possibility of a 'devaluation-led contraction' in our model arises out of supply (and not demand) adjustments. We have observed that in India devaluation has narrowed the size of the trade deficit. However, the actual narrowing has been much less compared to the estimated net RER effects in terms of the model. This presumably is related to the operation of factors like liberalisation or debt-financed imports which pushed up imports.

Finally, as a note of caution we stress the need to consider the changes in the country's balance of payments as a whole. The difficulties of maintaining and sustaining debt-financed imports are not captured by the model. A complementary analysis, specifying the exact pattern of adjustments between the current and capital accounts is needed to understand the full impact of policies like exchange rate adjustments and liberalisation.

Data Appendix

Data used to test the model include the time series for the respective variables for the years between 1973-74 and 1989-90. Sources for Y_d, M and X are *Economic Survey* of the government of India for the relevant years. Rupee values at current prices have been converted to dollar at the prevailing exchange rate. For Y_r, the data source is *International Financial Statistics* of the IMF. Data sources for XS goes back to the Ministry of Commerce, government of India. The data on real effective exchange rate (RER) have been obtained from the *Reserve Bank of India Monthly Bulletin* July and November 1993. The real effective exchange rate is the nominal effective exchange rate for the rupee based on total trade weights of 36 countries deflated by the effective relative price between India and its trade partner countries based on the same weights. See also *Economic and Political Weekly* January 15, 1994 for a rigorous discussion on the construction of NEER and REER indices by various authors and the Reserve Bank of India.

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Trade Union Participation and Development of Class-Consciousness

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This paper attempts to examine the assumption that the trade union is a school of class-consciousness. Two qualifications are added to the original Marxian proposition: (a) that the more active participation in the trade union activities the greater the class-consciousness, and (b) that the leftist/radical ideological orientation of the trade union is likely to generate greater class-consciousness than rightist/reformist ideological orientation.

ACCORDING to Karl Marx a person's class-position is determined by his/her production relations, that is, by the fact whether the person owns the means of production or not. Hence class-interests of the employers and the employees are mutually opposed, whether they are aware of the fact or not.

Marx asserted that ruling bourgeoisie class exploits the working class and sustains an unequal system not only by force but also by spreading an ideology that justifies the class-inequality. He further postulated that in due course of time, however, the working-class will develop a true consciousness and realise that its miserable condition is not due to its own failure but is the result of an unjust system.

Marx made a distinction between the objective class-situation of people and their subjective awareness of it, by giving the concepts of 'class in itself' (klasse an sich) and 'class for itself' (klasse fur sich). So long as a class is not subjectively aware of its objective position within the production relations it remains a category, a 'class in itself'. By becoming conscious of its objective position, it becomes a 'class for itself', it transforms itself into a community capable of acting in unison.[1]

Marx was aware that some social groups do not have the potential for becoming fully developed 'class for itself' in spite of the fact that they share common class-interests in the system of production. He illustrated this point by an example of the small-holding peasants of France of his time, who used their voting rights against their own interests and allowed themselves to be subordinated.[2] However, he prophesied that unlike the French peasants, the industrial proletariats would inevitably become a self-conscious and organised class. Because, the conditions of life in the factory bring the workers together in such a way that they become aware of their common interests and the strength of their unity.[3]

Yet, the evidence from the industrially developed nations does not reveal a very clear pattern of the development of class-consciousness. For instance, it is generally found that people at the higher echelon of social stratification often act to further their own interests and manipulate the system to their own advantage.[4] But the findings regarding working class-consciousness are not consistent. Some researchers have observed that the industrial workers simultaneously hold radical views along with right-wing or conservative opinions, betraying thereby contradictions in their consciousness.[5] Thus they conclude, the workers have not fully developed as 'class for itself'. To explain this phenomenon an embourgeoisiement thesis is also being advanced, based on the argument that increased affluence of industrial workers has an adverse effect on their class-consciousness.[6] But there is no consensus about this thesis among scholars.[7]

On the other hand, however, some studies have revealed the development of class-consciousness among the workers. For instance, in a study of Detroit workers of the US, Leggett found that some sections of working-class do develop a feeling that they are exploited by the system.[8] Some researchers have also attempted to analyse the relationship between objective class-position and class-consciousness.[9] However, there is a considerable lack of consensus among the researchers on this issue. Reviewing such studies Kluegal and Smith conclude that most of these studies catalogue only weak relationships between the perceiver's social or economic position and his/her class-consciousness.[10]

Qualifying Marxian Thesis

However, most of these studies ignore the fact that apart from the objective class-position of workers, Marx also postulated the role of trade unions as a school of solidarity and socialism.[11] In other words, in Marx's theoretical scheme objective class-position is a necessary, but not sufficient, condition for the development of class-consciousness. Marx's early political views were being formulated in an epoch when trade unions were in a formative stage. The fact which seems to have impressed him immensely was that the scattered and mutually competing workers were beginning to unite and form unions to build a resistance against their exploitation. Therefore, Marx considered these trade unions as a school of solidarity and socialism, which provided the workers primary 'class training'.

Engels, even before Marx had observed that as schools of class-war, the unions were unexcelled, and that the experience in trade union participation enhanced workers' self-confidence and class-consciousness.[12] Marx and Engels, however, distinguished the economic movement from the political movement of the working-class, since the objective of the former is to win economic benefits for the workers, whereas the latter has a political goal of establishing a classless society by overthrowing the exploitative capitalist system.[13] But, they assumed that whatever economic goals the trade unions may pursue, there are inevitable political repercussions of such pursuits, whether intended or not. Thus, in their view a trade union was not merely an organisation to redress the workers' grievances, but also a setting for a more general process of socialisation in the class-consciousness. As workers solve their immediate problems through trade unions, they also learn in the process radical attitudes and values, that is, new dispositions to act. But like many other postulates of Marxism this one is also not clearly specified. In fact, in the writings of Marx and also of Engels, we find a contradiction in their vision of the ideal role of trade unions and their evaluation of the actual role of these unions of their time. They were aware of the shortcomings of the European trade unions of their time. They noted that unions had become the preserve of a labour aristocracy and that workers were corrupted by the fruits of colonial exploitation. They also knew that the short-term interests of particular workers could come into conflict with the long-term interests of the whole working class.[14] In spite of this, they retained an optimistic conviction that the working-class would eventually become class-conscious and would enhance its interests by organising a revolution with the help of radical intellectuals. According to them this revolution would be possible by an alliance between the trade union movement and a radical political party. Thus in addition to the trade union, Marx and Engels also emphasised the role of a political party committed to the radical ideology for bringing a revolutionary transformation in the existing capitalist system.[15]

This view is shared by the later-day neo-Marxists like Lukacs and Gramsci. Lukacs, for instance, states "...class consciousness implies class-conditioned unconsciousness of one's own socio-historical and economic conditions".[16] However, this, according to him, will be overcome in the capitalist society by a revolutionary movement. Similarly, Gramsci also asserted that though the dominant class does succeed in thwarting the development of true consciousness among the workers, the radical intellectuals will play a vital role in creating the revolutionary ideology which will ultimately percolate to the masses of the workers.[17]

Objective of Study

In this study, therefore, we will attempt to empirically examine the theoretical assumption of Marx that the trade unions are schools of class-solidarity and socialism, i e, class-consciousness. However, while doing so we have specified that the influence of the trade unions on the development of the class-consciousness among the workers cannot be uniform for at least two main reasons.

First of all, it is an empirical fact that all members of a trade union do not equally actively participate in its affairs and, therefore, they need not be expected to internalise the behavioural dispositions, attitudes and values indicating class-consciousness in the same degree.

Secondly, it would be naive to assume that all unions explicitly work towards the creation of class-struggle. In reality we find that all trade unions do not espouse the Marxist ideology of class-conflict, and, therefore, all of them do not make explicit efforts to educate the workers in this regard. Instead, those unions opposed to this ideology try to inculcate opposite values of industrial peace and class harmony. Hence, we also expect to find variations in the internalisation of those values among participants, according to the ideological dispositions of the unions they belong to.

The Method

We first operationalise the concept of working class-consciousness and then give an account of the trade union situation of Vadodara in connection with the procedure of data-collection.

To Marx, class-consciousness means politically expressed economic group-interest of a class. This subjective awareness, which is known as class-consciousness, implies that the members of a class perceive their own class as distinct; that they develop a feeling of identification with fellow class members and a feeling of difference from and opposition to the other class; and that they possess a capacity to act in unison to pursue collective interests of their own class. When an objective class, that is 'class in itself', develops this kind of subjective class-consciousness it becomes a 'class for itself'. In this sense the concept refers to the consciousness of both the classes, namely, the bourgeoisie and the proletariat. However, we are here concerned only with the consciousness of the working class.

There have been a number of attempts to clarify the dimensions of class-consciousness. While operationalising the concept, some researchers merely try to investigate the awareness of respondents of the existence of classes, by asking such simple questions as the class to which they belong or how many classes, according to them, exist in their community or society. An early effort in this direction was made by the Lynds in their study *Middletown in Transition*.[18]

But working class-consciousness, like many other concepts, cannot be adequately indicated by a single characteristic because it is manifested in a variety of ways. It is a complex of qualities rather than a single trait. Of late, however, efforts have been made to clarify the different dimensions of the concept in greater detail. One such attempt is made by Manis and Meltzer in their study of attitudes of textile workers to class-structure.[19] They tried to measure class consciousness on the following seven criteria: (i) saliency (whether class occupies a significant position in people's minds), (ii) awareness (whether social classes exist in their community), (iii) number (number of classes in existence), (iv) composition (people belonging to these classes), (v) relationship between classes (whether the classes get along with each other), (vi) sense of belongingness (whether people in each class stick together), and (vii) permanence (whether class lines are hardening).

However, as Oscar Glantz rightly observes, class-consciousness means more than mere awareness or one's economic position.[20] It should be "accompanied by class-related politico-economic values". Individuals, according to Glantz, can be called class-conscious only if they are aware of their politico-economic interests in such a way that they recognise their unity with others belonging to their class, and also the general nature of class in opposition. Therefore, Glantz chose two indicators to measure class-consciousness (i) allegiance: self-identification with one's own class, and (ii) orientation: (a) favourable orientation to one's own class (by accepting the values of one's class) and (b) unfavourable orientation to the antagonistic class (by rejecting the values represented by it), revealed by positive or negative responses to pro-labour/pro-business statements.

Two other significant efforts to operationally specify the concept of class-consciousness are made by Lazarsfeld and Leggett respectively. Lazarsfeld operationalised the concept of class-consciousness by taking a typical Austrian worker, i e, a typical member of the Social Democratic Party, as a frame of reference. He categorised

Table 3: Classification of Prominent and Non-Prominent Activists according to Degree of Class-Consciousness (in Terms of T Statistic Sample (N), Mean ($\bar{X}$), Standard Deviation (SD) and the Z Value)

	Prominents	Non-Prominents
N	110	312
$\bar{X}$	12.04	10.93
SD	3.34	3.15
Z = 2.8899 (P <.005)		

Table 1: Federationwise Distribution of Prominent and Non-Prominent Activists in Terms of Their Population and Sample

Federation	Prominents		Non-Prominents		Total	
	Population	Sample	Population	Sample	Population	Sample
AITUC	115	47	145	77	260	124
BMS	56	20	90	44	146	64
CITU	5	1	25	25	30	26*
HMS	45	22	92	58	137	80
INTUC	56	20	72	33	128	53
Mahajan (NLO)	–	–	166	75	166	75
Total	277	110	590	312	867	422

* Since CITU had only 30 activists we included in our sample 26 of them (i e, more than half) in order to have adequate representation of that federation.

Table 2: Classification of Prominent and Non-Prominent Activists according to Degree of Class-Consciousness

(Per Cent)

	Prominents	Non-Prominents	X^2	P
Degree of class-consciousness				
Low	46	59	5.730	<.02
High	54	41		
N (100 per cent)	(110)	(312)		

consciousness into the following four dimensions (i) symbolic or emotional (ii) distrust of class enemies (iii) all-embracing life style and (iv) political militancy [21]

Leggett defined working class-consciousness by identifying the following four dimensions (i) class verbalisation tendency to discuss issues in class terms (ii) skepticism belief that wealth is distributed mainly to benefit the middle classes (iii) militancy disposition to engage aggressively in action to advance the interests of one's own class and (iv) egalitarianism favouring a redistribution of wealth in such a way that each individual would have the same amount (so that there would be equal chances to get ahead) "

It would be interesting to note that the two dimensions highlighted by Leggett namely skepticism and militancy are identical to Lazarsfeld's "distrust to class enemies and 'political militancy Lazarsfeld, however defined militancy as the workers commitment to form a separate labour party while Leggett interpreted it as working-class aggressiveness to advance its interests Leggett's dimension of egalitarianism is not found in Lazarsfeld's analysis whereas Lazarsfeld's dimension of all embracing life style is absent in Leggett's formulation

From these efforts to operationalise the concept of class consciousness we identified the following three dimensions of working class consciousness for our purpose (a) class solidarity (b) economic radicalism and (c) class militancy

Class-Solidarity

This dimension of class solidarity is closer to Lazarsfeld's 'distrust of class enemies and Leggett's verbalisation and 'skepticism It is defined in our analysis as a belief of workers that all proletariats belong to one class and that the bourgeoisie who belong to the other class are their enemies The presence or absence of class-solidarity is measured with the help of an index comprising of six statements with structured and dichotomised responses, that is the responses could be affirmative or negative only In some cases an affirmative response indicated the presence of solidarity whereas in some other a negative response indicated that The responses were converted into numeric codes which are shown in the brackets below, along with the statements Numeric code zero shows the absence of solidarity in the respondent and code one indicates the presence The statements used to measure class-solidarity are (i) Relationship between employers and employees is like that of parents and children (Agree=0, Disagree=1), (ii) Workers are actually not exploited by the employers but by the managerial officers (Agree=0, Disagree=1), (iii) Manual labourers and clerical personnel belong to the same economic class (Agree=1, Disagree=0), (iv) Interests of the industrial workers are different from those of the agricultural workers (Agree=0, Disagree=1), (v) Owners of the factories unwillingly tolerate the trade unions, if they are given freedom they would crush them (Agree=1, Disagree=0), (vi) The interests of the workers and the industrialists are the same (Agree=0, Disagree=1)

Economic Radicalism

This constituent of class consciousness is similar to Leggett's 'egalitarianism' In our analysis economic radicalism is defined as an expression of radical opinions about economic doctrines indicating distrust in the existing economic system This is measured by an index of 10 statements mentioned below Score one in the brackets indicates the presence of economic radicalism in the respondent and score zero means absence of it (i) Government should take over all industries (Agree=1, Disagree=0), (ii) Poverty is the result of unjust distribution of wealth (Agree=1 Disagree=0) (iii) Government ought to guarantee a living to those who cannot get work (Agree=1 Disagree=0), (iv) Government should not put a ceiling on profits (Agree=0, Disagree 1) (v) Great fortunes are mostly made by honesty (Agree=0 Disagree=1) (vi) People would not do their best if government owned all industries (Agree=0 Disagree=1), (vii) If our economic system were just there would have been much less crime (Agree=1 Disagree=0) (viii) Every person should be allowed to keep as much wealth as he can accumulate (Agree=0, Disagree=1) (ix) When a rich man dies his property should go to the government (Agree=1 Disagree=0), (x) Private ownership of property is necessary for the economic progress (Agree=0 Disagree=1)

Class Militancy

This component in our conceptual analysis of class consciousness subsumes political militancy of Lazarsfeld's formulation and militancy of Legett's scheme The dimension of class militancy reflects the sensitivity of the respondent to oppression It measures whether the worker realises that the working class politics is the effective means to establish egalitarian rule The statements used are listed below The interpreting numeric codes are shown in the brackets, zero indicates absence of the feeling of class-militancy in the respondent and one shows its presence (i) Temporary dictatorship of working class is necessary, if any satisfactory progress is to be achieved (Agree=1, Disagree=0), (ii) Workers should not join any agitation which harms the employer (Agree=0, Disagree=1), (iii) Gherao should not be used as a method of protest by workers (Agree=0, Disagree=1), (iv) In capitalist society genuine social progress is impossible without revolution (Agree=1, Disagree=0), (v) At the time of any industrial conflict no one should pay any attention to the view-point of the employers (Agree=1, Disagree=0), (vi) Workers should tolerate whatever predicament they face in their organisation because there is no point in fighting against the management (Agree=0, Disagree=1)

Each of the three dimensions discussed above, namely, class-solidarity, economic radicalism and class militancy measure respectively (a) whether the respondents are aware of their class-position (b) whether they subscribe to the ideology of economic egalitarianism and (c) whether they believe in political militancy The numeric codes representing the responses to all the 22 statements measuring all the three dimensions are then added up to constitute an overall index of class-consciousness The total score then was divided into two categories, point zero to 11 indicating low degree of class consciousness among the respondents and point 12 to 22 indicating high degree of consciousness

Trade Union Situation of Vadodara

The trade union movement of Vadodara, ever since its inception has been dominated by the local affiliates of the national federations At present the following six national federations have their affiliates in

Table 5 Classification of Radical and Reformist Activists According to Degree of Class Consciousness (in Terms of T Statistic Sample (N) Mean ($\bar{X}$) Standard Deviation (SD) and the Z Value)

	Radicals	Reformists
N	230	192
$\bar{X}$	11 92	10 49
SD	3 53	2 58
Z = 4 7853 (P < 0005)		

Table 4 Classification of Radical and Reformist Activists according to Degree of Class Consciousness

(*Per Cent*)

	Radicals	Reformists	X	P
Degree of class consciousness				
Low	46 5	66	15 443	< 001
High	53 5	34		
N (100 per cent)	(230)	(192)		

the city: (i) All India Trade Union Congress (AITUC), (ii) Bharatiya Mazdoor Sangh, (BMS) (iii) Centre of Indian Trade Unions (CITU) (iv) Hind Mazdoor Sabha (HMS) (v) Indian National Trade Union Congress (INTUC) and (vi) National Labour Organisation (NLO) which is also known as Majoor Mahajan (Mahajan).

At the time of data collection in 1983 these six federations had organised a total of 64 trade unions consisting of 63,424 workers, i e, about 63 per cent of the organisable workforce of Vadodara. Most of these were small and plant-unions. A few of them were loosely structured general unions often characterised by the lack of a common and unifying bond among their members. Strong industrial or craft-unions were almost non-existent. It is, therefore, not surprising that many of these federations are chronically plagued by a paucity of funds and personnel.

Since most of the workers are mainly guided by their own personal, immediate and expedient considerations the competing federations are successful in attracting workers mainly by raising mundane 'dal-roti' (bread and butter) issues, not by abstract, ideological promises. However, success in winning monetary and real benefits also does not always guarantee that the workers will remain loyal to their unions, or even regularly pay the nominal membership-fee which is often only one rupee per month.

In spite of this, over a period, most of these federations have emerged as viable organisations as indicated by the fact that they have been able to accumulate some permanent assets, of course in varying degrees, such as: office-premises, vehicles, other equipment, office-staff and, above all, veteran full-time/part-time leaders.

Trade Union Leadership

Trade union leadership in India consists of two main tiers, namely, the 'outsiders' and the 'insiders'.[21] The 'outsiders' are the professional trade union leaders and are not employed in any plant; whereas the 'insiders' are worker-leaders or activists who are employed in a plant and who assume the leadership-role to represent their co-workers' problems both to the management and to the union.

In Vadodara too all the six federations have both the tiers of leadership: the full-time, professional leaders, the so-called 'outsiders'; and the worker-leaders or the activists, the so-called 'insiders'. Between the two, the latter is of critical significance for our study, since they not only constitute the backbone of any trade union but also are likely to be more radicalised or class-conscious as compared to the ordinary rank-and-file workers, whose involvement in the trade union activities is generally nominal. If the trade union, as imagined by Marx, is the school of solidarity and socialism, that is, class-consciousness and, if its economic movement is likely to have inevitable political repercussions on its participants then it can be expected that those who participate in it more actively may be influenced by it to a greater extent.

However, one of the heuristic problems is whom to consider an activist. Because, some workers assume active role in trade union activities but they remain, by and large, informal leaders. Whereas, some of these activists assume formal leadership positions in their unions. For the sake of objectivity and also for the sake of practical convenience we decided to study only those activists who take up formal inside leadership roles in their unions.

But, all these formal worker-leaders also do not constitute a homogeneous stratum. Instead, there is a gradation of these activists. Some activists are more in the forefront of union activities than others. For example, those activists who hold any office or position in the executive committee of the union, such as president, secretary, joint secretary, treasurer, etc, are generally more prominent than those who are ordinary members of the executive committee without holding any such position. Our data indicate that the former are not only more prominent but also participate more actively in various trade union activities, including agitations, and perform a more important role of liaison between their union and the management. Therefore, it will be of interest to determine whether there is any distinction in ideological socialisation between those activists who are in the forefront and those activists who play a less prominent role in a trade union. We assume that: The prominent activists, who participate more actively and intimately in the trade union activities, are more likely to be class-conscious than the non-prominent activists, who relatively less actively and less intimately participate in the trade union activities.

Working-Class Ideology of Trade Unions

As we noted earlier, though Marx considered trade unions as the schools of class-consciousness and assumed that the economic movement of a trade union has inevitable radicalising political repercussions, whether intended or not, he also emphasised the role of radical intellectuals and radical political party in accelerating the revolutionary process.

However, in reality we find that all trade unions do not espouse to a radical political ideology or party, though many of them have long-term as well as short-term goals. The short-term goals are common to all of them, which refer to the solution of immediate and day-to-day problems of workers regarding their wage-and-work-conditions. All the unions have to concentrate mainly on the short-term objectives since the workers are mostly interested in their immediate problems. This is true as well for the unions organised by all the six federations of Vadodara. However, in spite of the common pursuit of short-term goals it is the long-term goals, which legitimise the independent and separate existence of these federations. The long-term goals differ from federation to federation and are reflected in their political allegiance as well as working-class ideology.

Each federation has its own ideology regarding the future of the working-class in the system of stratification. Some federations

Table 6: Classification of Radical and Reformist Activists according to the Degree of Their Class-Consciousness, while Controlling Their Prominence

(Per Cent)

	Prominents		X^2		Non-Prominents		X^2	
	RAD	REF			RAD	REF		
Degree of their class-consciousness								
Low	36	63	7.03	<.01	51	66	7.43	<.01
High	64	37			49	34		
N (100 per cent)	(70)	(40)			(160)	(152)		

Notes: RAD = Radicals RAF = Reformists

Table 7: Classification of Radical and Reformist Activists according to Degree of Their Class-Consciousness while Controlling Their Prominence (in Terms of T Statistic: Sample (N), Mean (X), Standard Deviation (SD) and the Z Value)

	Prominents		Non-Prominents	
	RAD	REF	RAD	REF
N	70	40	160	152
X	12.59	11.07	11.63	10.34
SD	3.67	2.38	3.42	2.60
Z = 2.5901 (P <.005)			Z = 3.7456 (P <.0005)	

Notes: RAD = Radicals REF = Reformists

subscribe to the radical ideology aiming at the abolition of the capitalist system through class-struggles while some others aim at economic and political reforms within the capitalist framework.

The AITUC has allegiance to Communist Party of India (CPI), the CITU is associated with Communist Party of India-Marxist (CPI-M) and the HMS is devoted to the socialist ideology. All the three federations believe in the Marxian principle of class-conflict. Although they differ from one another in their interpretation of the Marxian principle, their main goal is to radically change the present system in favour of the working-class. Therefore, we can classify them as radical federations.

From the remaining three federations, the BMS is associated with Bharatiya Janata Party, the INTUC owes its allegiance to Congress(I) Party and the NLO (Mahajan) is loyal to the Gandhian ideology. All the three are opposed to the Marxian principle of class-conflict and believe in the principle of class harmony. Their main goal is not revolution but they want reform in the existing system for the betterment of the working-class. Therefore, we can categorise these three federations as reformist federations.

Each federation aims to spread its political ideology among its ranks and also to create an ideologically committed following. Thus, it can be assumed that the radical federations (AITUC, CITU and HMS) would attempt to spread their radical ideology by making their followers class-conscious. Whereas, the reformist federations (BMS, INTUC and NLO) would try to inculcate the values of class-harmony among their ranks.

Some studies of the Indian trade-unions have shown that the political ideology of the unions percolates to the workers and that those who internalise these ideologies also become more committed to their trade unions.[24] In this context also the stratum of the working-class activists assumes critical significance. Because, they have to closely interact with the ideologically committed outside leaders of their respective federations whose main goal is to spread their ideology among the workers. Therefore, these activists are more likely to be influenced by their respective federations' ideology as compared to the rank-and-file workers. They are adjacent to the stratum of outside full-timers who are above their own stratum in the influence-structure. As Merton has surmised, persons in adjacent strata of the influence structure constitute a link and there is a sequential flow of influence from the stratum immediately above to the stratum immediately below.[25]

This sociological theory of influence-structure, formulated by Merton, is in consonance with the political theory of the neo-Marxist Gramsci who asserted that the radical ideas generated by the intellectual elites from 'above' percolate down below to the masses of workers. Therefore, our second assumption is: Those activists who belong to the radical federations (i e, AITUC, CITU and HMS) are likely to be more class-consciousness than those who belong to the reformist federations (i e, BMS, INTUC, NLO-Mahajan)

Research Population Sample and the Techniques

Our research population consisted of all the 867 executive members, excluding the outsiders, of the 64 trade unions affiliated to the six federations of Vadodara. We decided to select approximately half of this population for our study, having fairly adequate representation from all the federations with the help of stratified cluster sampling. Table 1 gives federationwise breakdown of the population and the sample in terms of the categories of prominents (i e, officeholders) and non-prominents (i e, non-officeholders). Out of the total 422 respondents, 110 were prominents and 312 were the non-prominents. Interview schedule was used to collect data.

II
Findings

In this section first we attempt to examine whether the level of activism as reflected in the differing prominence of the activists makes any variation in the degree of their class-consciousness. Secondly, we attempt to trace whether the radical or the reformist trade union ideology accounts for variation in class-consciousness of these activists. Next, we also examine which out of these two variables, i e (a) variation in activism as reflected in the prominent or non-prominent rank of the respondents and (b) the radical or reformist ideology of their federation has a stronger relationship with class-consciousness. Finally, in order to test whether the relationship of these two variables with the variation in class-consciousness is independent of any other variable, linear stepwise multiple regression is used.

The findings reported in Table 2 show that 54 per cent prominents *vis-a-vis* 41 per cent non-prominents have high class-consciousness, as indicated by our 22-point index. The difference between the two is statistically significant at $P < .02$ level as shown by the chi-square.

Results of the two-tail t-test given in Table 3 confirm these findings with greater strength showing the significance of the difference at $P < .005$ level.

Thus, we conclude that the prominents who participate very actively in their trade unions are more class-conscious than the non-prominents.

Ideological Affiliation of Activists

Our next task is to see whether the ideology of a federation makes any difference to the class-consciousness of the activists or not. Therefore, we classified the respondents into the radicals and the reformists. We classified

Table 8: Classification of Radical and Reformist Activists according to the Background Variables

(*Per Cent, X and Z Value*)

Background Variables	Per Cent High	X^2	DF	P	Z	P
Age						
Radicals (N=230)	49	0.334	1	NS	1.1341	NS
Reformists (N=192)	46					
Job Experience						
Radicals (N=230)	46	0.009	1	NS	1.1805	NS
Reformists (N=192)	46					
Stay in Baroda						
Radicals (N=230)	47	0.710	1	NS	0.6409	NS
Reformists (N=192)	51					
Education						
Radicals (N=230)	26.5	2.686	1	NS	1.0311	NS
Reformists (N=192)	34					
Proficiency in English						
Radicals (N=230)	51	0.173	1	NS	0.1899	NS
Reformists (N=192)	53					
Total Member in Family						
Radicals (N=230)	42	0.156	1	NS	0.3666	NS
Reformists (N=192)	44					
Per Capita Monthly Income						
Radicals (N=230)	45	5.393	1	<.05	1.8020	<.05
Reformists (N=192)	55					
Perceived Sufficiency of Income						
Radicals (N=230)	34	3.66	1	NS	1.9109	<.05
Reformists (N=192)	43					

Notes: NS = Not significant at <.05 level
Only those responses which indicated high degree on each of the variables are tabulated.

the respondents of AITUC, CITU and HMS as radicals and those of BMS, INTUC and NLO (Mahajan) as reformists In our sample we had 230 activists affiliated to the radical federations and 192 activists belonging to the reformist ones

Our assumption is that the ideology of the federation influences the activists, that is, the radical federations are likely to produce higher degree of class-consciousness than the reformists Table 4 confirms the assumption

As Table 4 shows, 53 5 per cent radical respondents display high degree of class-consciousness as compared to just 34 per cent reformists The difference between the two is statistically significant at P < 001 level as indicated by chi square The mean difference test confirms the difference between the radicals and the reformists on class-consciousness with greater strength i e, at P < 0005 level The results of this test are given in Table 5

Thus in the case of ideological affiliation we find statistically stronger relationship with class-consciousness as compared to the relationship between the prominence and class consciousness

Therefore we decided to control the prominence of the respondents and see whether the association between the ideology of the federation and the class consciousness holds true even after controlling the prominence

Table 6 indicates that the larger percentage of the radical prominents (64 per cent) show higher degree of class consciousness as compared to the reformist prominents (37 per cent) Similarly larger proportion of radical non prominents (49 per cent) show higher class consciousness as compared to the reformist non prominents (34 per cent) The difference between the radicals and the reformists in each stratum (i e prominents and the non prominents) is statistically significant at P < 01 level

The results of the t test given in Table 7 also confirm the difference between radical prominents and the reformist prominents at P < 005 level and between radical non-prominents and the reformist non prominents at P < 0005 level

Whereas when we controlled the ideology and examined the difference between the prominence of the activists and the degree of their class-consciousness it turned out to be slightly weaker For example the mean difference between the class-consciousness of office-holding activists and the non-office holding activists of the radical federations was significant at < 05 level (z = 1 8542) and the mean-difference between the class consciousness of these two categories of the activists of the reformist federations was significant at < 05 level (z = 1 6954)

Thus it can be concluded that though both the prominence and the ideological affiliation are associated with the degree of class-consciousness of the activists, the ideological affiliation is relatively strongly associated with the degree of their class-consciousness as compared to the prominent or non-prominent rank of these activists

Relationship Spurious or Reliable?

However, in this context again a question may arise why do the larger number radical activists (64 per cent) display relatively higher degree of class-consciousness than the reformists (37 per cent)? And why are the prominents (54 per cent) relatively more class conscious than the non-prominents (41 per cent)? Is it because they are socialised in a particular way and therefore they develop more class-related consciousness? Or is it because of some inherent differences in their background they differ in their class consciousness? In other words, it is quite likely that class consciousness may have been associated with other coefficients and that its relationship with the ideological affiliation and the prominence of a respondent may be just spurious We therefore decided to relate the relevant variables regarding the socio economic background trade union participation and attitudinal/behavioural orientations of these activists with their class consciousness in conjunction with (a) their ideological affiliation and (b) their prominence

Other Variables and Class Consciousness

As we saw, the study indicates that the radicals in general display higher degree of class-consciousness than the reformists In order to verify whether this relationship is due to some intervening variables or is independent of them we first examine the radical and the reformist activists in terms of their (i) socio-economic background (ii) trade union participation and (iii) attitudinal/behavioural orientations Then we relate these variables to their class-consciousness in conjunction with their ideological affiliation

Table 8 gives a comparative summary of the selected socio economic background factors of the radicals and reformists and shows that there is a significant difference only in the per capita monthly income and perceived sufficiency of income of the radicals and the reformists Relatively larger proportion of the reformists have high per capita monthly income and also have high perceived sufficiency of income

Table 9 indicates a significant difference between the two on agitational participation (chi square 8 907 P < 005 Z = 5 0698,

Table 9 Classification of Radical and Reformist Activists according to the Degree of Their Participation in TU and Agitational Participation

(*Per Cent X and Z Value*)

	Per Cent High	X	DF	P	Z	P
Participation in TU						
Radicals (N=230)	42	1 559	1	NS	1 4043	NS
Reformists (N=192)	48					
Agitational Participation						
Radicals (N=230)	50	8 903	1	< 005	5 0698	< 0005
Reformists (N=192)	36					

Notes TU = Trade Union NS = Not significant at < 05 level

Only those responses indicating high degree are tabulated

Table 10 Radical and the Reformist Activists according to Their Attitudinal and Behavioural Dispositions

(*Per Cent X and Z Value*)

	Per Cent High	X	DF	P	Z	P
Traditionalism						
Radicals (N=230)	53	1 652	1	NS	0 3615	NS
Reformists (N=192)	59					
General Activism						
Radicals (N=230)	19	3 287	1	NS	3 519	< 005
Reformists (N=192)	26					
Company Satisfaction						
Radicals (N=230)	41	0 146	1	NS	0 8169	NS
Reformists (N=192)	43					
General Satisfaction with Life						
Radicals (N=230)	36 5	4 629	1	< 05	3 2865	< 005
Reformists (N=192)	47					
Alienation						
Radicals (N=230)	25	2 573	1	NS	1 4948	NS
Reformists (N=192)	32					

Notes NS = Not significant at < 05 level

Only those responses showing high degree are tabulated

P < .0005) though they do not differ significantly in their trade union participation.[26] In other words, the radical activists participate in agitational activities like strike, dharna, processions, gherao etc, to a greater extent than their reformist counterpart.

Table 10 gives us some idea about their attitudinal and behavioural orientations.[27]

Here again there is a significant difference between the two in terms of general activism and general satisfaction with life. A greater percentage (26 per cent) of the reformists as compared to the radicals (19 per cent) are in the high activism bracket. The difference between the two is indicated by Z value at< .005 level significance. The difference between the two on general satisfaction with life is equally significant as shown by chi square at < .05 level and by t-test much above < .005 level which is nearer to < .0005. Here also the proportion of the radicals (36.5 per cent) is smaller than that of the reformists (47 per cent) reporting high general satisfaction with life.

Thus, by examining Tables 8, 9 and 10 we can conclude that the radicals and the reformists significantly differ on the following criteria: (i) per capita monthly income (ii) perceived sufficiency of income (iii) agitational participation (iv) activism and (v) general satisfaction with life. Except the third criterion i.e. agitational participation the reformists are high on the rest of the four criteria. That is, the reformists have higher per capita income, a larger percentage of them feel that their income is sufficient, they have higher general activism and also have greater satisfaction with life as compared to the radicals. The radicals, on the other hand, have higher agitational participation than the reformists.

What remains to be seen, therefore, is whether these characteristics of the radicals and the reformists are associated with the difference in their class consciousness independent of their radical and the reformist affiliations or not. For this purpose we use the linear stepwise multiple regression by taking ideological affiliation as a dummy variable. This test helps us in obtaining indepedent variables with their respective predictive value. The advantage of this procedure is that it recursively constructs prediction equations beginning with one independent variable which is the best predictor and then adding another independent variable, at a time, to the regression equation so that it provides best prediction in conjunction with the independent variable of the preceding equation. The additional independent variable is selected on the basis of its tolerance value.

Although we found that the radical activists differ from their reformist counterpart only on certain criteria, because of the above referred characteristic of the linear stepwise multiple regression we relate all the interval scale variables taken in the analysis with the dependent variable of class-consciousness. Since 'radical and reformist activist' is not an interval-scale variable we convert it into a dummy variable by assigning score value one to the radicals and zero to the reformists since the former display higher class consciousness than the latter.

The correlation coefficients reveal that the association between X_1 (affiliation of the respondent: radical or reformist), X_2 (age), X_7 (total job experience), X_8 (general satisfaction with life), X_{10} (company satisfaction), X_3 (traditionalism), X_{13} (participation in trade union) and X_{14} (agitational participation), and the dependent variable class consciousness is statistically significant at .05 level or better. However, all the independent variables are not positively associated with class consciousness. For instance, X_2 (age), X_5 (total family members), X_6 (per capita monthly income), X_7 (total job experience), X_8 (general satisfaction with life), X_{10} (company satisfaction) and X_3 (traditionalism) are inversely related with it. The summary of the linear stepwise multiple regression is given in Table 11.

Out of all these independent variables X_{14} (agitational participation) explains highest variance (about 14 per cent, multiple R = .138) in the dependent variable of class-consciousness. With the addition of X_{10} (company satisfaction) and X_9 (general satisfaction with life) respectively 21.1 per cent and 24.5 per cent variance in class-consciousness is explained. It is interesting to note that X_1 (affiliation of respondent: radical/reformist) individually explains only 2 per cent of the variance and in conjunction with other five variables it explains 32 per cent variance in the class-consciousness.

Thus, the variable of agitational participation among all the other independent variables has the strongest association with the dependent variable of class-consciousness. That is, the higher the agitational participation of the respondents the greater the degree of their class-consciousness. Even the relationship between the ideological affiliation and the class-consciousness which was strongly established earlier now turns out to be relatively weak as it explains independently only 2 per cent variation in the class-consciousness of the respondents. This means the stronger relationship found earlier in our analysis between the radical affiliation and the higher degree of class consciousness was also due to the fact that the radical federations as our data reveal tend to agitate more in practice.

Prominence, Other Coefficients and Class Consciousness

A similar exercise is performed with reference to the prominents and the non-prominents. Our data show that the prominents significantly differ from the non-prominents on several of the social-background, trade union participation and attitudinal/behavioural criteria. For instance, the larger number of prominents report that their per capita income is higher than the non-prominents (z=2.5763, P < .05) and that their subjective perception of the sufficiency of their income also reflects the same tendency (z=2.4347, P < .01). Likewise, the prominents are more educated than the non-prominents (z=6.2075, P < .0005). They have greater proficiency in English language than the latter (z=7.0575, P < .0005). The prominents participate more in the trade union activities than the non-prominents (z=7.7208, P < .0005). Their agitational participation is also greater than that of the latter (z=4.5317, P < .0005). They are less traditional than the non-prominents (z=3414, P < .0005) and are also less alienated than the latter (z=2.4362, P < .01).

Table 11: Summary of Linear Stepwise Multiple Regression Analysis Keeping Ideological Affiliation as a Dummy Variable

Dependent Variable: Class Consciousness

Independent Variables in the Stepwise Regression Equations	Direction of Relationship	Multiple R	Multiple R²
X_{14} Agitational participation	+	0.372	0.138
X_{10} Company satisfaction		0.450	0.211
X_9 General satisfaction with life		0.495	0.245
X_3 Traditionalism		0.530	0.281
X_7 Total job experience	–	0.553	0.306
X_1 Ideological affiliation of the respondent (radical or reformist)	+	0.566	0.320
X_{13} Routine participation in trade union	+	0.576	0.332
X_5 Total family members		0.584	0.341
X General activism	+	0.590	0.348
X Per capita monthly income		0.594	0.353
X_4 Proficiency in English	+	0.597	0.356
X_{11} Alienation	+	0.598	0.358
X Age		0.599	0.359
X_3 Education	+	0.599	0.359

Notes: + = Positive, – = Negative

Therefore in order to study the relationship of these variables with the respondents' class consciousness, we use linear stepwise multiple regression to see the association of all the interval scale variables in conjunction with the variable of prominence. For this purpose the variable of prominence is treated as a dummy variable by assigning score value one to the prominent activists and zero to non-prominent activists since the former display higher degree of class consciousness than the latter.

The correlation coefficients further confirm that the seven independent variables reported in the above section (i e X_2, X_4, X_7, X_7, X_8, X_{10} and X_1) are inversely related with the dependent variable of class-consciousness and that except X_1 (Rank of respondent prominents or non prominents) the association between all the other variables mentioned in the above section (i e X, X_7, X_8, X_{10}, X_1, X_{11} and X_{14}) and class consciousness is significant at .05 level or better.

However the summary of the linear stepwise multiple regression given in Table 12 shows that only 34 per cent variance (Multiple R^2 = 0.340) in the class-consciousness is explained as compared to 36 per cent reported in Table 11. This reduction of 2 per cent seems to be due to the exclusion of the variable of the radical reformist activist (which accounted for 2 per cent variance in the overall class consciousness) and the inclusion of the variable of prominent and non prominent activists (which has practically zero contribution to the class consciousness). This further confirms the earlier finding that the relationship between the rank and class consciousness is weaker when we control their ideological affiliations.

Except this the variables with the strongest association with the dependent variable of class consciousness remain by and large, the same. For example, X_{14} (the agitational participation) explains the highest variance (i e about 14 per cent) in the class consciousness followed by X_{10} (the company satisfaction) and X_8 (general satisfaction with life).

III
Concluding Remarks

At the outset we assumed that if trade union as postulated by Marx is a school of class-consciousness then (i) the prominent activists who participate more actively in the trade union activities are likely to have higher degree of class consciousness than the non prominents and (ii) that the activists affiliated with the radical federations are likely to be more class conscious than those affiliated with the reformist federations. The data support both these assumptions. But, between the ideological affiliation and the prominence, the former has relatively stronger association with the class-consciousness of the activists. However, further analysis of the data indicates that the participation in struggles and agitations, for basically economic or other related immediate objectives is most significantly associated with class-consciousness of the activists than any other variable. That is, the greater the agitational participation of the activists, the greater the probability of having higher degree of class-consciousness by them. In other words more active participation in routine trade union activities does not seem to be significantly related with class consciousness. It may be a necessary condition but not a sufficient one to radicalise the workers.

This brings us to the socialisation aspect of trade unions. Generally the outside trade union leaders spend most of their time in routine trade union activities. Therefore they do not have much time to conduct study circles or to formally educate the workers in the ideology of their respective federations.[9] But the struggles and the agitations which they lead against employers seem to have a radicalising impact perhaps unintended on their followers. This may be because of the fact that at the times of struggle interest and participation of the workers in the trade union increases. When they agitate they realise that they have common interests which can be realised only through unity. They also learn that their interests conflict with those of their employers and that they can enhance their class interests only at the cost of their opponents interests. Moreover during the struggle they develop greater empathy for the problems of the working class in general and antipathy for the class of employers. Thus it can be concluded that the trade unions prove to be a school of class consciousness provided that they engage in agitations. As our data suggest the stronger relationship between the affiliation with the radical federations and the higher degree of class-consciousness of the activists is due to the fact that these federations not only espoused the radical ideology which explicity supports an agitational approach but also in practice they agitate more often.

As a corollary, it can be inferred that if the reformist federations are compelled to adopt agitational approach more frequently, either because of the failure of the adjudication process or for any other reason, then probably they may also generate greater class-consciousness among their members much against their professed intentions or manifest ideology.

Conversely, if the radical trade unions become less agitational, either due to increasing dependence on adjudication machinery or for any other reason then probably they may fail to generate radical consciousness among their followers defeating thereby their ideological objective.

In this connection, however a methodological caveat regarding the index of class-consciousness is in order. Since the research in this area is limited and lacks cumulativeness a commonly accepted and standardised research tool is so far not available to measure class consciousness of workers, especially in the Indian context. Therefore, we decided to construct an index for this purpose. Although an index may not be considered as powerful a research tool as the scaling technique is it is accepted and widely used as a classificatory device and as a tentative step towards quantitative measurement of socio psychological data.[10] Of course we tried to make this index reasonably comprehensive by including 22 items encompassing the three important dimensions of class consciousness dervied from the available literature namely (a) class solidarity (b) economic radicalism and (c) class militancy.

Table 12: Summary of Linear Stepwise Multiple Regression Analysis Keeping Prominence of the Respondent as a Dummy Variable

Dependent Variable: Overall Class Consciousness

Independent Variables in the Stepwise Regression Equations	Direction of Relationship	Multiple R	Multiple R^2
X_{14} Agitational participation	+	0.372	0.138
X_{10} Company satisfaction		0.459	0.211
X_8 General satisfaction with life	–	0.495	0.245
X Traditionalism		0.530	0.281
X_7 Total job experience		0.553	0.306
X_4 Total family members	–	0.563	0.317
X General activism	+	0.569	0.324
X Per capita income		0.574	0.329
X Proficiency in English		0.579	0.335
X Participation in trade union	+	0.582	0.339
X Age		0.582	0.339
X Education	+	0.583	0.340
X_1 Alienation	+	0.583	0.340
X Rank of respondent prominent or non prominent	+	0.583	0.340

Note + = Positive – = Negative

Besides, our data confirm its validity through the indirect criterion method. The criteria groups are the radicals and the reformists And, as theoretically assumed, the data analysis shows that the radicals display relatively higher degree of class consciousness as compared to the reformists Thus, the index constructed by us is a valid measure of the concept of class-consciousness

Moreover, the correlation coefficients of the class-consciousness also show that except one item ("temporary dictatorship is necessary, if any satisfactory progress is to be achieved") the other 21 items are related with the total score at < 05 level of significance Nevertheless, the index can be further improved with the help of more rigorous procedures such as factor analysis and test-retest method

Notes

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DISCUSSION

Final GATT Agreement

An Assessment

V M Tarkunde

THIS article is being written after a good deal of hesitation. I have gone through the controversial provisions of the Dunkel Draft. I have also seen a good deal of the literature on the subject including an instructive article by S P Shukla who was formerly finance secretary of the govern ment of India and was also India's ambassador and permanent representative to GATT at Geneva. Not being a professional economist nor a person well versed in international commerce I can do no more than present my tentative views on the controversy generated by India's representative signing the Final Act of GATT's Uruguay Round. Nevertheless I think it necessary to do so because many of the published articles on the Dunkel Proposals (*not* the one by S P Shukla) were felt by me to be highly one sided and also because some leftist political parties have decided to start a mass movement to condemn India's signing the Final Treaty. I believe that such a movement will be highly detrimental to India's interests and also to the cause of the leftist parties themselves. I hope that the publication of these tentative views will evoke a thoughtful response from persons more qualified to contribute to this discussion.

It is a matter of regret that many of the leftists in India have apparently developed a phobia against the US. The phobia seems to have originated in the tussle for supremacy between the US and the former USSR which commenced at the end of the second world war. For the Indian leftists the USSR represented the progressive left and the US the reactionary right. After the self liquidation of the USSR the leftists' fear of American domination appears to have increased because the US is the only world power left in the field. It is being overlooked that although the US is undoubtedly the most powerful military nation in the world today it is no longer the supreme economic power. Its economic supremacy is challenged by the EU as well as by Germany and Japan. Moreover, despite its powerful lobbies of vested interests the US is a staunch democracy which harbours a number of vocal progressive elements. It is wrong to assume that everything which emerges from the US is necessarily antithetical to the interests of developing countries like India.

It is even more erroneous to assume that every proposal of an international body in which America plays an important role is aimed at promoting western vested interests and is likely to be detrimental to the interests of developing countries. When in the beginning of 1992, some conditionalities were proposed by the IMF and the World Bank in granting a substantial loan to India to meet a critical balance of payments crisis the government of India declared an economic policy which was largely in conformity with the conditionalities proposed by the international lending agencies. A hue and cry was raised by many of the Indian leftists on that occasion and the economic policy was condemned as being anti Indian. The monthly *Radical Humanist* pointed out at the time (in an editorial 'Let Us Remove Our Blinkers' published in the March 1992 issue) that it was wrong to assume that the IMF and the World Bank have some animus against India. It was argued in the article that India's economic policy, though limited in scope could be defended as being in India's interest. Although it is still doubtful whether the economic policy declared by the government at the beginning of 1992 will or will not succeed it is now clear that the apprehension about the IMF and the World Bank having some reason to impose conditionalities detrimental to the interests of India was entirely justified. Subsequent events have made it clear that the IMF and the World Bank are not reactionary bodies. It is now well known that while advancing a substantial loan for the Sardar Sarovar Project on the Narmada river the World Bank had imposed conditions for the rehabilitation of tribal oustees which were exceptionally generous. A recent report says that the World Bank has now proposed the grant of a loan of 70 billion dollars to India for the purpose of programmes for poverty alleviation including the provision of health care to the rural poor. It appears that the prejudice which the Indian leftists had for organisations like the IMF and the World Bank has now subsided to a large extent.

In the case of GATT also, a similar change of attitude on the part of Indian leftists is likely to take place. GATT (General Agreement on Tariff and Trade) was formed in the year 1948 and India was one of the countries which were parties to that agreement from the beginning. There are at present 110 countries, the majority of whom are underdeveloped or developing, which are parties to GATT. It is in the interest of developing countries like India to have more trade with other countries. Indira Gandhi, when she was the prime minister of India, was once reported to have said to the developed world "Give us trade rather than aid". What she said made good sense. International trade is helpful to all the parties involved, and developing countries are naturally in greater need of such help which harms none and benefits all.

Including the General Negotiations of 1947 48 there had been seven Rounds of Negotiations of GATT countries till the year 1979. These negotiations were aimed at reducing tariff and non-tariff barriers to the exchange of goods in the course of international trade. The decisions reached in these seven rounds do not appear to have resulted in any serious controversy. The eighth and last round called the Uruguay Round commenced in 1986 and after protracted negotiations, the Final Act of this round was signed by the GATT countries on April 15 1994. The Dunkel Proposals which were made towards the end of this round and which resulted in the Final Act proved to be highly controversial and the controversies have continued even after the signing of the Final Act.

The controversies arose because a number of new items were introduced for the first time in the agenda of the Uruguay Round. The new items were (i) Agriculture (ii) Trade in services (iii) Protection of intellectual property rights (particularly object patents in plants and medicines) and (iv) Deregulation of controls of foreign investments. Out of these, the theme relating to trade in services did not prove to be contentious. That was because as pointed out by S P Shukla in the article mentioned above the US which was the main protagonist of the theme relating to trade in services found itself on the defensive in certain service areas. There was a strong opinion in the US and Japan that financial services should be removed from the GATT agenda. The proposals under this theme were accordingly moderated and the developing world was able to retain an adequate degree of autonomy in the area of services. The other theme regarding the deregulation of controls over foreign investments did not also lead to much dispute because the developing countries were themselves keen to welcome foreign investments and had no reason to impose unacceptable controls over them. Thus only two of the newly introduced themes remained controversial—agriculture and the protection of intellectual property rights

There were of course some other controversial topics which were not related to the new themes introduced in the Uruguay Round. One of them was the Multi-Fibre Arrangement (MFA) which was arrived at between certain developed countries including the US and which enabled them to depart from the basic rule of GATT that there should be no discriminatory restrictions on international trade. Under the MFA developed countries could impose discriminatory restrictions on imports of textiles and clothing from developing countries whose products were cheaper because of lower wages and efficient production. The demand of developing countries, including India, which were interested in the export of textiles and clothing, was that these unjust restrictions should be removed.

It is natural that in trade negotiations between as many as 110 countries the resulting decisions would contain a good deal of give and take. In judging the final result of the Uruguay Round from India's point of view we have to weigh what we are likely to lose against what we are likely to gain. A cognate question is whether it is more advantageous to India to remain within the GATT umbrella after taking into consideration all the advantages or disadvantages or whether it is more in India's interest to opt out of the GATT altogether and rely only on such bilateral trade agreements as we can enter into with individual countries.

Let us first consider the gains made by India as a result of the Uruguay Round. In the first place, it has been now agreed that the Multi Fibre Agreement which enabled the US and some other countries to impose discriminatory restrictions on the import of textiles and clothing from India and other developing countries will be phased out in the course of the next 10 years. Ten years is perhaps too long a period for the phasing out of the MFA but that time can be utilised by us in improving the quality of our cloth and garments. Textiles of various kinds are the largest single item in our exports. The textile industry also remains the largest single industry accounting for 20 per cent of the total industrial output in India. It is moreover a labour-intensive industry. While the production of yarn takes place in the organised sector more than three fourths of the cloth produced is through powerlooms and handlooms. The phasing out of the MFA in the course of 10 years would be of substantial advantage to India.

The fate of Indian agriculture under the provisions of the Final Act of the Uruguay Round remains highly controversial. While an intelligent and experienced leader of Indian agriculturists like Sharad Joshi does not find anything detrimental to the prospects of Indian agriculture in the final Uruguay decisions, the same decisions are looked upon by some other agriculturist leaders as ruinous to Indian cultivators. I am inclined to take a middle position in this controversy but my position is more towards that of Sharad Joshi than that of the other agriculturist leaders. While some decisions of the Uruguay Round are highly beneficial to Indian agriculturists the other decisions are not as harmful as they appear to be and they can even be turned to our advantage by well conceived developmental activities.

One of the decisions taken in the Uruguay Round in the region of agriculture was in regard to the subsidies which a country may give to its agriculturists. Obviously a substantial amount of subsidy given to agriculturists enables them to sell their products more cheaply both inside the country and abroad. It is therefore necessary for non-discriminatory international trade to do away with agricultural subsidies. Now the subsidies given by the developed countries to their own agriculturists are on the whole far more generous than the subsidies which India has been able to extend to its own agriculturists. It was decided in the Uruguay Round that (leaving aside minor refinements) developing countries including India would be allowed

to subsidise their agriculturists to the extent of 10 per cent of the value of the total agricultural production, whereas developed countries were allowed to subsidise their own agriculturists to the extent of only 5 per cent. Now the subsidies given by developed countries to their farmers are much above 5 per cent of the value of their total agricultural produce while the subsidies given by India to its own farmers are much less than 10 per cent. All the subsidies given by India to its farmers, consisting of subsidised supply of fertilisers, antiseptics and water and electricity work out at less than 6 per cent of the total agricultural produce. (By the way the lower prices charged to ration card holders in our Public Distribution System is a subsidy to consumers and not to agriculturists.) Thus we have no reason to reduce the subsidies given to our farmers for the sake of complying with the Uruguay decisions. The reduction of subsidies given by developed countries to their farmers would however result in raising the price level of agricultural products in the international market. That will obviously be helpful in promoting our agricultural exports to the advantage of India's farmers. It is likely that the advantage will be substantial.

An Uruguay decision which is likely to be harmful to Indian farmers consists of the grant of patents to plant varieties. Such patents are in the nature of what is called object patents. They protect the exclusive right of the patentee to make, use and sell the patented object. Object patents given to plant varieties will extend, it appears, to the seeds of the plants. Apart from the object patents granted for plant varieties, process patents can also be granted to micro organisms and non biological and micro biological processes. Since plant varieties are likely to be produced by the use of micro biological processes, a patent granted for a plant variety will also extend to the process by which that variety is produced. A patent once granted will last for 20 years. When an object patent is granted the same object cannot be prepared by adopting some other process without purchasing a licence from the patentee. Also without such a licence the patented object cannot be used for research for producing improved products.

Much emphasis is placed by the government of India on a provision in the Dunkel Draft which says that the protection to a plant variety may be given either by patents (for which purpose the Indian Patents Act, 1970 will have to be amended) or by an effective *sui generis* system. What shape a *sui generis* system may take is not clear. Since such a system has to be 'effective' in protecting the patent, it does not appear that this facility will go far in moderating the effect of patents granted for plant varieties.

However, the provision of object patents for plant varieties is not so detrimental to the interests of Indian farmers as it appears on the surface. Firstly, the cost of seed is a very minor part of the total cost of production of agricultural goods. Even if the cost of the seed increases by, say, 40 or 50 times, it will still be a small percentage of the total cost of production. Secondly an agriculturist will purchase the costly seed only if he finds it more profitable in the result than the non-patented seeds available to him. It is possible that patented seeds may have to be purchased or imported every year but even that may be distinctly profitable to the farmer. Indeed the patentee will also have to limit the price of the patented seed to the capacity of the market. Even today progressive farmers from south India import hybrid tomato seeds in a big way year by year and find them highly profitable (*Dunkel Proposals* by K N Chowdhry and J C Aggarwal, p 131). Thirdly the patentee can be required by law to grant a licence, and that too at a reasonable price, to one who wants to prepare the same object or to adopt the process which is patented or to use the patented object for further research and this right can be enforced by a judicial authority. The Final Act of the Uruguay Round specifically provides that judicial remedies both to the patentee and persons who want to acquire a licence for the use of the patent will be available from the judiciary of the country where the patent is operative. Thus in India the protection to the patentee and to the intending purchaser of a licence will be made available by Indian courts and in accordance with the amended Indian law. Lastly we need not assume that object patents and process patents in regard to the plant varieties will be owned only by individuals or corporations of foreign countries. India is one of the richest countries in plant varieties and Indians are not lacking either in intelligence or in inventiveness. A period of 10 years has been provided in the Final Uruguay Act for the introduction of the patent regime, and during that period we can develop research facilities which may enable Indians to acquire patent rights in plant varieties that may be very useful in India as well as abroad.

Another provision of the Uruguay Final Act which is potentially harmful to India is the one relating to patents for medicinal preparations. Here also the patents will be for products as well as processes. They also will be for 20 years. The patent regime will have to be established before the expiry of a period to 10 years from the signing of the Dunkel Draft. It is true that some of the medicines used in India will become much more costly when the new patent regime is established. The government of India says that only 10 to 15 per cent of the medicines will thus increase in price, while the opponents of the Dunkel Draft say that about 40 per cent of the medicines will become more costly. The two parties also differ in regard to the extent to which the prices of patented medicines are expected to rise. It appears to me that both the percentage of the medicines affected and the extent of the rise in their prices will be greater than what is claimed on behalf of the government of India. But here also we have some advantages which should not be ignored. We have in India a rich variety of medicinal plants of ancient fame as well as a large number of effective ayurvedic medicines. Research in these and other Indian varieties of medicines should now be intensified. Some of the ayurvedic as well as homeopathic medicines are found to be more effective than the allopathic ones. In this sphere also both the prices of patented medicines as well as the charges for securing licences from the patentees for manufacture or research will be subject to the judicial process of Indian courts. It is specifically provided in the Dunkel Draft that the use of patented medicines without the authority of the patentee will be permitted if prior to such use the proposed user has made efforts to obtain authorisation from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. It is also provided that unauthorised use may be allowed in a national emergency or circumstances of extreme urgency or in cases of public non commercial use. It thus appears that public hospitals in which entirely free medicines are provided to the poor will be entitled to use patented medicines without the authority of the patentees.

S P Shukla in the article mentioned above has observed that if the national interest requires us to opt out of the Uruguay Round decisions we should face the isolation 'with courage and conviction'. I do not think, in the first place, that it is necessary for us for reasons stated above to opt out of the Uruguay decisions. Secondly, I believe that more courage and conviction is required from us in India to remain within the comity of nations and to fight our way out of the difficulties created by patents in plant varieties and medicinal preparations, than to opt out of the Final Uruguay Act. It appears to me that much of what is written against the Dunkel Draft is the result of a defeatist attitude. We should have more confidence in the intelligence as well as the courage of Indian scientists, entrepreneurs and consumers.

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JAPAN'S CHANGING POLITICAL ECONOMY

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Unfreedom

Three newspapers have been banned in Indonesia for allegedly disrupting 'national stability' by asking uncomfortable questions on the government's recent defence deals 2407

Crack-Down on Kashmiri Activists

IT is a mark of our indifference towards Kashmir that not only does a week-long crack-down on Kashmiri activists go unreported but it also evokes little response among those who know. It is as though infringement of rights and arbitrary rule are of no concern.

In raids conducted by the security forces in Srinagar in the past one week, several prominent citizens including engineers, doctors, professors and journalists have been arrested. They were said to be the ideologues of the Jamaat-e-Islami in Jammu and Kashmir which demands right of self-determination for the people of Kashmir. As part of this crack-down troops confiscated on September 7 computers and other equipment used by the Institute of Kashmir Studies to document atrocities committed by Indian security forces.

Amidst the violence that Kashmiri society has been subjected to, such raids and arrests may not seem extraordinary. But we believe that in attempting to suppress voices which have documented and disseminated violations of democratic rights by Indian troops there is a danger of an escalation of the Indian military crack-down.

We would like to point out that the Institute of Kashmir Studies by recording all cases of atrocities was filling a gap in our information about the goings-on in Jammu and Kashmir. By confiscating its equipment and records, the government of India is setting a new precedent of denying Indian public the right to know the nature of the crimes being committed in its name by agencies of the government.

DEENA DAYALAN, SUMANTA BANNERJEE,
TAPAN BOSE, DINESH MOHAN,
GAUTAM NAVLAKHA

New Delhi

HRD Expenditure

IN his letter (July 23) A K Sarkar wonders how I had worked out (June 11) an estimate of 15 per cent as the real increase in HRD expenditure in the first three years of the economic reforms. First of all, however, I would like to stress the fact that even a smaller increase, against the background of rapidly declining total expenditure (18.4 per cent between 1990-91 and 1993-94 [budgeted], means a relative increase and therefore an improvement (however small) in priority setting.

Next I will explain the 15 per cent. If I want to combine the performances of the three years mentioned, of course, I have to compare with the year before the first one, which is 1990-91. That gives an increase of 15 per cent. The 9 per cent increase Sarkar mentions takes the first Manmohan year as the base year. That wrongly excludes the performance of the first budget. I agree that the last (pre-Manmohan) year was quite bad for HRD expenditure (also relatively, as a proportion of total expenditure, namely, only 6.36 per cent). That is why I also make a comparison with an earlier year (1989-90), which gives a real increase of 6 per cent. This seems a small increase, but this still means a relative increase of not less than 29 per cent (from 6.96 to 8.97 per cent).

It is surprising how Sarkar and I come to completely different conclusions based on the same quantitative data. Still I do not see how Sarkar can maintain the conclusion that HRD expenditure has been affected during the stabilisation period, given the fact that the average real rate of growth of central HRD expenditure during the first three reform years is 4.8 per cent (i e, 15 per cent in three years), while real total expenditure has fallen by 5.8 per cent per year, on an average, in the same period (i e, 18.4 per cent in three years).

I do agree, however, that the actual figures of five years would give definite conclusions.

PAUL TEUNISSEN

Apeldoorn,
The Netherlands

August 20

THE *EPW* issue of August 20 this year marks something of an anniversary—the first issue of the *Weekly* was dated August 20, 1966. You, your staff and readers may be interested in knowing that only in three other years after 1966 have your issues carried that date: 1977, 1983, 1988; and you will have to wait another 11 years, that is, until 2005 for another such coincidence. Actually, August 20 falls on a Saturday (the day of issue of the *Weekly*) in a pattern of 6+11+6+5 years repeated every 28 years.

S B D IYENGAR

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ECONOMIC AND POLITICAL WEEKLY

Behind the Gloss

GOVERNMENT spokesmen have of late been declaring that the economy has definitely turned the corner and that overall growth in 1994-95 would be about 5 5 per cent On the face of it many aspects of the improved economic performance—the large foreign exchange accruals and reductions in current account deficit, the rise in government tax revenues and the improvement of the fiscal balance, the pick up in private sector investment the acceleration of growth of industrial output and the moderation of inflation—are more or less palpable But in their smugness about these developments, the finance minister the fiscal adviser and the finance secretary sweep under the carpet the other fundamental socio-economic problems which remain to be addressed by the government s economic policies

Assuming that the government does manage to produce a growth rate of 5 5 per cent this year the acute problems of poverty unemployment and underemployment and the extremely inadequate social infrastructure of educational and health facilities, let alone the growing inequality in income and wealth, both between classes and regions, will not be ameliorated for that reason In fact the higher growth if it is achieved, will be at the cost of dealing with these basic aspects of underdevelopment High growth of over 5 5 per cent had occurred during the whole of the decade of the 1980s, but these socio-economic problems continued by and large to be acute at the end of the decade The present government has characterised the growth in the 80s as 'borrowed growth', that is, it had been financed by excessive public borrowing from abroad as well as domestically, resulting in unsustainable levels of external and domestic debt But the present pattern of financing of growth is hardly different In the first place, in order that growth is sustainable there should be a rising proportion of saving in gross domestic product This is not happening The 1980s saw virtual stagnation in the domestic savings ratio and, since the beginning of the structural adjustment programme in 1991, there has been in fact a steady decline in the saving rate Of course, it could not have been otherwise, what with free import of gold and silver and the general encouragement of conspicuous consumption, including through provision of bank finance The whole industrial strategy of the government is critically dependent upon middle class consumption For example in the first quarter of 1994-95, passenger car production has jumped by 57 per cent and car sales by 21 per cent, similarly, some Rs 10,000 crore worth of gold, silver and other consumer durables were allowed to be imported or smuggled in 1993-94

The largest part of the additional foreign exchange accruals is attributable to portfolio investment by foreign institutional investors (FIIs) and external commercial borrowings and other finances obtained through India funds and global depository receipts (GDRs) These inflows have now crossed $ 9 billion, that is, over Rs 28,000 crore Even a net 15 per cent cost of these funds would mean an annual foreign exchange outgo of about Rs 4,200 crore, which is certainly in excess of the normal debt servicing cost of equivalent borrowing Also, this cost is in no way different from the cost of the debt contracted in the 80s, the only difference being the hidden nature of the present cost Apart from that the FIIs' investment in share markets has contributed to the generation of a massive amount of unearned income and wealth which would have serious social consequences in the long run The government, mesmerised by the structural adjustment programme, is incapable of appreciating these deleterious consequences for society, just as it is unconcerned about the exorbitant cost to the economy of these external liabilities Above all the experience of many countries, including our own in the 1980s, shows that excessive dependence on foreign borrowings generates complacency in regard to the need to raise the level of domestic savings

Domestic borrowing in the past two years, facilitated by the easy availability of liquidity in the financial system, too has been sizeable If the government now expects the gross fiscal deficit (GFD) in 1994 95 to be only about 6 per cent of GDP, it is partly because of a reduction in expenditure, whereas the government's overall borrowing as a proportion of total expenditure is unlikely to be lower The government has surrendered a significant proportion of current revenues through tax reductions and has opted instead to depend on costly market borrowing Against normal market borrowing of Rs 4 848 crore planned for 1993-94, the government borrowed through dated securities, other medium- and long-term borrowings and 364-day treasury bills a total amount of Rs 49,000 crore Similarly against the normal borrowing target of Rs 4,654 crore for 1994 95, the centre s requirements are now estimated at Rs 36,000 crore Borrowings through dated securities and 364-day treasury bills during April-August 1994 have already aggregated nearly Rs 19,500 crore against Rs 6,000 crore during April-August 1993 Also the government's claim that tax revenues have shown exceptional buoyancy so far this year needs to be accepted with caution until more details are made known There has been, for instance a 284 per cent increase in collections under corporate taxation from Rs 393 crore during April-June 1993 to Rs 1,509 crore during April-June this year but the two figures are not comparable as there were large tax refunds last year Besides, companies have been generating substantial other income' through sale of real estate dealings in the stock markets, etc, which have not emanated from real economic activity and which cannot be sustained in the long run In any case for annual budgeted corporate tax receipts of Rs 12 480 crore receipts of Rs 1,509 crore in the first quarter of the year can hardly be considered satisfactory The collection of Rs 11,092 crore from excise duties and Rs 7,451 crore from customs during April July 1994 may appear substantial, but as the collections in the previous year were unduly low, the increase in coming months will have to be watched before the nature of the final outcome can be determined What is more, the final outcome of the budgetary position will be qualitatively development-friendly only if expenditure on the

social and economic infrastructure is commensurate with the Eighth Plan targets For the present all the indications are that there has been a continuous and sizeable shortfall in such expenditure

True, there has been some moderation in annual inflation to about 9 per cent, just as there has occurred some improvement in the economy's overall growth rate But by far the largest contribution to the improved performance has come from the bumper agricultural crop that is expected after the good south-west monsoon With growth, in value added terms, of about 3 5 per cent in agriculture and 6 per cent in manufacturing and with appropriate growth assumptions for the other sectors, overall GDP may well show a rise of about 4 5 per cent of which about one fourth will come from direct agricultural growth Similarly the inflationary situation had remained stubbornly disquieting until the satisfactory south west monsoon

A crucial issue is whether the private corporate sector on which so much is dependent is expanding its investment activity commensurate with the hype in evidence in the stock and financial markets In this regard, studies based on the capital expenditures of companies which have been sanctioned assistance by the term-lending institutions do not present an encouraging picture It is found that the private corporate sector is expected to achieve a total capital expenditure of Rs 37 551 crore in 1994-95, showing a rise of 15 5 per cent in nominal terms over the capital expenditure in 1993-94 There had been a sharper rise of 20 8 per cent to Rs 32 500 crore last year Considering that project cost increases are not fully reflected in the wholesale price index for capital goods, rise in expenditure in real terms is unlikely to have been more than 5 to 6 per cent in 1993-94 It would not be any higher in 1994-95 too Also, imports of capital goods are rising at a fast rate and hence the rise in corporate sector investment may not be fully reflected in increased domestic production of capital goods

Total domestic investment will also continue to be affected by the arresting of investment expansion in the public sector Macro-economic data suggest that the overall domestic saving rate is unlikely to go beyond 24 5 per cent as against 23 per cent to 24 per cent in the four years from 1990-91 to 1993-94 While in 1993-94 the net inflow of foreign resources was probably a nominal Rs 1,500 crore (0 2 per cent of GDP) there would not be any saving inflow for investment from abroad in 1993-94 Hence, investment as a percentage of GDP in 1994-95 will be no higher than the proportion of domestic saving—roughly about 24 5 per cent, which was the investment ratio in 1993-94, or 2.5 percentage points below the investment ratio four years ago in 1990-91 (27 per cent) The government's contention that the domestic investment rate has picked up does not therefore, hold water

UTTAR PRADESH

No Case for Dismissal

IF the central Congress leadership decides to withdraw support to the SP-BSP government in UP, as recommended by the state Congress committee or dismisses the present government and dissolves the assembly, as urged by the BJP it would only help the combine to consolidate further the mass support it has doubtlessly mobilised in the plains during the current agitation in the Uttarakhand region of the state against the extension of the 27 per cent reservation for the OBCs to this region

Actually the central leadership of the Congress is unlikely to go in for taking these drastic actions The agitation in Uttarakhand has already largely fizzled out leaving no case for the dismissal of the UP government Given the *realpolitik* abilities of the chief minister Mulayam Singh Yadav, amply demonstrated in the recent and distant past, the government may survive the withdrawal of support by the Congress by engineering further walkovers to the Samajwadi Party from the smaller parties in the legislature (The most recent of such walkovers occurred only a few days back when Afzal Ahmad, one of the two remaining legislators of the state CPI, joined the SP bringing its strength in the assembly to 129) Besides, given the meagre support base the Congress(I) has in the state, as was once again demonstrated in the last assembly elections the central leadership of the party may not like to further antagonise the large OBC and dalit populace of UP which has, over the years, gradually withdrawn its traditional loyalty to the Congress(I) and has shifted itself to backing the SP and BSP As such the UPCC is likely to be persuaded to manoeuvre itself into a position which is tactically more politik

The issue in the current crisis in UP, therefore, is not the (un)likely withdrawal of support by the Congress(I) to the SP-BSP combine Nor is it the continuing threat by the Joint Action Committee spearheading the over a month-long agitation against 27 per cent reservation for OBCs, the agitation has only helped the combine to paper over to some extent the differences between the two parties that had, a couple of months ago, threatened to snowball into a real crisis for their government

The issue that this crisis has thrown up is the chronic underdevelopment of the eight hill districts of the state that comprise the region called Uttarakhand, and which is the real reason behind the current agitation Although the issue has manifested itself in the form of a protest against the reservations for the OBCs, and the BJP has expectedly attempted to take advantage of the protest to prop up its sagging image in the state, there is substance in the argument, put forth with varying emphasis by the Joint Action Committee, the Uttarkhand Kranti Dal (UKD) and the BJP, that special provisions need to be made to bring the Uttarakhand region, economically and educationally, up to the level of the more developed regions of the state

The underdevelopment of this region is basically rooted in the large-scale exploitation, over the years, of its forest wealth, which has disrupted the traditional structures of its economic and social life without replacing them adequately with alternative patterns Moreover, the region remains under-represented in the state and national legislatures sending only 19 MLAs and four MPs, respectively, to these legislatures This has contributed to the continued neglect of the region on the part of successive governments and particularly the government headed by Mulayam Singh Yadav whose party, the SP, secured just two seats from the region Parties behind the current agitation, including the BJP, have demanded a separate state for the hill region Some other state parties, including the CPI, too, have justified this demand Short of creating a separate state, however, always a major decision and not without political consequences, there is sense in the CPI(M)'s suggestion for instituting a Hill Development Council to give greater autonomy to hill districts

EDUCATION

Dismal Picture

THE habit of making tall claims backed by false figures continues to be a common practice with almost all ministerial departments, in spite of periodic embarrassing disclosures that expose the lies The latest report (of a study conducted jointly by the National Council of Education Research and Training, the National Institute of Educational Planning and Administration, and New Concept) reveals the actual state of affairs behind the official claim of rising enrolment in

primary schools—a claim which bolsters India's image abroad.

The findings of the report indicate the quality of education that is being imparted to Indian children—including those of poor parents who spend their life-time savings on educating them. Earlier reports had confirmed suspicions about the quantitative claims made by the government regarding enrolment in primary schools, while the latest report reinforces the doubts that many had voiced all these years—that the education being imparted to even the few who can afford, or want, to attend the primary schools is qualitatively much below minimum standards. About the falsity of the quantitative claims, some time ago the report of the Committee for Review of National Policy on Education concluded on the basis of a number of studies that the "actual number of children attending schools even in Classes I and II is *far less* than what is claimed officially." Explaining why it was so, the report stated " since teachers [of the primary schools] are under pressure to show better enrolment targets, they keep the names of these children [who are drop-outs] alive in their registers."

Now the latest report on primary schools (covering 50,000 students in 46 districts in the states of Assam, Haryana, Kerala, Karnataka, Maharashtra, Orissa, Madhya Pradesh and Tamil Nadu), commissioned by the education department, which should make it an officially recognised document, exposes the professional incompetence of these primary school teachers, and the inferior quality of the lessons they impart to the children. The report brings out that less than half of the Class IV and V students were able to pass a basic arithmetic test given to them during the survey. It then attributes this to their teachers by pointing out that in some districts like Karbi-Anglong in Assam, Gajapati in Orissa and Betul in Madhya Pradesh there were a large number of primary school teachers who had not even studied up to Class X, the minimum qualification for a primary school teacher. The team of investigators during the survey examined some teachers in one of the states in Class V arithmetic test and found that more than 83 per cent of them could not do an LCM sum.

While all this reveals the appalling state of primary education even after 47 years of independence, no useful purpose can be served by shifting the blame on the shoulders of the ill-equipped and ill-educated teachers of the primary schools. Primary education had been the responsibility of the state and yet, as the report indicates, the local administration in the districts had been totally indifferent to the need for equipping teachers with even basic requirements like chalk or blackboards. More than two-thirds of the teachers interviewed in these districts complained that they did not get any help from the government-appointed block education officers who, under their service rules, were required to visit the schools and supervise the teaching. Several block education officers, according to the report did not even know the location of the primary schools which were under their administrative jurisdiction.

What emerges from this bleak scene is the harsh fact that the reality in village India will continue to refute the tall claims that New Delhi might make at international forums in order to impress the World Bank and other foreign aid donors and its public relations campaign to seduce multinational concerns with promises of a readily-available labour force of skilled and educated personnel necessary for new hitech jobs. Like much of our manufactured goods that we export this labour force might also turn out to be of sub-standard quality when put to test judging by the type of education that they are getting in the schools.

MEDICARE

Unsafe Hospitals

THE death of 15 children in Bombay's Cama and Albless hospitals last month due reportedly to meningitis is yet another indication of the growing inefficiency which has come to characterise public health services. These new-born infants were not admitted to the hospitals because they had infection; they contracted meningitis as a result of septicemia and 'other causes', all related to unhygienic practices, in the hospital. In other words, their chances of survival would have been better had they not been in the hospital—a portent of the coming Illichian nightmare.

Under the circumstances the 'steps' taken by the dean and supported by the state government make a mockery of the very purpose for which a medicare institution exists in the first place. The hospital authorities have stated that when the unusual rise in deaths due to meningitis was noticed—only in the first week of September—the hospital appointed a committee of experts to look into the matter. On the basis of their report the hospital is undertaking disinfection of two wards and 'high risk' areas like the operating theatres, labour rooms, etc. The authorities have been at pains to state that the hospital is functioning normally with the emergency labour room and the OPD open. The point quite ignored by the authorities is that even one case of infant death due to meningitis should have been investigated. Why did they wait for 15 infants to die? And if the investigation had taken place earlier the reasons for septicemia, which the authorities are now saying is a result of the insanitary conditions in the hospital, may have attracted notice.

Most importantly, the tragedy highlights the urgent need for better administration of hospitals. For, not only is there a lack of funding and personnel in state services, but the public sector today has suffered a deterioration on all counts. Norms of hospital practice for which the Bombay hospitals were at one time well known, have eroded. The practice of investigating every unusual death is no more a matter of routine. Add to this the fact that the image of a public hospital has suffered tremendously. If public hospitals are today assumed by general consensus to be dirty, unhygienic, inefficient and staffed by mediocre doctors and nurses, then there is little scope for those in it to aspire to be efficient. This is not to condone the irresponsibility of hospital staff with regard to hygiene and care. But certainly, the state's growing de-emphasis of the public sector has an impact on more than the financial aspects.

The state government may well agree to set up a high level probe into the deaths. But unless there is a determination on the part of the government or those who staff public institutions to create a different public response to the public systems, recommendations, however radical, will only remain on paper. And this implies a concerted attempt to influence the government not only to change its priorities and increase state funding but to reassess medical priorities, norms and practices in these institutions and the retraining of medical, paramedical and other staff.

HUMAN RIGHTS

Criminals in Uniform

THIS is not really for the first time that the Punjab chief minister's progenies have indulged in criminal acts from under the protection of security guards provided at state expense. But this is perhaps the first time that the cognisance of such a crime has followed, and followed without inordinate delay. A young French woman visitor was reportedly followed at night from a Chandigarh restaurant to a house at Mohali, some way off from the town, by a gang, some of whom were in uniform. From the Mohali house the French girl was forcibly picked up by the uniformed criminals and carried off in an unmarked car to a place where the girl was molested

by the gang. The victim luckily was able to escape from the place of confinement the next morning, after which she lodged complaints with the authorities. It took the local police 48 hours to make a move. Reportedly, the police needed a nod from the chief minister before it acted, as the impugned policemen were the security details of one of his grandsons.

It is to be hoped that the trial and punishment of the alleged heinous crime would follow swiftly. In case any of the chief minister's grandsons is found to have been involved in the crimes, his security guards must be withdrawn along with other punishments under the law. A single paisa from public funds must not go either for aiding the criminal pursuits of or providing security to such criminals.

Not only the isolated Chandigarh case, the entire range of questions related to the crimes and punishment of the criminals in uniform needs public scrutiny and vigorous corrective actions. The shocking facts detailed in the first annual report of the National Human Rights Commission do not really reveal any secret. The broad nature of the prevailing violations of human rights was well known. But the examination of some of the sample cases out of the 3 000 complaints of police atrocities, many of them committed under the protection of TADA, received by the commission, gives a comprehensive view of the enormity of the crimes committed by the police, mostly in the interest of the powers that be within the institutional power structure as well as at various levels of the social hierarchy.

The facts and issues of this report must be made one of the main planks in the campaign for the coming round of state elections. The murky face of the regime must be exposed and adequate protection of human (that is essentially democratic) rights must be ensured to the extent possible under the present social regime.

MONTREAL PROTOCOL

In Whose Interest?

IN 1986 during discussions leading up to the finalisation of the Montreal Protocol, third world countries had been adamant about ensuring that the economic burden of phasing out CFCs should not fall on their already stretched economies. It was argued that while industrial nations could afford to phase out CFCs and develop alternatives, third world nations would find it difficult to transform existing technologies based on CFCs without injuring the nascent industrialisation process. In setting deadlines for phasing out of CFCs, the third world was allowed an [illegible] 10 years. Industrialised countries were to phase out CFCs by 2000, a deadline subsequently brought forward to 1996, and third world countries by 2010. Meanwhile, however, MNCs manufacturing CFCs were allowed to continue producing 10 per cent of their 1986 capacities for the specific purpose of exporting to developing countries where indigenous production could not cope with demand.

The Protocol was ratified by India and 127 other countries in 1987 and it has had an odd impact on the industry. At that time there were only a few manufacturers of CFCs producing about 3000 tonnes annually. Today, somewhat ironically, the industry has a capacity to produce 20 000 tonnes and exports about 2,000 tonnes to south and west Asian countries. This development has come about as a consequence of CFC producers getting their act together in response to what they see as a threat from the MNCs which heavily influence what is termed the Ozone secretariat which monitors implementation of the Protocol. In 1993 the MNCs succeeded in getting the secretariat to allow them to raise their production to 15 per cent of the 1986 level in order to supply the growing Asian markets. While it is natural that the Indian manufacturers are perturbed given the growing markets for the product used in a range of consumer products such as refrigerators, air-conditioners, aerosols, etc, these developments raise some pertinent questions on the impact of international agreements and protocols.

While it is true that the Indian manufacturers will lose export earnings if pushed out of the international markets by MNCs, should they and the government not be more concerned about the lack of movement on the development alternatives? There is clearly nothing unenterprising about Indian industry which has done its best to exploit its investment in plant and technology to the fullest not only in the domestic market but by developing markets abroad. The secretariat's latest notifications setting out new conditions demanding that third world importing nations provide detailed accounts of how CFCs have been used and that CFC producers submit annual reports of requests from these countries, have met with a sharp response from Indian manufacturers, according to a report in *Down to Earth*. They see this as an attempt by the secretariat to protect the interests of the MNCs which are being threatened by the expanding markets of third world producers. While this reasoning may well be valid, at what cost is Indian industry, manufacturing a product clearly damaging to the environment, to be protected?

TWENTY YEARS AGO

EPW, September 7, 1974

Some months ago, a Lok Sabha member of the ruling party spoke effusively of the virtues of limited dictatorship. Many assumed at the time that he was merely speaking out of turn. But the manner in which the railwaymen's strike was put down was an object lesson in authoritarian precision. It further confirmed one's misgivings that few national newspapers care—or dare—to write in detail about the disgraceful acts indulged in by the minions of offi-cialdom at such or other times. Only some foreign newspapers carried details of repressive official activity; one is sometimes driven to look up *Le Monde* to learn about some of the doings at home. The moulding of the public media to serve the government's cause is, indeed, now complete. There is no longer even the felt need to keep up pretences; the story is rapidly going round as to how a prominent econo-mist's marginal comments, in the course of a radio discussion, on the repression let loose against the railwaymen and their families was firmly scissored out of the broadcast. Such instances are multiplying with every day. Protests remain ritualistic as they are not backed up by political mobilisation.

Nevertheless economic discontent is likely to intensify as nature has ceased to co-operate on growth forecasts and as the policies adopted so far have left the root causes untouched. In the deepening discontent, the vacuum of lack of opposition—either nationwide or regional—is going to be even more suffocating. The discontent would thus seek an outlet, and the people's wrath might explode in events and episodes resembling chapters from the annals of anarchy. Inside the government, the view would be expressed that such bouts of anarchic outburst are fatal for the nation's long-term viability. Yet others might argue that such explosions would further damage the prospects for price stability and growth. Quite a number belonging to the ruling party honestly believe that the failure of the organised opposition to behave responsibly has given rise to anarchic trends, which bring fascism in their train. With a little bit of conditioning, a majority of them might be only too willing to acquiesce in the adoption of extraordinary measures to fight that menace of approaching chaos, for, better a limited suppression of democratic rights than a take-over by the forces of anarchy and disorder.

LIC Housing Finance

PROMOTED by Life Insurance Corporation of India with equity participation from premier financial and investment institutions like the UTI, IFCI and the ICICI, LIC Housing Finance (LICHF) is entering the capital market on September 15 with 1,89,18 000 equity shares of Rs 10 each at a premium of Rs 50 each aggregating Rs 11,350 8 lakh Subsequent to the issue, LIC will hold 38 46 per cent of the company's equity and 36 3 per cent will be held by UTI, ICICI and IFCI The LIC Housing Finance has a wide network of offices throughout the country making it easy for the consumers to avail of the benefits of its various housing finance schemes Within a short period of its existence the company has disbursed cumulatively housing loans to the extent of Rs 1,348 60 crore by March this year The company has stupendous scope for expansion considering the fact that the demand supply gap in the housing sector is increasing rapidly and the projected shortage in the year 2001 will be 41 million units, a rise of 94 per cent over the figure in 1991 Other than inevitable external risks like change in policies which would affect the financial sector as a whole the internal risks are minimised as the company has long experience in the business The issue is lead managed by ICICI Securities and Finance Company DSP Financial Consultants and SBI Capital Markets

International Comptech Engineering Services

International Comptech Engineering Services (ICES) an Ahmedabad based public limited company is setting up a 100 per cent software export oriented unit (EOU) at Software Technology Park (STP) in Bangalore at a capital cost of Rs 1 500 lakh which is a co venture promoted by Softech Management Services(SMC) INC Ontario Canada and VMC Project Technologies India The project aims at exporting software packages for special construction and integrated engineering solutions and extended reverse engineering services through STP 64 KBPS global satellite network The foreign collaborators are to have a 50 per cent equity stake in the project Paul Hewitt president of SMS, Canada, is to be a director of ICES The company is coming out with a public issue of 88 00,000 equity shares of Rs 10 each at par aggregating Rs 880 lakh on September 19 to part finance its new project While the promoters' contribution would be Rs 520 lakh, the balance of Rs 100 lakh will be lent by Canara Bank which is also lead managing the public issue The company has obtained approval from the government of India as a 100 per cent EOU to export software for engineering applications and CAD/CAM/CAE and Digital Mapping Services to service its global clientele through satellite network The project is to have the most sophisticated hardware and system facilities

Agri-Marine Exports

Promoted by three experienced business men Ramanathan Muthu (chairman), K D Madan (vice-chairman) and Ehjaz Elias (managing director), Agri-marine, one of the prominent seafood exporters, is a 100 per cent export-oriented unit (EOU) The company's exports include shrimps lobsters cuttle fish, squid, clamps mussels octopus snail meat and a wide variety of other fish To part finance its expansion project of Rs 800 lakh, the company is coming out with a public issue of 32 64 000 equity shares of Rs 10 each for a premium of Rs 2 50 per share aggregating Rs 408 lakh the rest of the project cost is being financed by term loan (Rs 272 lakh) and promoters (Rs 120 lakh). The company already has a plant at Kaladipet, Madras with a total processing capacity of 1 500 mtpa It also has 100 mt capacity of cold storage facility and an ice producing capacity of 2 500 mtpa The company now plans to set up plants with additional processing capacity of 4 500 mt and freezing capacity of 250 mt The company also proposes to purchase four refrigerator container vans to transport the processed products and raw materials and a modern individual quick freezing machine (IQF) which is being imported The company has been successful with its new products in the international market It has also entered into processing and marketing of fresh water fishes to the UK The company secured the US FDA A category certification in 1992 The company has marketing tie ups with major companies in the UK, Italy, France Japan and West Asia It also has a long standing association with J and C International for buy-back of 60 per cent of the installed capacity The company plans to begin its commercial production with its added capacity by April 1995 The issue will be lead managed by Foresight Financial Services and Indbank Merchant Banking Services

Gem Cables and Conductors

Gem Cables and Conductors, a Hyderabad based company engaged in the manufacture of cables and conductors including alloy conductors, is all set for an expansion programme To part finance the project the company is entering the capital market on September 21 Hitherto a closely held company now going public, it is coming out with a public issue of 24 lakh equity shares of Rs 10 each at a premium of Rs 10 aggregating Rs 480 lakh the total cost of the project being Rs 720 58 lakh A major part of the project cost that is Rs 480 lakh will be used to finance the long-term working capital requirements and hence to that extent there will not be any addition to the company s fixed asset The company has confirmed orders worth Rs 1,828 lakh The company s thrust on quality has paid off since it enjoys a zero rejection record since its inception It has obtained the ISO 9002 certificate and has bagged the 'Outstanding Performance award for the past two years from the Council of Industrial and Trade Development The company also has a research and development centre and has been successful in developing risk reducing cables indigenously The lead managers to the issue are Credit Capital Finance Corporation and Bank of Baroda

Pentafour Products

Pentafour Products the flagship company of the Pentafour group from Madras has a wide range of activities in various field like electronics auto components refrigeration and air-conditioning solar energy speciality chemical software export and training The company is now embarking on an expansion project with a capital outlay of Rs 105 crore to be met through a rights-cum- public issue of Rs 96 crore and Indian and foreign loans worth Rs 9 crore

The project under the electronic division is to manufacture FR4 Grade Glass Epoxy Copper Clad Lamination under Electronic Hardware Technology Park (EHTP) Scheme in collaboration with Nationwide Circuits Products who have been in the field for a quarter of a century The collaborators have underwritten the entire production for a period of 10 years The company's new chemicals division in Cuddalore is establishing a sulfonation plant for the production of anionic surfactants in collaboration with Chemithon Corporation USA which is also the world market leader Chemithon Corporation has given a firm buy-back of 30 per cent of the production for their market The company is also expanding the capacity of its auto division for carburettors, water pumps and fuel pumps to meet the rising export and domestic needs The expansion programme for the auto division is to be completed by October this year The company is coming out with its public-cum-rights issue of fully convertible bonds (FCBs) of Rs 360 each aggregating Rs 96 crore The rights issue will be in the ratio of 5 FCBs for every 100 shares held and will consist of 4,80,210 bonds The public issue will consist of 14,64,000 FCBs of which 1,00 000 bonds will be reserved for preferential allotment to the shareholders of Pentafour Software and Exports while 3,00,000 bonds would be reserved for the NRIs The bonds are convertible into 10 equity shares after six months of allotment at a premium of Rs 26 each The lead managers of the issue are Indian Overseas Bank BOI Finance, and Sterling Holiday Financial Services

CURRENT STATISTICS

EPW Research Foundation

A distinct aspect of the current inflationary situation is the accelerated increase in the cost of living indices during the past 12 months, though in recent weeks the increase in WPI has been edging downwards and the wholesale prices of food articles have also moderated. The highest 12-month rise in wholesale prices is to be found in non-food articles. In the monetary sector, a peculiar situation of growing liquidity bulge has arisen due to reduced bank credit demand from both the commercial and government sectors. As a result of a sizeable contraction in net RBI credit to the central government, the reserve money growth has also been considerably arrested. In the share market, the BSE sensitive index has attained yet another peak at 4,551 as the day's closing quotation, showing an over the year rise of 76 per cent.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Aug 20, 1994	Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
			Variation (Per Cent) Point-to-Point								
All Commodities	100.0	270.3	0.6	9.4	8.1	4.4	6.0	10.8	7.0	13.6	12.1
Primary Articles	32.3	279.8	0.3	10.7	5.0	8.0	8.8	11.5	3.0	15.3	17.1
Food Articles	17.4	314.2	0.6	8.4	5.1	12.1	7.9	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	287.1	0.2	17.3	2.2	2.5	9.1	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	279.1	–	9.8	18.8	0.4	3.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	263.2	0.9	8.6	8.1	3.5	4.8	9.9	7.9	12.6	8.9
Food Products	10.1	272.6	1.0	7.9	10.2	8.1	12.6	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	298.9	0.7	8.3	6.7	10.7	9.4	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-August 20, 1994)	100.0	266.7		11.2	7.1	9.9	8.0	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
		Variation (Per Cent) Point-to-Point								
Industrial Workers (1982=100)	281[7]	1.4	11.1	4.5	5.2	4.1	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	224[4]	0.9	8.7	6.7	0.9	0.5	–	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1211[7]	1.9	13.4	-2.0	3.1	1.4	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Aug 5, 1994	Over Month	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92
		Variation					
Money Supply (M3)	461531	2752 (0.6)	27965 (6.4)	24138 (6.6)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	88951	2287 (2.5)	6753 (8.2)	5390 (7.9)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	369041	5808 (1.6)	20201 (5.8)	15669 (5.3)	51601 (17.4)	41471 (16.3)	43392 (20.5)
Net Bank Credit to Govt	217043	3207 (1.5)	13257 (6.5)	22480 (12.8)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	239036	281 (0.1)	1833 (0.8)	143 (0.1)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Net Foreign Exchange Assets	64892	3368 (5.5)	11165 (20.8)	3095 (12.4)	28775 (15.3)	3726 (17.6)	10645 (100.6)
Reserve Money (Aug 12, 1994)	150830	255 (0.2)	12208 (8.8)	13654 (12.3)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	97407	-4887 (-4.8)	624 (0.6)	15951 (16.5)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks (Aug 19, 1994)							
Deposits	334305	3739 (1.1)	20491 (6.5)	16759 (6.2)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	167118	894 (-0.5)	3496 (2.1)	786 (0.5)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food Advances	155442	-438 (0.3)	2727 (1.8)	3178 (-2.2)	7476 (5.1)	24317 (20.1)	9127 (8.2)
Investments	146887	1403 (1.0)	14494 (10.9)	8290 (7.8)	26737 (25.3)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	April 1994	Average for Fiscal Year So Far 1994-95	Average for Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
					Variation (Per Cent) Fiscal Year Averages						
General Index	100.0	225.0	225.0 (8.0)	208.3 (0.4)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	207.2	207.2 (0.5)	206.1 (1.4)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	217.0	217.0 (9.7)	197.8 (-2.0)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.1	292.3	297.3 (5.7)	281.4 (6.4)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Sept 8, 1994	Month Ago	Year Ago	1994-95 So Far Trough	1994-95 So Far Peak	1993-94 Trough	1993-94 Peak	End of Fiscal Year 1993-94	End of Fiscal Year 1992-93	End of Fiscal Year 1991-92
BSE Sensitive Index	4551	4297	2580	3600	4588	2037	4286	3779	2281	4285
(1978-79=100)	(76.4)		(19.4)					(65.7)	(46.8)	(266.9)
National Index	2150	2033	1227	1765	2150	934	2050	1830	1021	1968
(1983-84=100)	(75.2)		(13.8)					(79.2)	(-48.1)	(234.1)

Foreign Trade	June 1994	Cumulative for Fiscal Year So Far 1994-95	Cumulative for Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	5623	17610 (8.3)	16257 (41.4)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1792	5614 (8.3)	5182 (29.1)	22173 (20.4)	18421 (3.1)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	5910	18231 (5.8)	17225 (7.8)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)
US $ mn	1884	5812 (5.8)	5491 (1.5)	23212 (6.8)	21726 (11.9)	19411 (-19.4)	24073 (13.2)
Non-POL US $ mn	1549	4543 (17.8)	3856 (-5.6)	17559	15319	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	287	-621	-968	-3259	-9572	-3809	-10640
US $ mn	92	-198	-309	-1039	-3305	-1545	-5930

Foreign Exchange Reserves	Aug 26, 1994	Aug 27, 1993	Mar 31, 1994	Month Ago	Year Ago	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
				Variation Over							
Rs crore	55685	22994	47626	389	32691	8059	2798	27430	5385	10223	-1383
US $ mn	17847	7345	15176	268	10502	2671	893	8724	731	3383	-1137

Foreign Trade

Commodity Composition of Imports and Exports	April-May 1994-95 Rs Cr	April-May 1994-95 US $ mn	April-May 1993-94 Rs Cr	April-May 1993-94 US $ mn	1993-94 Rs Cr	1993-94 US $ mn	1992 93 Rs Cr	1992 93 US $ mn	1991-92 Rs Cr	1991-92 US $ mn
Imports										
Food and live animals chiefly for food	517(4.2)	165	221(2.0)	71	1551(2.1)	494	1911(3.0)	660	804(1.7)	326
Pulses	106(0.9)	34	28(0.3)	9	567(0.8)	181	334(0.5)	115	255(0.5)	104
Cashewnuts raw	157(1.3)	50	12(0.1)	4	483(0.7)	154	376(0.6)	130	267(0.6)	108
Crude materials, inedible oil except fuels	876(7.2)	279	591(5.5)	189	4199(5.8)	1339	4777(7.5)	1649	3268(6.8)	1326
Fertiliser crude	60 (0.5)	19	49(0.4)	16	390(0.5)	124	459(0.7)	158	455(1.0)	185
Metalifers ores and metal scrap	298(2.4)	95	182(1.7)	58	1299(1.8)	414	1922(3.0)	664	1175(2.5)	477
Mineral fuels, lubricants and related materials	3199(26.3)	1020	3648(33.8)	1165	19514(26.8)	6222	18525(29.2)	6396	14160(29.6)	5744
Petroleum, crude and products	2897(23.8)	924	3462(32.0)	1105	18055(24.8)	5756	17142(27.0)	5919	13123(27.4)	5323
Animal and vegetable oils waxes and fats	42(0.3)	14	4 (neg)	1	166(0.2)	53	168(0.3)	58	249(0.5)	101
Chemicals and related products	1536(12.6)	490	937(8.7)	299	9286(12.8)	2961	8913(14.1)	3077	7526(15.7)	3053
Organic chemicals	514(4.2)	164	303(2.8)	97	2882(4.0)	919	1871(3.0)	646	1361(2.8)	552
Fertiliser manufactured	164(1.3)	52	194(1.8)	62	1989(2.7)	634	2023(3.2)	698	1591(3.3)	645
Manufactured goods chiefly classified by materials	2192(18.0)	699	2364(21.8)	755	14715(20.2)	4692	12455(19.7)	4300	9193(19.2)	3729
Pearls precious/semi precious stones	912(7.5)	291	1603(14.8)	512	8284(11.4)	2461	7072(11.2)	2442	4825(10.1)	1957
Iron and steel	548(4.5)	175	285(2.6)	91	2452(3.4)	782	2060(3.3)	711	1741(3.6)	706
Non ferrous metals	265(2.2)	85	207(1.9)	66	1490(2.0)	475	1144(1.8)	395	839(1.8)	340
Capital goods	2711(22.3)	864	2093(19.4)	668	18944(26.0)	6040	13123(20.7)	4531	10432(21.8)	4232
Machinery except electrical and machine tools	1234(10.1)	393	678(6.3)	217	6871(9.4)	2191	4786(7.6)	1653	3593(7.5)	1458
Transport equipment	426(3.6)	136	577(5.3)	184	3973(5.5)	1267	1338(2.1)	462	915(1.9)	371
Project goods	783(6.4)	250	607(5.6)	194	4394(6.2)	1401	3701(5.8)	1278	3625(7.6)	1471
Others	1103(9.1)	352	950(8.8)	303	4430(6.1)	1412	3503(5.5)	1209	2220(4.6)	900
Total	12181(100.0)	3883	10808(100.0)	3451	72806(100.0)	23212	63375(100)	21882	47851(100.0)	19411
Exports										
Food and live animals chiefly for food	1863(15.7)	594	1764(16.4)	563	10770(15.5)	3434	8084(15.1)	[illegible]791	6861(15.6)	2783
Cashew kernels	187(1.6)	60	156(1.4)	50	1042(1.5)	332	745(1.4)	257	672(1.5)	272
Oil meals	313(2.6)	100	424(3.9)	135	2309(3.3)	736	1545(2.9)	534	921(2.1)	374
Marine products	519(4.4)	165	309(2.9)	99	2537(3.6)	809	1743(3.2)	602	1443(3.3)	585
Beverages tobacco and tobacco manufactures	20(0.2)	6	26(0.2)	8	136(0.2)	43	160(0.3)	55	102(0.2)	42
Crude materials inedible oils except fuels	860(7.2)	274	861(8.0)	275	4048(5.8)	1291	2798(5.2)	966	3022(6.9)	1226
Iron ore	309(2.6)	99	247(2.3)	79	1357(2.0)	433	1104(2.1)	381	1435(3.3)	582
Mineral fuels lubricants and related materials	204(1.7)	65	242(2.2)	77	1248(1.8)	398	1379(2.6)	476	1022(2.3)	415
Animal and vegetable oils waxes and fats	54(0.5)	17	45(0.4)	15	344(0.5)	110	162(0.3)	56	169(0.4)	69
Chemicals and chemical products	1171(9.8)	373	924(8.6)	295	5973(8.6)	1904	4198(7.8)	1449	4146 (9.4)	1682
Drugs pharmaceuticals and fine chemicals	362(3.0)	115	340(3.2)	109	2014(2.9)	642	1533(2.9)	529	1550(3.5)	629
Dyes/intermediates/coal tar chemicals	214(1.8)	68	189(1.7)	60	1150(1.7)	367	958(1.8)	331	781(1.8)	317
Plastic and linoleum products	226(1.9)	72	135(1.2)	43	1014(1.5)	323	433(0.8)	150	276(0.6)	112
Manufactured goods classified chiefly by materials	6312(53.1)	2012	5699(52.8)	1820	38851(55.9)	12386	30752(57.3)	10618	23540(53.4)	9549
Leather manufactures	271(2.3)	87	275(2.6)	88	2634(3.8)	840	2512(4.7)	867	1984(4.5)	805
Leather footwear	220(1.8)	70	204(1.9)	65	1505(2.2)	480	1188(2.2)	410	1143(2.6)	464
Gems and jewellery	2037(17.1)	649	1751(16.2)	559	12528(18.0)	3994	8897(16.6)	3072	6750(15.3)	2738
Rubber mfd products	138(1.2)	44	123(1.1)	39	811(1.2)	259	639(1.2)	221	287(0.7)	117
Primary and semi finished iron and steel	114(1.0)	37	164(1.5)	52	1355(1.9)	432	476(0.9)	164	226(0.5)	92
Cotton yarn/fabrics/madeup etc	999(8.4)	318	742(6.9)	237	4837(7.0)	1542	3911(7.3)	1350	3203(7.3)	1299
Manmade yarn/fabrics/ madeup, etc	229(1.9)	73	229(2.1)	73	1324(1.9)	422	1079(2.0)	373	821(1.9)	333
RMG cotton incl accessories	983(8.3)	313	1062(9.8)	339	6166(8.9)	1966	5156(9.6)	1780	3754(8.5)	1523
Capital goods	1063(8.9)	339	963(8.9)	308	6232(9.0)	1987	4964(9.2)	1714	4054(9.2)	1645
Metal manufactures	356(3.0)	82	371(3.4)	119	2174(3.1)	693	1622(3.0)	560	1194(2.7)	484
Machinery and instruments	345(2.9)	110	305(2.8)	97	1996(2.9)	636	1569(2.9)	542	1433(3.3)	582
Transport equipment	323(2.7)	103	247(2.3)	79	1840(2.6)	587	1546(2.9)	534	1224(2.8)	496
Others	351(3.0)	111	261(2.4)	83	1946(2.8)	620	1192(2.2)	412	1125(2.6)	457
Electronic goods	186(1.6)	59	130(1.2)	41	978(1.4)	312	615(1.1)	212	654(1.5)	265
Total	11898(100.0)	3793	10785(100.0)	3444	69547(100.0)	22173	53688(100.0)	18537	44042(100.0)	17865

(Figures in brackets are percentages to total)

Notes (i) Superscript numeral denotes month to which figure relates, e.g. superscript 7 stands for July (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year

SANDOZ

Gearing Up for Competition

SANDOZ (INDIA), the Indian subsidiary of the Sandoz Group of Switzerland, has not performed well during the year 1993-94, it has registered only a marginal increase in net sales of 4 2 per cent and in operating profit of 5 4 per cent In fact, the company's net profit has declined by 11 3 per cent, despite a significant reduction in tax provision by 10 3 per cent and interest burden by 47 8 per cent Even though the performance of the company has not been very encouraging, it has announced a dividend of 25 per cent as against 20 per cent last year

The company has argued that with a view to ensuring its long-term viability and helping restructure its business to face competitive pressures in the liberalised economic environment it has implemented a voluntary retirement scheme (VRS) for which 535 employees opted and which cost the company Rs 16 90 crore as compensation As a result the company's expenditure on salaries and wages increased by 60 5 per cent

The company has diverse businesses like pharmaceuticals agroproducts, chemicals and seeds The company's pharma business had been sustaining losses for several years and therefore it has been relying more on its other areas of production However, of late its pharma business has been picking up, with sales registering a 29 per cent growth in 1993 94 as against the previous year Even so, the company claims that uncertainty regarding the new drug policy continues to affect the unit The company's agro business remained low this year with little increase in sales Its chemical business has fared well with sales crossing the Rs 100-crore mark in 1993-94—a 24 per cent increase over the preceding 12 months The company's seeds division has also fared well with increasing sales and profits The company's exports have gone up by 23 per cent, the main contributor being made by its chemical division

The company has been upgrading and developing its infrastructure It has achieved the distinction of being the first affiliate company of the Sandoz Group to be awarded the ISO 9002 certificate At its Kolshet plant in Maharashtra, the company has successfully completed the development of the incinerator project for burning its toxic waste in a cost effective manner Modernisation of the dye plant has also been completed At its Kandla plant the pharmaceutical plant was utilised to meet export orders, while the agro plant was idle due to lack of exports The Panoli chemical and agro plant capacities were well utilised However, the company spent only Rs 31,015 on Research and Development during 1993-94

COLOUR-CHEM

Modernisation Programme

Colour-Chem, a subsidiary of Hoechst AG, has shown improved performance in 1993-94 The company's net sales have gone up by 19 8 per cent mainly due to an improved performance in the first half of the year and it has experienced a significant rise in net profits (76 2 per cent) essentially as a result of an improvement in operating profits, but a sizeable reduction in interest burden following reduction in debt equity ratio has also helped the company's bottomline Tax provision was only 24 per cent of gross profit against 37 per cent in the previous year Gross profit to sales ratio at 14 4 per cent during 1993 94 has been one of the highest in recent years The company has announced a dividend of 30 per cent for 1993 94 compared to the previous year s 25 per cent

Colour-Chem has upgraded and modernised its manufacturing facilities at its Thane and Roha plants incurring a capital expenditure of Rs 1,465 lakh It also has a joint venture with Haycolour in Sri Lanka which registered a turnover of SL Rs 673 34 lakh with a net profit of SL Rs 20 46 lakh and has announced a dividend of 22 per cent The company also has two subsidiaries, viz Vanavil Dyes and Chemical (VDCL) and Kundalika Investments, both of which have done well VDCL has produced a gross turnover of Rs 2,846 lakh in 1993-94 as against Rs 2,325 lakh in the previous year and raised its dividend to 17 per cent from 15 per cent in the previous year Kundalika Investments has also performed commendably this year, with its net profits amounting to Rs 4 79 lakh as against Rs 1 78 lakh last year and has for the first time in its 12 years' of operation, announced a dividend of 10 per cent

With its status as a registered export house, Colour-Chem's increase in foreign exchange earnings this by 32 per cent over the preceding year reflected a rise in the share of exports in total sales to over 20 per cent from 16 per cent two years ago The company claims excellent industrial relations at its factories and other establishments Being an export house, Colour-Chem is making use of sophisticated information technology to meet its corporate objectives The company is also conducting various intensive training programmes to enhance its operational efficiency, upgrade its quality standards and increase its productivity levels to match market standards The company has invested Rs 173 lakh in Research and Development with the focus on technology used for dyes, various intermediates and performance chemicals meant for the local and export markets

ALFA LAVAL

Successful Indigenisation

Alfa Laval (India), a subsidiary of Alfa Laval AB of Sweden, has performed well in 1993-94 with net sales going up by 28 per cent Following rising operating cost the company's operating profit rose only by 5 7 per cent Even so, its net profits have increased by 26 per cent due to a significant growth in non operating income by 62 per cent and a striking reduction of 39 per cent in interest burden The company has pushed up its dividend rate to 30 per cent for the year 1993 94 against 25 per cent in the previous year The company enjoys an unusually low debt-equity ratio at 2 7 per cent but a high ratio of short term bank borrowings to inventories at 57 per cent The company has been achieving phenomenal addition to gross fixed assets in recent years, its value arising from Rs 20 crore in 1992 to Rs 51 7 crore in 1994

The company s wholly-owned subsidiary Alfa Laval (India) Leasing and Finance ventured forth with its operations during the year 1993-94 and has registered an operating profit of Rs 11 9 lakh and a net profit of Rs 0 33 lakh The leasing and finance company has firm commitments for lease and hire purchase of industrial machinery worth Rs 52 2 lakh Alfa Laval holds 49 per cent of equity in Saunders Valves (India), which has reported a net sales turnover of Rs 4 77 crore and a net profit of Rs 82 lakh Lavrids Knudsen Maskinfabrik (India) is another associate firm in which the company has 49 per cent equity stake Its sales turnover was Rs 7 56 crore in 1993-94, while its operating profit was Rs 77 lakh

The company intends to promote a new company in association with Asea Brown Boveri (ABB), an associate of ABB Stal Refrigeration AB Sweden which has a worldwide reputation as a leading manufacturer and supplier of refrigeration plants and allied products The unit, for manufacture and sale of refrigeration plant including modern reciprocating compressors, screw compressors and allied products, parts and components, will be located in Maharashtra and will have technical know-how and support from the Swedish company

The company has been awarded the ISO 9001 certificate by Lloyd's Register Quality

(Rs lakh)

Financial Indicators	Sandoz (India)		Colour-Chem		Alfa Laval (India)		Podumjee Pulp		TCI	
	March 1994	March 1993*	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	26842	25747	18794	15693	20888	16280	9468	8847	26001	19209
2 Value of production	26713	27258	19093	15790	20530	16503	9689	8656	26246	19213
3 *Total income*	27863	28142	19988	16656	21002	16775	10300	9053	26370	19307
4 Raw materials/stores and spares consumed	9318	10311	9788	8400	12983	9785	4493	4354	1731	27
5 Other manufacturing expenses	6449	6481	2399	1490	595	570	2147	1486	17697	14139
6 Remuneration to employees	4300	2872	2087	1926	1418	1260	550	460	1832	1325
7 Other expenses	5211	5745	2236	1784	2959	2279	1075	891	3414	2358
8 *Operating profit*	2585	2733	3478	3056	3047	2881	2035	1862	1696	1458
9 Interest	357	684	1071	1357	320	528	350	346	805	478
10 *Gross profit*	2126	2289	2702	1724	3064	2561	1697	1522	887	892
11 Depreciation	668	655	637	476	271	167	223	291	452	330
12 *Profit before tax*	1458	1634	2065	1243	2791	2393	1474	1231	435	562
13 Tax provision	780	870	500	355	953	934	465	590	0	250
14 *Profit after tax*	678	764	1565	888	1838	1459	1009	641	435	312
15 Dividends	199	199	331	210	545	317	101	80	160	132
16 Retained profit	479	565	1234	678	1293	1142	908	561	275	180
Liabilities/assets										
17 Paid-up capital	795	795	1165	963	1816	1816	409	366	763	763
18 Reserves and surplus	3932	3444	5950	3705	1063	9350	6197	5294	7060	2907
19 Long-term loans	430	969	2540	3710	337	455	1401	1025	2632	1163
20 Short-term loans	2791	1944	3519	3386	2692	3057	1452	1486	3831	1765
21 Of which bank borrowings	1675	904	2766	2939	2227	2623	136	387	2521	835
22 Gross fixed assets	7062	6006	10940	9567	5168	3595	7221	5433	11673	6271
23 Accumulated depreciation	4841	4251	5002	4446	1250	983	2844	2664	2296	2125
24 Inventories	6277	6508	4049	3487	3930	4089	2912	1982	718	53
25 Total assets/liabilities	14018	12566	15669	13897	20625	19244	11235	9337	16300	8108
Miscellaneous items										
26 Excise duty	2111	2816	2647	2436	0	0	278	278	378	0
27 Gross value added	6574	6039	6106	4991	4883	4431	2198	2019	3847	2873
28 Total foreign exchange income	5104	4283	4130	3134	0	0	12	26	446	20
29 Total foreign exchange outgo	3692	4137	929	712	3820	2203	4098	1943	1036	16
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	191 5	204 9	119 9	112 9	101.3	84.6	84.3	94 8	159.5	236.9
31 Sales to total net assets (%)	337 7	360 0	142 7	133.4	134.9	110 9	100 1	108 3	182.0	291.1
32 Gross value added to gross fixed assets (%)	93 1	100 5	55 8	52.2	94 5	123 3	30.4	37 2	33 0	45 8
33 Return on investment (gross profit to total assets) (%)	15 2	18 2	17 2	12.4	14 9	13 3	15.1	16 3	5 4	11.0
34 Gross profit to sales (gross margin) (%)	7 9	8 9	14 4	11.0	14 7	15 7	17.9	17 2	3.4	4.6
35 Operating profit to sales (%)	9.6	10 6	18 5	19.5	14 6	17.7	21.5	21 0	6.5	7.6
36 Profit before tax to sales (%)	5.4	6.3	11 0	7.9	13 4	14 7	15.6	13 9	1.7	2.9
37 Tax provision to profit before tax (%)	53.5	53 2	24 2	28.6	34.1	39.0	31 5	47 9	0.0	44.5
38 Profit after tax to net worth (return on equity) (%)	14 3	18 0	22 0	19.0	14 8	13.1	15.3	11.3	5 6	8.5
39 Dividend (%)	25 0	20 0	30 0	25.0	30 0	25.0	25.0	25 0	21 0	26 0
40 Earning per share (Rs)	8 53	9 61	134 33	92 21	10 12	8.03	24 67	17 51	5 70	4.09
41 Book value per share (Rs)	59 46	53 32	610 73	484 74	68 61	61 49	161.52	154.64	35 87	32 25
42 P/E ratio (based on latest and corresponding last year's price)	98.5	28.1	38 3	26.3	42 5	34.2	24.3	10 8	14 9	14 1
43 Debt-equity ratio (adjusted for revaluation) (%)	9.1	22.9	35 7	79 5	2.7	4.1	21.2	18 1	96 2	47 3
44 Short-term bank borrowings to inventories (%)	26.7	13.9	68 3	84.3	56.7	64.1	4.7	19.5	351 1	1575.5
45 Sundry creditors to sundry debtors (%)	133.7	169.1	50 9	46 9	45 1	54.4	41 7	44.1	36 7	25.3
46 Total remuneration to employees to gross value added (%)	65.4	47.6	34 2	38.6	29.0	28.4	25.0	22.8	47.6	46.1
47 Total remuneration to employees to value of production (%)	16.1	10.5	10 9	12.2	6.9	7.6	5.7	5.3	7.0	6 9
48 Gross fixed assets formation (%)	17.6	9.7	14.4	21.1	43.8	83.1	32.9	23.9	32.2	9.3
49 Growth in inventories (%)	–3.5	46.9	16.1	–1.9	–3.9	54.0	46.9	–14.8	1254.7	3 9

* 15 months.

Assurance (LRQA), UK, for its Thermal Business Group. It has set up a Technology Centre which is fully equipped with pilot plants, analytical laboratories, computer centre and training rooms. The company incurred an expenditure of Rs 5.17 crore on Research and Development and has been successful in indigenising certain critical components which has helped in cost reduction.

PUDUMJEE PULP

Fruitful R and D

Pudumjee Pulp and Paper Mills, a Pune-based company, is engaged in the manufacture of all varieties of paper, paper boards, paper products and cellulose pulp. During the year ended March 1994, the company registered an increase in net sales by 7 per cent, operating profits by 9.3 per cent and net profits by as much as 57.4 per cent, essentially due to extraneous factors like a significant decrease in depreciation (23.37 per cent) and tax provision (21.19 per cent) and also a low interest burden of 1.16 per cent. The gross profit to total assets and gross profits to sales ratios have been at a high of 15 per cent and 18 per cent, respectively. The company also experienced an increase of inventories by as much as 47 per cent.

The company had proposed an expansion-cum-modernisation project, which it has not been able to implement successfully due to delays in deliveries of equipment. It is expected to be fully operational by December this year. Pudumjee Pulp and Paper Mills has invested Rs 33.54 lakh in Research and Development. R and D was carried out in the development of new products, pulp quality improvement, environmental pollution control and cost reduction and development of a new tissue culture plant. The company has not imported any new technology in the last five years.

Gresham Investments and Finance, which was earlier a subsidiary of Pudumjee Investments and Finance, has now become a subsidiary of Pudumjee Paper and Pulp Mills. Of the two subsidiaries, Pudumjee Investments and Finance has done well and has declared a dividend of 28 per cent while Gresham Investments and Finance has run into a small loss.

The company has been trying to develop an export market for its paper, but has not met with success due to stiff international competition and high cost of raw materials. Besides exporting locally purchased de-oiled cakes, the company has started export of tissue culture ornamental plants which is expected to pick up substantially in the coming years. With the demise of its chairman S L Kirloskar, the deputy chairman M P Jatia, was appointed chairman.

TCI

Diversified Operations

Transport Corporation of India (TCI), a leading transport operator in the country with diversified activities, has performed well in 1993-94 with turnover increasing by 35.4 per cent and operating profit by 16 per cent. The company has made no provision for taxation, thus achieving a significant rise in net profits by 39.4 per cent. The growth of 32 per cent in the company's fixed asset in 1993-94 stands out.

The transport division's turnover registered a growth of 19 per cent and that of the shipping division has grown by 23 per cent. The cargo division (called Gati desk-to-desk service) has expanded with 70 branches and six zonal offices. Bhoruka Aluminium, a subsidiary of TCI, has achieved a high turnover and also exports during the year. The Wheels Rent-A-Car division has earned a fair amount of foreign exchange during the year. The company started a new money changing division called Transcrop International Bureau D'Exchange last year, which was initially operating only in Bombay but has now expanded its network to five other major cities. The lease division, Transcrop Lease Finance, commenced operations in the last month of the year and has now entered into leases contracts with reputed companies. The company's appeal in the Bombay High Court against the tribunal order rejecting the application of Mukesh Textile Mills seeking its closure is still pending.

CUREFAST REMEDIES

Higher Dividend

Curefast Remedies which is engaged in the manufacture of specialities as well as generics covering antibiotics, analgesics, antianeobic, antispasmodic and dental products, has earned a net profit of Rs 28.6 lakh on a turnover of Rs 3.8 crore for 1993-94 as against a net profit of Rs 2.4 lakh on a turnover of Rs 1 crore last year. The company has raised the dividend rate from 7.5 per cent last year to 10 per cent in 1993-94. In the current year the company plans to expand its marketing territories and launch new products. The number of employees has risen from 40 in 1990 to 150 in 1994 while the number of products has increased from 35 to 72. In 1994-95 it plans to notch a net profit of Rs 1.7 crore on a turnover of Rs 15 crore.

JAIHIND GRANITE

Diversification

For the year 1993-94, Jaihind Granite Industries, a Bangalore-based Bhansali group company, out-performed its projections made at the time of its public issue in May 1993. The company has proposed a dividend of 18 per cent after notching up a turnover of Rs 52.4 crore for the period as against a turnover of Rs 7.3 crore in 1992-93. Encouraged by its performance the company now plans to go in for major expansion-cum-diversification in the areas of software, construction, infrastructure, power and exports. The government's decision to give a five-year tax holiday to new projects in the power sector and the exemption of export profits from tax have brightened the prospects of the private power sector, merchant exports and software exports. The company's expansion plans which are estimated to cost around Rs 127 crore will be financed through placement with FIIs and a rights-cum-public issue. To reflect its diverse interests in the future the company plans to change its name to CRB Corporation.

SAHAS AGRO

Export Unit Status

Sahas Agro, a Meerut-based company engaged in the production of white button mushrooms, has been extended 100 per cent export-oriented unit status by the Department of Industrial Development under the Ministry of Industry. The company, which presently caters to the domestic market with a capacity of 280 mtpa, is now expanding its capacity by another 1,140 mt in technical collaboration with Macon Agri, Ireland. The Irish company will also buy-back 100 per cent of the production on expanded capacity for the next five years.

Etymology of Liberalism and Efficiency

Arun Ghosh

Let us take a quick look at the present policy of 'economic liberalisation' and how it conforms to the concept of 'liberalism' on the one hand and that of 'equality of all citizens before the law' on the other.

THE Shorter Oxford English Dictionary (1987) defines 'liberality' as "freedom from bias or prejudice" To liberalise, in turn, means "to free from narrowness, to enlarge the intellectual range of" (I am not giving all the other meanings of 'liberalism', one of which relates specifically the membership of the Liberal Party in the UK, nor the meaning of liberality in the sense of generosity, munificence) Ralf Dahrendorf defines liberalism more in tune with the political philosophy of John Locke (among others) "Its central idea is liberty under the law People must be allowed to follow their own interests and desires, constrained only by rules which prevent their encroachment on the liberty of others" (R Dahrendorf, 'Liberalism' in *The New Palgrave* (ed), Eatwell Milgate and Newman, W W Norton, New York and London, 1989)

One observes a subtle, an almost invisible move, in Dahrendorf, from the political philosophy aspect of liberalism to the economic aspect, from the concept of equality of all under law to the pursuit by each of his own self-interest (provided one does not impinge on others' liberty to do likewise)

Dahrendorf adds that the notion of the "rule of law, is not without ambiguity A certain tension between liberal thought and the notion of natural rights is unmistakable" And indeed, as of recent times, according to Dahrendorf, "liberalism died a 'strange death', it ceased to be a source of reform and became a defence of class interest" This is an important admission from one who is otherwise 'a Defender of the Faith'—faith in the neo-classical view of liberalism

The Constitution of India, very carefully drafted by the founding fathers of the Indian republic, is quintessentially liberal in outlook, form and substance The Fundamental Rights supposed to be enjoyed by every citizen (under Part III of the Constitution), read with the Directive Principles of State Policy (in Part IV of the Constitution), make—at one and the same time—provision for equality before the law (of all citizens), *and* an attempt to redress the existing unequal distribution of resource power (to be brought about through the exercise of the Directive Principles of State Policy)

There can be no question that the Constitution of India is imbued with the highest traditions of liberal philosophy Indeed, if the case law in respect of Article 14 of the Constitution is carefully analysed, the simple sentence "The State shall not deny to any person equality before the law or the equal protection of the laws within the territory of India" would be seen to have now acquired a significance and an importance which is sadly missed, not only by the lay public but also by those on whom vests the responsibility for the governance of the country

To cite the most significant example, in a historic judgment, the Hon'ble Supreme Court of India (in, Maneka Gandhi vs the Union of India, 1977) not oly conferred on all citizens of India the Right to Information, but also the criteria of openness of governance and equality of opportunity for all citizens, within the territory of India There are other similar traditions built up over time, in case laws, traditions which, regrettably, are openly flouted in the process of administrative decisions

It is for legal pundits to explore the full implications of the historic (1978) judgment of the Supreme Court in regard to political freedom (and freedom of expression) for all Indian citizens throughout the length and breadth of the country, circumscribed as that freedom is today by the TADA and a host of other restraints

But at this point of time, we are on a wholly different track, we seek today to explore the consistency of the present government policy of 'economic liberalisation' (or economic reform, as many choose to designate the on-going policies) with the meaning of the word liberalisation, as well as with the quintessentially liberal constitutional provision of 'equality before the law' of all citizens

Going back to the Oxford English Dictionary meaning of the word, economic liberalisation should involve the removal of restraints (on individuals) from economic activity, without bias or prejudice The Constitution of India enjoins such freedom for all citizens of India (and we may perhaps extend the definition to include all Indian institutions, including corporate bodies)

An aside at this juncture may be excused Nearly 16 years back, the government of India had appointed (in May 1978) a high-level committee on controls and subsidies (popularly known as the Dagli Committee) That body submitted its report in May 1979, with recommendations which suggested the removal of as many (avoidable) restraints on economic activity as possible, with very specific recommendations for each sector Though that report is no longer relevant, it should be noted for the record that the report was 'filed'—for there was a change of government soon after the report was submitted—and the report was not even considered by the successor government, nor released (for public debate) In India, obviously, the process of 'liberalisation' has to be 'imposed' by outside experts, not as per the suggestions of Indian social scientists, and curiously, the great exponents and implementers of present-day economic liberalisation were precisely the gentlemen who consigned the report of the Dagli Committee (on controls and subsidies) to oblivion (The present finance minister was then the economic secretary in the union finance ministry) However, this is a digression, not strictly germane to the present discussion

Let us take a quick look at the present policy of 'economic liberalisation' and how it conforms to the concept of 'liberalism' on the one hand and the concept of 'equality of all citizens of India before the law' on the other One has necessarily to seek recourse to examples (rather than talk vaguely as to first principles)

Restrictions on Investments

There is no question that undesirable, administrative, bureaucratic restraints on economic activity are unwarranted But that does not imply that 'liberalisation' has to be coterminous with complete abandonment of 'planning' or a complete surrender to 'market-driven' investment and production, in a country which suffers from under-development, unemployment, lack of skills, poverty and extreme inequality in the distribution of income But that argument belongs elsewhere, in the realm of economic development theory, and we promised to avoid discussing first principles, we undertook to *illustrate* the divergence between thought and action even in regard to the process of 'liberalisation'

One may dismiss the case of the sugar industry as one with so many vested interests, and such ramifications of power politics that nobody dare introduce reform For, after all, there is, to begin with, the sugarcane lobby (the cane crop hogging all the irrigation

water available in Maharashtra, for instance) Then, there are the sugar barons—and we leave out the present sugar crisis (as being investigated by a retired Comptroller and Auditor General)—who exercise an inordinate influence on politics through their money power, not only from sugar but of late, and more particularly from potable alcohol made from molasses, a residue of sugar Hence, there has been no change in the sugar policy, all manner of reports (like those of the Dagli Committee and the BICP) notwithstanding

All right Let us accept that where there is sugar, there must be flies, and where there are flies, there must be disease Perhaps those in charge of governance of economic policy-making, are helpless in the matter of sugar (Why else appoint a one-man committee to probe the latest sugar scam when all facts are contained in a few very files, and the contents known to even outsiders?) Perhaps the government is powerless to act in this case, which—like the dark spots on the moon—may be accepted as an inevitable blemish in an otherwise very good policy framework

But the same dark spots appear, with some malignancy in almost every aspect of the policy of liberalisation Take the structure of import duties The liberalised policy permits the duty free import of equipment for power generation and for the manufacture of fertilisers when even the World Bank has categorically stated that the Indian manufacturers of power and fertiliser equipment suffer from negative protection

But apparently even the negative protection on domestic manufacturers is not enough, imported power generation equipment has to be forced on the country through profit guarantees given to foreign investors who are allowed to import their equipment without recourse to competitive bidding

Let us think this over Forget economic arguments, economic reasoning There is no 'equality between the foreign and Indian suppliers any longer

Liberalism one thought, meant "freedom from bias or prejudice" From a prejudice against imports, we have suddenly, in a space of three years switched over to a deep prejudice against the indigenous manufacturer, and this *not* because people are being "allowed to follow their own interest and desires "

Not only is the policy repugnant to the ideas of liberalism, the policy is violative of the Constitution of India in a number of ways There is extreme secrecy in the matter of the terms of the agreements between different foreign parties and the authorities, which is violative of the Right to Information included as a fundamental right under Article 14 of the Constitution in the historic (1978) judgment of the Supreme Court More That judgment enjoined the principle of 'equality', but apparently the foreign investor today is more equal than the Indian manufacturer, he can get away without competitive bidding even where the buyer (of the service or the output or the facility) is the government, and ultimately, the consumers, the people of India.

It is surprising that no legal luminary in India has yet instituted a 'public interest litigation' in the courts thus far against such blatant violations of the Indian Constitution, which include the sovereign guarantees being given by the government of India for a (tax-free) minimum return of 16 per cent to the foreign investor These guarantees can be met (if the need arises, and the need is certain to arise) only out of the Consolidated Fund of India But Articles 292 and 293 of the Constitution permit the government of India (and the state governments) only to *borrow* "upon the security of the Consolidated Fund of India" There is no provision for sovereign guarantees in the matter of repatriation of guaranteed profits out of the Consolidated Fund of India Again, any such guarantee given by any government (central or state) would be violative of the Constitution

One can understand the pursuit of a liberal' philosophy, though even Dahrendorf admits that "a certain tension between liberal thought and the notion of natural rights is unmistakable" We, each one of us, are entitled to our beliefs But when we parade our ideology as 'liberal', we need to be careful Liberal for whom? In whose interest? We need liberal thinking in the context of Indian society, and there is only lip service so far in regard to liberalism in the matter of religion, liberalism in the matter of the backward sections, liberalism in regard to women and their place in society

And regretfully, we need to hang down our heads in shame, when the issue is the place of women in Indian society, the place of the Scheduled Castes/Scheduled Tribes in Indian society So much for 'liberalism', *a la* Hobbes, Locke, Hume and a host of others

EFFICIENCY

We turn next to the problem of 'efficiency', since all neo-classical economists swear by 'Pareto optimality' or Pareto efficiency (Incidentally Pareto himself, and later, his pupil Enrico Barone, thought of the possibility of 'optimality' within a socialist framework But that is another story)

We need not go into the already well known critiques of the concept of 'Pareto optimality', since we have started by saying this is not a debate on a theoretical plane but an attempt to unravel the relevance of these concepts/policies in Indian society, through some obvious examples (Suffice it to mention here the well known critique by Amartya Sen that technically Pareto optimality'—a state where no one can be made better off without making someone else worse off—is consistent with widespread hunger and famine)

What is 'efficiency ? How do we define efficiency? At a micro level, there are clear parameters for judging the efficiency of

each unit of production. At a macro level, efficiency must be related to the overall aggregate efficiency of the entire economy

Again, let us take an example from current events The Maharashtra State Electricity Board has recently signed an agreement with Enron—a foreign company setting up a power project with a capacity 2,015 megawatts The MSEB has undertaken to buy the power generated at Rs 2 40 per unit to start with (The price would certainly escalate with time, there are built-in clauses in the Power Purchase Agreement to that effect) In a meeting in the Planning Commission some time back, the then Special Secretary (Power) stated vehemently that the agreement was in India's interest because Enron was going to be a highly 'efficient' unit He explained that Enron was going to operate at between 88 and 92 per cent of capacity On questioning he admitted that under the agreement with Enron, the MSEB was obliged to buy up to 92 per cent of Enron power capacity, if generated, with penalty clauses if the generation were to fall below a certain percentage of installed capacity The power secretary described this as a sign of the 'efficiency' of the foreign investor (Technically, given 24 hours in a day and 365 days in a year, 1 kilowatt of capacity working continuously would generate 8,760 units of power in a year Operating at, say, 90 per cent of capacity, this would imply supply of 7,884 units of power over the year But the point, to repeat, is we do *not* require 7,884 units of energy from every KW of capacity, we need much less)

Everybody was impressed This is the argument the Hon'ble N K P Salve has been trotting out in season and out, in India and abroad

But there is a catch Electricity is something you cannot store, it has to be used instantly At night, you do not need electric lights at home, maybe, you need a fan Most industries work either two shifts or one shift, small industries usually work for only one 8-hour shift This is where two concepts come into play 'peak demand' (during the day) and 'total energy demand' There is a substantial gap between peak and offpeak demand for electricity

Let us go back to Maharashtra In that state, 'peak demand' is around 71 per cent of total power generation capacity available, the MSEB (and other associated power units like the ones owned and operated by the Tatas) operate at something like 62 per cent of capacity, on an average

There *is* a small gap between peak demand and the capacity of the system to meet that demand, though one has to repeat that 62 per cent generation is average generation, not peak generation Where the gap is large, one can resort to 'demand management' (e g, supply electricity for irrigation at night, irrigation rates being highly subsidised)

Anyhow, in Maharashtra (as of 1990-91) the MSEB's cost (of generation, transmission and distribution) was around 115 paise per unit of power The MSEB would hereafter buy Enron power at 240 paise per unit Forget the overall increase in MSEB costs, if MSEB has to buy 92 per cent of the power from Enron, the generation of the rest of the system (MSEB and the Tata Electric Company) would have to perforce drop, from an average of 62 per cent to say 40 to 50 per cent

What exactly does that imply? The boiler cannot be shut down, so the flame is reduced, oil is injected to keep the fire going, power is not generated The costs go up, the output goes down, bang goes viability

Suppose the MSEB cost goes up to 150 paise, as a result of the above forced 'backing down' of the MSEB, the overall system efficiency would decline What is it that we are after? Efficiency of one preferred unit? Or overall aggregate efficiency of the entire production apparatus?

The above is one isolated example, but the 'economic liberalisation' policies appear to have generally had the effect of reducing the overall aggregative efficiency of the Indian production structure

This is more than apparent from the effect of the 'financial sector reform' which has been introduced Bank credit to the 'priority' sector has gone down from 40 per cent (in 1990-91) to 36 per cent (in 1992-93) The rate of interest has officially been lowered over the past two years, but whom has it benefited? The government now only prescribes a minimum rate, and the minimum rate for commercial bank lending has been lowered from 19 per cent to 17 per cent But small borrowers still have to pay 22 per cent or more to commercial banks, when the latter agree to make such loans at all In the informal sector—from where small producers have to obtain the bulk of their finance—the going rate is 5 per cent per month, or 60 per cent per annum By freeing the banking sector from its obligation to make loans to the priority sector (agriculture, small industries, etc) by stating publicly that the banks should lend only as per their commercial judgment with no ceiling on the rate of interest—without putting in place an alternative credit structure for meeting the credit needs of rural borrowers—have we promoted either the efficiency of the overall production system in the country?

By allowing import of power generation equipment, at much higher cost than that of domestic equipment suppliers, have we promoted either the efficiency of the economy as a whole, or even of the limited area of power generation?

How, in other words, does one define efficiency?

We have not cited the Oxford English Dictionary meaning of efficiency because therein the meaning of the word does not strictly relate to economic efficiency (being efficient is to be "productive of effects", an efficient person being "adequately skilled and active") The definition makes it, in legal parlance, 'an open and shut question' The Webster Dictionary, being American, comes closer efficiency is defined as "effective operation as measured by a comparison of production with cost (as in energy, time and money)" This is an acceptable definition, but again, when government intervenes in any manner—even in regard to the removal of earlier interventions—the efficiency of the measures can be judged only by the resultant overall aggregative efficiency of the entire production system, as compared to the earlier level of efficiency

And, if we were to judge by the overall rate of growth of the economy over 1991-92, 1992 93 and 1993-94, we would be seen to be far less efficient today than in the past

This essay is *not* concerned with the ongoing reforms, their rationale and their effectiveness The purport of this essay is to question those who assume (or who pronounce) that India has now become a liberal economy

India is *not* a liberal economy To be a liberal economy, India has to move strictly in accord with the direction laid down in the Constitution, in the Directive Principles of State Policy, in the matter of equality before law of all citizens of this country, in matters such as the Right to Information

Indeed, the so-called economic liberalisation policies have been violative of the Constitution Those in charge of governance need to recognise this

Old Hands at an Old Game

GPD

Indians and Pakistanis do not learn the lessons of history easily; all the same, there might not be a war between 'them' and 'us' after all.

THERE have been three-and-a-half wars (the little skirmish in the Rann of Kutch counting as half a war) between them (the Pakistanis) and us. Add to that the holocaust of the partition. One would think that this experience would make the people (who matter) in New Delhi and Islamabad pause and think before they turn relations between them into a theatre of the (cruel) absurd. Obviously, that is not the case. The subcontinental politicians and statespersons are a special and unique breed. It was in December 1989 that George Fernandes, then railway minister, came out with a statement on Tibet. In no other cabinet system would a railway minister issue a statement which has a bearing on foreign policy. Nawaz Sharief, the former prime minister of Pakistan, has announced that Pakistan is a nuclear power. Issues of defence, security and foreign policy would not be talked about so lightly and irresponsibly in other democracies. But South Asian culture or the essential unity of erstwhile India is demonstrated usually through such acts of irresponsibility. Fernandes provided an example; Nawaz Sharief has provided another; and Benazir Bhutto's proposed and now frustrated trip to the Gaza Strip is yet one more.

It is not our purpose to establish if Pakistan does or does not have nuclear weapons. In any event, the government in New Delhi would know if it has. Nawaz Sharief's statement that nuclear weapons could be used in an Indo-Pak conflict is what is crucial. Here then we have a leadership which can and does speak of conflict and the use of nuclear weapons quite freely. Sharief might have done so with an eye to creating problems between Benazir Bhutto and the Americans. His performance in London last week would suggest that he was trying to create his own version of Zulfiqar Ali Bhutto's 'Islamic Bomb' slogan. Essentially all this bravado seems to be a rather crude exercise in political one-upmanship, which is unlikely to do any good either to Pakistan or to India-Pakistan relations. At the official level, the American and Indian governments have reacted to the Nawaz Sharief statement with considerable caution and have tended not to make an issue of the Pakistani nuclear capability, whether real or otherwise.

But this makes it necessary that the deteriorating relations between India and Pakistan are attended to as early as possible. As long as the Kashmir situation remains what it is, this would appear to be near-impossible. It is possible to argue that the Indian elite was never so closed in its attitude to the idea of a normal, working relations with Pakistan. Many commentators have drawn attention to the sabre-rattling between India and Pakistan which is perhaps more threatening today than ever before. The dialogue between policy-makers in Islamabad and New Delhi is increasingly becoming a dialogue between the deaf, or perhaps between two people who do not understand a word of each other's language. They react to sounds and judge each other's tempers and react to them in equal measure. This is probably what the mutual expulsion of diplomats amount to. We have not yet seen the high commissioners themselves being expelled. But even that cannot be ruled out. After all, something similar had happened between India and China. It was not quite a case of expulsion. It was a case of withdrawal of ambassadors. One cannot rule out a repetition of that scenario between India and Pakistan. In short, Indo-Pakistani relations have never been so bad since the 1971 war as they seem to be today. Are we heading for another war? L K Advani thinks that we are. In his case we can blame a lot on the factor of wishful thinking. But is it only that?

Enough has been written on the prime minister's remarks in his Red Fort speech on independence day. Narasimha Rao acknowledged only one unaccomplished task in Kashmir and that was the recovery of that part of Kashmir which is under the occupation of Pakistan. Was this a kind of sabre-rattling? The PM assured the country that Kashmir would stay with us. Riaz Khokar, the Pakistani high commissioner, was listening to his speech and the Doordarshan cameras focused on him more than once. We once overheard him greeting an Indian journalist in chaste, Sanskritised Hindi. So he must have understood the PM's sarcasm when he said that Pakistan, he had heard, was planning to raise the Kashmir issue even at the conference of 'swasthya mantris' (health ministers). What does this new belligerence amount to and what does it mean?

It would seem that bellicose statements apart, there is unlikely to be a war between India and Pakistan. India does not need it. Pakistan does not want it. Benazir Bhutto is a 'modern' statesperson and fundamentalist jingoism that a war with India will inevitably generate will seal her future. Even Nawaz Sharief would not want a war with India. His nuclear bomb statement was irresponsible, but that is an 'Indian' weakness. But the essential unity of the subcontinent which takes different forms has made everyone aware by this time of the fact that joint suicide is usually attempted in a condition of love, rarely in one of hate. This is perhaps the reason why Indians and Pakistanis have been blowing hot and cold for the last two decades. This is a sub-continent of myths and mythologies. That is why Bhutto spoke of a 'thousand-year war'. That is also why Rao speaks of the recovery of the 'lost territory' in Kashmir. South Asian nationalism was once civilisational. Now it has become 'territorial'. But one should perhaps not read too much into these periodic rhetorical outbursts.

You might think that the words (and diplomats) lately being exchanged between India and Pakistan amount to a lot more than just rhetoric. Indeed, they do. Yet the chances are that they are not signals of an imminent conflict. Let us look at what Rao said on August 15.

The PM said that Kashmir would stay with us. This means that a piece of territory that belongs to us will stay with us. What you have is negotiable. This is one way of looking at the statement. Another meaning could be that the Indian prime minister was making a calculated reference to the ceasefire-line in Kashmir. The reference was calculated in the sense that in terms of bilateral relations the only reality that matters to India and Pakistan in Kashmir is that line. Insurgency or militancy in Kashmir is a separate issue. Pakistan should keep off it and talk of matters which are, strictly speaking, matters concerning states of Pakistan and India. It would appear—or, at any rate, it is a plausible hypothesis—that Rao was saying that if anything needed to be changed, it was that line and the unstated part was that, since it cannot be changed, someday it could be at the frontier between India and Pakistan. Nehru must have agreed to the ceasefire line in the hope that it would someday form the basis of a frontier arrangement between India and Pakistan. It does seem to us that Rao might have had that possibility in mind. Whether it is Nawaz Sharief or Benazir Bhutto, Rao must have reckoned, nobody in Pakistan wants to fight liberation wars. We shall divide Kashmir between the two of us or, rather, since it has remained divided between us for so many years, why not treat the matter as closed, Rao seemed to ask.

This, of course, is only a hypothesis. Besides, there is no guarantee that Pakistan would accept the idea even with minor adjustments. What Rao has suggested, if our hypothesis is right, is a good piece of advice. Keep away from the 'liberators' and come close to us; the ceasefire line could be a good starting point.

Nothing will eventually come of it. Indians and Pakistanis do not learn the lessons of history easily. But meanwhile, people such as the present commentator can draw some satisfaction that there might not after all be a war between 'them' and 'us'.

ANDHRA PRADESH

All Kapus as BCs

Reducing Reservation to a Farce

M Shatrugna

In a desperate move to garner support for the forthcoming assembly elections, the Andhra Pradesh chief minister has sidelined the backward classes commission appointed by the Congress(I) government itself and hurriedly issued a government order including all Kapus and all Muslims in the list of backward classes eligible for reservation in the state, thereby reducing the whole system of reservation to a farce and an object of ridicule.

BY announcing the inclusion of Kapus, Muslims and 12 other communities in the list of backward classes, chief minister Kotla Vijaya Bhaskar Reddy has fired the first shot in the electioneering for the ensuing assembly polls. The decision is laced with hypocrisy and political fraud.

Though Articles 15(4) and 16(4) of the Constitution empower the state to give affirmative protection to the backward classes, those eligible are first to be identified. This is normally done by a commission appointed under the Commission of Inquiry Act 1952. The first such commission was appointed in the state in 1968 during the regime of Kasu Brahmananda Reddy. Popularly known as the Anantaraman Committee, its terms of reference included determining (1) the criteria to be adopted to identify the socially and economically backward classes setting out also their approximate numbers and their territorial distribution, (2) reservation of seats in educational institutions maintained by the state, (3) percentage of such reservations, (4) quantum of assistance and period for which the assistance was to be given, and (5) reservation of appointments, percentage of such reservations and the time frame.

But before the Anantaraman Commission could work out the modalities, it had to look into the constitutional provisions on reservations. When the Constitution came into force on January 26, 1950, it did not contain the exception clause (4) in Article 15. There was an order of the Madras government, known as Communal GO No 1254, Education, dated June 17, 1948, regulating admission to the medical and engineering colleges in Madras state on the basis of caste or communities. After the Constitution came into being, the validity (of the order) was questioned in the Madras High Court in the now famous Champakam Dorairajan vs State of Madras case. The high court found that this regulation offended against the fundamental rights guaranteed to citizens by Articles 15(1) and 29(2). The high court, therefore, held that selections made on the basis of the Communal GO were unconstitutional.

The matter was taken in appeal to the Supreme Court and the apex court finally dismissed the appeal (AIR 1951 SC, 266). The dismissal of the appeal led to a wave of protest and agitation in Madras, which made Jawaharlal Nehru take the initiative to look into the reservation issue afresh. Accordingly the government of India felt that some special provision must be made for the educational advancement of the backward classes as the BCs cannot claim benefits under Act 16(4) if they are not educated. Accordingly clause (4) was added to Article (15) conferring such benefits. Incidentally it was the (First Amendment) Act 1951 of the Constitution.

But 15(4) does not define social and educational backwardness. Secondly, doubts were expressed whether 15(4) covered both social and educational backwardness or either one of the two. This was clarified by the Supreme Court in (Balaji vs State of Mysore) wherein it has been observed that " the backwardness under Articles 15(4) must be social and educational. It is not either social or educational but it is both social and educational."

By the time the united Andhra Pradesh was formed on November 1, 1956, the former Andhra state (formed out of the Madras Presidency in 1953) had a BC list of 86 and the former Hyderabad state segment (Telengana) had a list of 60, thus totalling 146 castes. With this background the Anantaraman Commission, after an elaborate exercise, prepared a questionnaire listing the criterion for social and educational backwardness and identified four categories of backward classes with aboriginal tribes, vimukta jathis, nomadic and semi-nomadic tribes covering category A, vocational groups under B, harijan converts under C and D covering other classes. The commission had recommended 30 per cent as BC reservations with 7 per cent under (A), 13 per cent under (B), 1 per cent under (C) and 9 per cent under (D). While A covered 37 castes, B had 21 castes, C had scheduled caste converts into Christianity and D 33 other castes. It is interesting that neither Kapus nor Muslims in general were accepted by the AR Commission as BCs, though a number of representations were made by the Muslim community for favourable consideration. While rejecting the demand that 'all' Muslims should be regarded as BCs, the commission has agreed to include certain sections of Muslims who over the years have been treated as low in social position due to the nature of their profession and educational backwardness. For instance, the Dudekula (Laddaf, Noorbash) section of the Muslims were included in the BC list as "most of this class of Muslims are converts from lower ranks. Their traditional occupation was cotton ginning, making of beds, pillows, etc. They are treated as a separate class even by the Muslims and they are not allowed to inter-marry with the other Muslims. They are looked down low in society, both by the Muslims and Hindus" (AP Report, p 202). The commission had included this section of Muslims in BC list in the 'B' category. The Majlis Ittehadul Muslimeen (MIM) had represented to the commission that all Muslims who were not assessed for income tax (economic criterion) should be treated as BCs. The commission had rightly rejected the demand.

While accepting the report the state government had decided to give 25 per cent reservations to the BCs. The commission further recommended that reservations may be allowed for a period of 10 years subject to revision. After 12 years, in 1982 the state government appointed another commission called the N K Muralidhar Rao commission to review the implementation of the recommendations made by the Anantaraman Commission. Also, for the first time the demand of the minority communities formed a part of the terms of reference.

The Muralidhar Rao (MR) Commission, following the AR Commission guidelines, recommended five categories. While retaining almost the same list in the A and B categories, it shifted SC converts to E category and divided the earlier D group into C (miscellaneous professions) and D (OBCs). The additional list included all the castes listed by the 1970 commission and nine others—Gajula Balija, Quraishi (Muslim butchers), Ayyerukala, Kasi-Kapadi, Kurakula, Nagaralu, Pala Ekar, Patra and Pondara. While rejecting the demand for inclusion of Muslims in the BC categories, it retained the earlier categories, viz, Dudekula and Mehtars, the latter added by a government order. Similarly the demand of the Sikhs was also rejected. The other recommendations included the upward revision of reservations from 25 per cent to

44 per cent (as in the view of the commission, the BCs constituted about 52 per cent of the total population of the state) and reservations for a period of 25 years (one generation), subject to review. As earlier, the Kapu community nowhere figured in the MR report. The MR further found that the reservations had not been fully implemented in a number of departments. For instance, in the AP Agriculture University there were 2 BC professors out of 35, 10 associate professors out of 137, 61 assistant professors out of 688. In the high court (government pleaders, public prosecutors and juniors) and Muftasil courts, only 12 per cent belonged to the BC classes. Economic benefits like subsidised housing was provided to only 17.5 per cent of BCs in 1979, increasing to 18.5 per cent in 1980-81.

The most significant recommendation of the MR Commission was that reservations should be enhanced to 44 per cent.

But in January 1983 the state saw the eclipse of the Congress(I) government headed by Kotla Vijaya Bhaskara Reddy and the coming into power of TDP. With the TDP posing a challenge to Indira Gandhi at the centre politics in the state took a despicable turn with the convening of a BC conference by Shiv Shankar of the HBW-gas pipeline fame. Shiv Shankar, belonging to the Mannuru Kapu community (BC) had never won even a municipal election so far. A legal aide of Indira Gandhi after the Emergency, he was a former judge of the AP High Court. A political manipulator, he was the government counsel in the Justice Bhargava Commission set up by the Janata government to enquire into naxalite killings in Andhra Pradesh. Defeated in the 1984 Lok Sabha polls, he was made a Rajya Sabha member from Gujarat by Indira Gandhi. After having failed to rally the BCs under the Congress(I) in 1986, he unwittingly strengthened the hands of NTR. In the political charade NTR proved to be cleverer. He established himself as the unchallenged champion of the BCs by 'enhancing' BC reservations to 40 per cent. When the state high court struck down the government order, he deliberately refused to go to the apex court. But the MR Commission's main recommendation of 44 per cent reservation for the BCs was never accepted. The old policy of 25 per cent reservations continued.

Though the TDP lost power in the 1989 elections, successive Congress(I) chief ministers did not change the basic policy on reservations, though they criticised NTR on the issue when they were out of power.

Mudragada Padmanabham, a prosperous Kapu leader from East Godavari district, was a Congress MLA in 1978 but switched to the TDP in 1982 to win the assembly seat in the 1983 and 1985 polls. He was a minister between 1985 and 1988 and had resigned from the ministry in 1988, just before the 1988 Kamma-Kapu riots in Krishna district

[illegible] in 1988 of the Kapu and a known 'rowdy-sheeter' of Vijayawada, Vangaveeti Mohan Ranga, Padmanabham was asked to preside over the first major Kapu conference in Vijayawada drawing the attention of his community to his "non-corrupt, clean" image

In the 1989 elections, he contested on the Congress(I) symbol and was elected He was included in the N Janardhan Reddy ministry, but Kotla kept him out Piqued, he vowed to avenge the insult But there was no political issue on which he could fight Kotla The only issue that could confer Kapu leadership on him and indirectly help him fight the fledgling BSP of Kanshi Ram was the BC one In a calculated move he resigned from the assembly, returned to his village and demanded the inclusion of Kapus in the BC category

Kapus are historically attached to land as watchmen, agriculturists and, more recently, big farmers Prosperitywise they are below the Kamma community There are four types of Kapus in Andhra called 'Toorpu (eastern) Kapus' in the north coastal districts of Srikakulam Vijayanagaram and Visakhapatnam, 'Kapus' in the agriculturally prosperous districts of Godavaries, Krishna and Guntur, 'Balijas' in the Rayalaseema districts and 'Munnuru Kapus' in the Telengana districts Toorpu Kapus and Munnuru Kapus are listed BCs The total population of the Kapus is around 12 per cent of which about 5 per cent are listed BCs In other words, if reservations are extended to all Kapus, they form a formidable 12 per cent and tilt the electoral balance significantly Politically they are a strong group As 25 per cent of the population is already listed as BCs for reservations, in the new setting, reservations can go up to 32 per cent for the BC category alone

Initially Kotla pooh-poohed Padmanabham's idea Branding the demand as illegal, unconstitutional and unjustified, he refused to entertain him

Developments outside the state had also indirectly helped Padmanabham Just after the Ayodhya incidents, the Supreme Court in a historic judgment ruled that as there was a lot of confusion about the enumeration of BCs following the Mandal Commission findings, the state governments should appoint their own BC commissions to take stock of the situation afresh Accordingly, the Andhra Pradesh government had created a BC commission through an act of the state legislature and after much search appointed Justice Puttaswamy from Karnataka to head the third BC commission As in the past, many groups and individuals approached the commission to consider their demand for inclusion in the BC list.

Meanwhile, after a shaky start, the Kapu agitation under Padmanabham took a violent turn in June this year leading to police firing Even then Kotla dismissed the Kapus' demand as unconstitutional and untenable But politics of the Congress(I) variety has its own inner logic When Mudragada went on a 'fast unto death' in July, Kotla, who was already facing a challenge to his leadership from YSR, agreed to Mudragada's plea for inclusion of Kapus in the BC category The vigilant Padmanabham called off his fast unto death Then Kotla triumphantly announced that he would request the Puttaswamy Commission to submit its report by August 31 this year with the inclusion of Kapus in the BC list When asked to comment on this, Justice Puttaswamy curtly told the press that "it is impossible to finalise the report by August 31" and added that the commission would follow its own procedure to identify 'new' BCs and follow its own time-frame With time running out Kotla in a swift move called a cabinet meeting on August 23 and informed a stunned cabinet that an additional 14 castes, including Kapus and Muslims, would be added to the 'new' BC list A press note issued after the cabinet meeting gave the details It is worth quoting the note

The list of backward classes now in force is based on the recommendations of the Anantharaman Commission appointed in the year 1968 Subsequently another commission constituted with a single member Sri N K Muralidhar Rao in the year 1982 submitted its report the same year This commission has after a thorough examination of the social and educational backwardness of the various castes and communities recommended the inclusion of nine castes/communities in the list of backward classes However, for various reasons they could not as yet be treated as backward classes

(2) There has been a persistent demand from the aforesaid nine castes recommended by Muralidhar Rao Commission Kapus Balijas Telegas Ontari and Muslims for inclusion in the list of backward classes While the matter stood thus the government of India sought to implement the report of Mandal Commission on Backward Classes and in the resultant litigation the Supreme Court recommended the constitution of a permanent body to examine the complaints of wrong inclusion or non inclusion of groups in the list of backward classes On the directions of the Supreme Court the government of Andhra Pradesh constituted the Andhra Pradesh Commission for Backward Classes (hereinafter in this Order referred to as the Commission) by the Andhra Pradesh Act No 20 of 1993

(3) While the commission was examining the representations from various communities for inclusion in the list of backward classes, there has been considerable unrest among the members of various castes and communities in support of their long pending demand and the government initially extended certain non statutory educational benefits to students of certain castes whose parent's or guardian's income is Rs 12,000 or less per annum Similarly, certain economic support schemes have also been extended to persons whose income is less than Rs 6 000 PA in the orders read above These benefits were subsequently extended to Muslims also

(4) However the mere extension of economic benefits is not adequate and will not entitle these castes for reservation of seats in educational institutions and for the reservation of jobs in government and local bodies, which indeed is their main demand In fact certain castes who are similarly situated are already included in the list of backward classes in certain regions of this state and other neighbouring states In these circumstances, the government made a request to the Commission for an interim report in regard to the social and educational backwardness of these castes and communities But the commission expressed its inability to do so

(5) Normally before any caste or community is included or excluded from the list of backward classes the government is expected to seek a report from the commission and then take appropriate action It is not the policy of the government under normal circumstances to deviate from this procedure But so far as the demand of the castes and communities under reference for inclusion in the list of backward classes is concerned it is a long pending demand with a mass support sometimes even causing unrest for the simple reason that certain communities which are more or less on par with them in the matter of social and educational backwardness have already been included in the list of backward classes Thus a feeling of iniquity has been generated in those communities giving rise to emotional upsurges for social justice

(6) In the above backdrop of events and demands and pending receipt of the report of the commission the government hereby orders that [14 other] castes/communities shall be treated as socially and educationally backward classes of citizens for the purpose of reservation of seats in educational institutions and for recruitment to jobs in government, local bodies etc

(7) Any reservation to the communities hereby ordered to be included in the list of backward classes will not cut into the quantum of reservation available to those who are already recognised as backward classes

(8) The government also hereby orders that separate orders shall issue in respect of the following matters based on the report of the commission namely

(i) the percentage of reservation to be earmarked to the castes and communities included by this order in the list of backward classes, (ii) the group/classification/class in which they should be included (iii) the economic criteria to be applied for the entitlement of the benefits extended to the backward classes under the rules

(9) The inclusion of the castes and communities by this order in the list of backward classes shall not however affect the admission into educational institutions for the academic year 1994 95 or the selection to the services under government local bodies etc, for which the process has already commenced

(10) As the reservations contemplated to the castes and communities included in the list of backward classes by this order are in addition to the quantum of reservations available to castes and communities already included in the list of backward classes, government will take suitable action in order to provide for reservations in excess of 50 per cent

nities for inclusion in the list of backward classes which are now pending before the commission will be examined separately.

The above passage clearly shows that the chief minister sought to pressurise the commission to meet his own political and personal ends. The government logic appears to be in case Puttaswamy refuses to agree to the demand of the government, it would legislate reservations crossing 50 per cent, thus paving the way for the inclusion of enhanced reservations in the Ninth Schedule of the Constitution. The Tamil Nadu example appears to have emboldened the government to go ahead with this political measure to silence not only its detractors within the party but also the challenge of the TDP. The frequent visits of BSP leader Kanshi Ram to seek a foothold in the state also appears to have influenced the government decision. While the opposition parties dubbed the Congress(I) decision as a political fraud, Congress(I) dissident/ageing/out of power BC leaders opposed the move. But some did a volte-face within 24 hours. For instance, K V Kesavulu opposed the move along with a number of other BC leaders initially, but ate humble pie the next day welcoming the government move. Known to be a P V Narasimha Rao follower, it is likely that more dissidents will follow his footsteps showing their allegiance to PV, especially in view of the ensuing elections. While non-Congress(I) BC leader R Krishnayya went to the high court challenging the government order, strangely none of the BC or SC or ST organisations have challenged the government policy in the courts.

Significantly, the BSP which is supposed to speak on behalf of the BCs, SC, ST, Muslims and women has remained silent on the issue. According to a senior BSP leader, 'absorbing' the Kapus in the BC category has meant that one section of the 'upper castes' is 'disarmed'. Surprisingly, apart from the Left parties, only the BJP has taken the position that the commission should be given the power to decide who else should be included in the new list; it also opposed the inclusion of Muslims *en masse* as this would give a 'double-benefit' to the Muslims. Christians have also asked for their community to be included. Thus the entire BC reservation issue has become a comic opera in the state.

Post-script: Admitting a petition challenging the government order in the state high court, Justice Nayak stayed the operation of the GO and asked the government to file a counter. The advocate general laconically requested three weeks' time to file the counter, on the ground that the issue was not that "pressing". This was followed by an announcement of the chief minister in Vijayawada on August 30 that the state government would seek vacation of the stay and would approach the Supreme Court if necessary.

USAID: Aid to US

Malini Bhattacharya

Does the USAID project for providing $ 325 million for family planning in India mean aid to India or aid for American drug transnationals to sell their novel contraceptive devices here?

THE United States Agency for International Development—USAID in short—is the conduit for development aid from the United States to backward countries like India. In July 1992, a new bond was created between India and the United States through an understanding negotiated by this body. The American ruling class, who sincerely consider themselves trustees for global development, are of the opinion that in spite of the up-to-date ignition from the new economic policy the Indian rocket of progress is being constantly pulled down by the weight of population growth. Therefore what this hapless country needs is new technologies and advanced counsel from specialists in the field of family planning. They are worried that poor India may not be able to take advantage of the new technological regime because of financial constraints. The July 1992 project therefore is pumping 325 million American dollars into family planning work; 225 million would be spent on imports as well as indigenous accounts, but 100 million would be earmarked for equipment, formulations and technology obtainable from AID/Washington. This 10-year project would be primarily confined to Uttar Pradesh, one of the most backward states in this regard. It is of course being hoped that in due course this will be the principal model for a national programme.

The 1991 census puts population growth rate at 2.14 per cent slightly lower than the last two decades. But the national goal of lowering the figure to 1.2 appears more and more distant; the plan of reaching the target by 2006-2011 is now being pushed back to the years 2011-2016, and questions are being raised about that too. We must notice that though the mean fertility rate for women has come down from 5.97 in 1951 to 3.9 in 1991, the average rate of population growth has not come down as expected. The reason of course is that population growth does not depend solely on the birth rate. The infant mortality rate has also come down from 146 in a thousand in 1951-61 to 80 in 1981-91. This does not at all prove that family planning projects have failed completely. But the Indian rulers have in the last few years acted on the assumption that the family planning technologies are the sole means of population control—a mindset which fits in beautifully with the USAID regime.

Why has not the family planning programme taken root in India in spite of massive expenditure and prodigious publicity? The coercive sterilisation programme, a brain-child of Sanjay Gandhi, raised such a strong reaction among the people that the authorities have since preached family planning programmes as a completely voluntary measure in this democratic society. The programme is now known as family welfare, and the government department is also similarly named. The nomenclature accepts that an ordinary man will be motivated towards family planning only when he is assured of longevity, health and nutrition of the children and of an improvement in the standard of living as a result. This acknowledgement by the government had resulted in the adoption of programmes like the Integrated Child Development Scheme and the UNICEF-sponsored Universal Immunisation Programme. If these programmes were made equally effective throughout the country and the money utilised to bring all mothers and children under such a welfare net, the close link between family welfare and family planning would be evident. But public health distribution system remains rudimentary in most of the states, while state expenditure on health is declining. It will take the ICDS scheme at least 10 years to cover all blocks even if it goes on at the present rate. The reason is the lack of political will on the part of our rulers. If there are disincentives to family planning, the reason lies in utter poverty, lack of educational opportunities, fear of child mortality and widespread use of child labour. However, these economic and ideological constraints have not prevented the women from poorer sections from demanding more widespread aid in family planning.

To meet this demand what was needed was an extension of welfare programmes and the supply of easy, cheap and safe birth control materials to couples. But our masters in politics and administration appear to be too impatient to stick to customary procedures like the barrier-methods (condom, diaphragm, etc), or even terminal methods like sterilisation and vasectomy. All kinds of novel birth control technologies are now sought to be pushed into family planning programmes—technologies which are not yet sufficiently tested, which may disrupt normal bodily processes through hormonal intervention and which are in any case to be applied under full medical supervision. And these measures are almost wholly targeted on women. Even among customary terminal methods 96 per cent of applications are confined to women's sterilisation. The new experimental methods are largely tested on women who are poor, backward and illiterate. One has the suspicion that the authorities have conveniently chosen the unorganised women of backward sections who would suffer in silence the possible physical and mental damage resulting from such indirect coercion. Among these are new invasive methods like Norplant, Net-N, etc. If now we remember that these methods are the property of the transnational drug corporations of the United States and Germany we will be in a position to unravel the mystery of US generosity. In fact, the controversial Depo Provera has already been pushed into the market apparently without completing the mandatory clinical trials in Indian conditions.

These drug transnationals have always tried to experiment with new technologies in third world countries before their introduction to the west. Depo Provera, which is banned in the US, was sought to be tested in Bangladesh. Norplant is permitted in the US but it is completely unsuitable in a country like India where proper medical supervision is impossible. About two years ago Norplant-2, an earlier version of Norplant, was inserted into 1,200 women from Uttar Pradesh who were all itinerant daily labourers. No one bothered to trace these hapless creatures who had disappeared with these hormone-filled capsules in their body. The then minister, Fotedar, had promised the agitating women's organisations in Delhi that new contraceptive methods would not be included in the family planning programmes till experiments were completed. How could the authorities be sure of the efficacy and safety of the new methods within a year? Is it because they are in a desperate hurry to respond to USAID?

Does the USAID project mean aid to India then? Or is it an aid from India to the American drug transnationals to sell their novel contraceptive devices? We must remember that India has to spend the rupee equivalent of 400 million dollars to match the USAID contribution of 225 millions. The whole of this amount will be spent on the extension, development and publicisation of novel birth control measures. Not a single paisa of this can be spent on family welfare programmes. The experiments will be carried out in remote, backward and poorer localities, not usually under observation. Materials and technologies have to be bought from the United States; the materials, technologies, training programmes and officials employed under the terms of the treaty will be exempted from all Indian taxes. The project will be supervised by an autonomous body, comprised by representatives of the government of India, government of Uttar Pradesh, USAID, voluntary organisations and corporate bodies. This autonomous body will unilaterally, without any reference to the government or the parliament, prepare its budget, assign grants to both government and non-government organisations, enter into contracts and employ as well as dismiss workers. It will also be free to contract out to voluntary organisations the extension of innovative birth control measures. The reason is simple: whatever happens to us, we must pave the way for the drug transnationals in our country.

Muddle of Partial Privatisation of Banks

N P Kurup

The banks which are eager to go to the market to raise capital are mostly those which have already achieved the prescribed capital adequacy ratio. Further, though legislation has been enacted to enable banks to issue shares to the public, many practical difficulties have cropped up.

THE profit-making nationalised banks are very enthusiastic to take the capital market route. Reports indicate that Oriental Bank of Commerce, a small profitable bank, has received sanctions from the RBI and the government for its proposal for share issue. The interesting part of the story is that most of the capital market aspirants have achieved the prescribed capital adequacy ratio of 8 per cent and Canara's ratio stands at an impressive 12.06 per cent. Yet the bank has plans to come out with a public issue as stated in its annual report. The government, which owns these banks, appears to be not that eager for privatisation, though the backseat reformers may be pressing for it. This raises the question as to what are the objectives behind the over-eagerness being shown by banks to take the capital market route.

Before searching for answers to the question, let us look at the steps taken by the government to facilitate partial privatisation. The bank nationalisation acts of 1970 and 1980 did not permit private shareholding. Therefore, the Banking Companies (Acquisition and Transfer of Undertakings) Act 1994 was introduced. In terms of this act, the central government's minimum holding of share capital was reduced to 51 per cent and a maximum of 49 per cent could be raised by public issue of shares which shall be freely transferable. The representation of private shareholders on the boards of directors of the banks has been linked to the extent of private share of holding, 2 directors if private shareholding is not more than 20 per cent, not more than 4 directors for private shareholding between 20 and 40 per cent and not more than 6 directors for private shareholding above 40 per cent. The voting rights of a shareholder has been limited to 1 per cent of the total voting rights of all shareholders including central government.

Though the legislation enables banks to issue shares to the public, many practical difficulties have cropped up. With the infusion of Rs 5,700 crore to the share capital of various banks in January this year, there is a problem of banks having too much equity; a large equity base implies low earnings per share. The government of India's Discussion Paper (December 1993) acknowledged this but observed that "both these problems could be solved by the write-down of government equity against accumulated losses, but this is not permitted under current law". Therefore, the logical course would have been to amend the law, but the law enacted contains no such provisions. Even a provision to adjust government equity against accumulated losses would not help the profit-making banks as they have no losses to be written down. Therefore, these banks are making representation after representation to convert part of their equity into long-term loan which will form part of Tier II capital. In the case of banks like Canara, even if government equity is converted into Tier II capital, the capital adequacy ratio will be very high and, therefore, they want to return the capital already subscribed by the government. The law ministry's view that the existing legislation did not permit reduction in the equity of nationalised banks has put a spoke in the wheel and the banking department is reported to be considering fresh legislation for the purpose. While banks are blaming the government for inadequate legislation, the government and RBI are pointing fingers at the absolute lack of any meaningful information system or planning in the banks. As reported by *Business Standard*, a senior RBI official revealed that one bank chairman first came and asked for Rs 2,000 crore for the recapitalisation of his bank. When the chairman met him next he said that Rs 1,500 crore was enough. At the third meeting the chairman said that he did not want a single paisa more than Rs 1,000 crore. The story of the profit-making banks is not much different. During 1993 every bank was clamouring for a higher share out of the budgetary allocation of Rs 5,700 crore. Now there are few takers for the current year's allocation of Rs 5,600 crore for subscription to the capital of banks.

A victim of banking sector reforms is Punjab National Bank, a well-managed profitable bank which is celebrating its centenary now. As part of the banking sector reform process, New Bank of India, the smallest of the nationalised banks in terms of assets but far above three others in number of employees and with accumulated losses and carry over provisions of about Rs 450 crore was merged with PNB in September 1993. As the NBI was incurring an annual operational loss of about Rs 70 crore, PNB made determined efforts to ensure that it continued to remain at the top of nationalised banks in terms of net profit as also social banking, even after absorbing the operational losses of the branches of the NBI. But the merger scheme, which was perfunctory in character, contained no provisions as to the manner in which the losses of NBI should be adjusted. If the losses are not adjusted against the capital of NBI (Rs 186 crore) and the balance covered by cash payment by government of India as on March 31, 1994, PNB's profit and loss statement cannot escape showing losses, for the first time in its long history and that too in the centenary year. Perhaps, creative accounting may find a way to camouflage the loss. But it is having a terrible demoralising impact on the staff at all levels. Creative efforts or good work does not come from logical reasoning; the much talked about 'commitment' is an emotional phenomenon in which pride in the organisation, pride in oneself, etc, plays a crucial part in the drive towards excellence.

As one who had been campaigning to mould PNB as a profitable and socially responsible bank, it was this writer's experience that the message to staff that 'PNB is the best address for a bank employee' had a wonderful reception touching the heart of every employee, motivating her or him to better performance. But in the bureaucratic world, these emotional aspects of performance of an organisation have little relevance; to them an institution is only a pawn in a bigger game. The government wanted an amalgamation of a weak bank to show the World Bank that India is restructuring the inefficient government-owned banks. In such situations, the chief executives of the organisations have a wider responsibility going beyond complying with the wishes of the government; they have to display qualities of professional leadership of the organisation.

This writer has talked to many executives of a capital market aspirant bank to get an idea about their perception of the objective of taking the capital market route. Though all agreed that attaining capital adequacy is not the real objective, their perception of the real motive varied from executive to executive. One felt that raising capital from the market is now a hallmark of distinction, a distinct identity for the bank from that of nationalised banks as a whole. Another felt that the share premium could add to the reserves of the bank. It was also said that the obligation-free share premium may contribute to the profits of the bank, though its impact will only be marginal for major banks with resources of about Rs 20,000 crore. Perhaps the most important objective behind the enthusiasm for taking the capital market route is that it will facilitate more autonomy for bank management. To some extent, even a small percentage of private shareholding would strengthen the hands of management against political and bureaucratic intervention in the day-to-day affairs of the bank. But autonomy along with responsibility to give results is required equally for other banks. The sooner it is done the better for the banks and the country.

Malaysia: The Unstoppable Tiger?

Frederic F Clairmont

The inevitable corollary of accumulation wedded to liberalisation, privatisation and accelerated integration into the world market is the frenzied drive to capital concentration in Malaysia. The global and domestic reverberations of these cataclysmic changes will, however, be vastly different from what the country's corporate expansionists and their political promoters are hoping for.

MALAYSIA, that resplendent crown jewel of the Raj, was a colony from 1786 to 1957, except for a brief interlude (1942-45) when another imperial predator made a desperate lunge to gouge out its share of the lush colonial pickings. The region's prodigious mining, fisheries, plantations and timber resources are legendary: one of the towering arches in the edifice of Victorian imperialism—and they are all British, as prime minister Benjamin Disraeli (1804-81), a big-time speculator in Peninsular plantation and mining stocks, always gloated. The pillage was shared to a piddling extent with the ideal collaborationist stooges of Empire: the Sultans[1] the counterparts to the princely states of India.

Malaysia, as any perfunctory visitor to its throbbing cities and countryside discerns, is a capitalist nation (19m) on the boil. Its euphoric national mood smacks, at times, of an arrogant triumphalism; in blatant contrast not only to stricken third world regions, but no less so to OECD countries battered by soaring joblessness, the cracking of the Welfare State, disembowelled political structures, swindles, kickbacks and political payola unlimited.

The Wall Street Journal pithily encapsulated this tumultuous breakthrough that still exhibits no traces of deceleration:[2] "Malaysia is flourishing: anyone who wants a job can find one. Exports of semi-conductors and autos are booming. Stores are thronged, suburbs are expanding, and the economy is racing about four times as fast as the OECD growth average." There is much more to the big boom than a barrel of glittering numbers would celebrate. As in Japan, before the political rot surfaced and the speculative bubble exploded, economic growth has become an engine fuelling national, cultural, racial identity and power: a conspicuous trait shared with China and the other Tigers.

'The grand Malaysian transformation', as one major Swiss investor extols, must be visualised also in the grimmer context of interminable crisis: volume of world merchandise exports fell to 2.5 per cent in 1993;[3] world production to 1.7 per cent. Symptomatic of capitalism's highly unequal development is that the business cycle is desynchronised: in the advanced capitalist countries *production* growth has steadily crumbled over the last decade, hitting an all-time low of -0.3 per cent in 1993;[4] in contrast, output growth in Asia has chalked up an annualised rate of 7.5 per cent over the last decade.[5]

Comparative gross saving and investment data portrays the prodigious force powering the Malaysian economy (see the table).

Malaysia is located at the epicentre[6] of one of the most dazzling regional socio-economic upheavals of all time, its metamorphosis into a fully fledged capitalist industrialised economy by 2020—at least that is the grand vision—cannot therefore be abstracted from the exponential burgeoning of Asian capitalism. The implications are immediately apparent: the world balance of industrial and financial power is swiftly shifting towards the east: in 1950, the anaemic Asia-Pacific region had an exiguous 3.5 per cent of world GDP; in 1994, this share will rise to 22; by the century's end, it will have rocketed to about one-third. As for its trajectory into the third millennium that is another drama of Promethean dimensions.

Configuration of Economic Power

Over the last quarter of a century Malaysia's growth has been stunning: between 1970 and 1980, its GDP rose by 8 per cent; by 7 per cent between 1980 and 1993. In this ethnically heterogeneous society where Malays are 52 per cent, Chinese 38 per cent and Indians 10 per cent a powerful manufacturing base financed by private domestic, public sector investments and TNCs has been galvanised. Land pressure is not a problem: population density is one-quarter that of Singapore, a half that of Thailand

Central planning may be dead in the nation that gave it birth (1928-32) but as a politico-institutional force it is very much alive in both Malaysia and Singapore, as a visiting Russian delegation was reminded, in a candid exchange, by a Malaysian academic who lived in Russia. "There is nothing miraculous about what's happening here", he argued. "You're no longer capable of setting yourselves short, medium- and long-term goals. In fact, you've ceased to have the political centralised foundations for growth; and above all the will for doing anything. Look at your currency. It's been debased to a point where it has almost ceased to exist. Your transport system is moribund. As to your social morality it's been dumped into the gutter. These are just some of the things which explain why our living standards are far higher than yours, and the gap between us is growing."

This censorious judgment from one who is himself critical of Kuala Lumpur, pinpoints the psychological tidal change that has swept the national consciousness. The UK, once held up as a model, notably by the Malays, is irrelevant, curtly dismissed oftentimes as a decadent nation. In the idiom of the Cultural Revolution there is much to learn from the UK—by 'negative example'.

There is no contradiction between central planning and the market dynamic as the planners insist. The market left to the anarchic thrust of power and profit is self-destructive. In their view central planning exists to ensure that the market protagonists are guided into more long-range rational decision-making channels. The current development plan ends in 1995, but is part of a far more elaborate blueprint that runs to 2020: the magic alliterative number plastered everywhere.

Over the last decade, the manufacturing sector alone has burgeoned 10 per cent yearly. Indubitably, the fruits of growth and productivity have not been egalitarian. Malaysia is a capitalist society, and a polarised one at that. At least there is no ideological cover-up. To their credit, however, the political elite incarnated in the United Malays National Organisation (UMNO),[7] in conjunction with foreign and domestic capitalists, have generated a full employment society. No mean achievement.

Consumption has climbed markedly; and so have all social indicators This has not, however, been achieved at the expense of agriculture although the urban/rural imbalances still exist. More primordial is the ethnic redistribution of the national cake, achieved by reverse discriminatory measures. The proportion of the Malays' shares in the nation's wealth has risen strikingly, yet, inconceivable without the

Table: Gross Domestic Investment and Savings

Selected Countries	GDI[1] 1970	GDI 1992	GDS[2] 1970	GDS 1992
Singapore	39	41	18	47
Malaysiaa	22	34	27	35
Hong Kong	21	29	25	30
Japan	39	31	40	34
France	27	20	27	21
US	18	16	18	15
UK	20	15	21	14
World	23	22	24	22

Notes: 1 Gross domestic investment. 2 Gross domestic savings.
Source: World Development Report, 1994.

no less phenomenal growth of the national cake. Redistributive strategies have thus reversed a socially explosive condition prevailing at the time of independence and the ethnic turbulence of 1969. Then Chinese (and to a lesser extent Indian) capital ruled the roost.

Yellow Press: Crime and Punishment

Murdoch and the Tory government did not anticipate Kuala Lumpur's blistering riposte when the ban became law on February 25. It was not in response to the crooked methods of the British government's financing of the Pergau Dam, but aimed against the baseless allegations of Murdoch's flagship, *The Sunday Times*, that bribes were showered on leading politicians, and on Mahatir personally. Precipitously, the anti-third world yellow press joined the bellowing.

The yellow media has always specialised in collecting garbage and dumping it on their victims' heads There was no need for accountability particularly against third world statesmen, 'the lesser breeds', who could not be expected to strike back. But KL did strike back with unimaginable severity Contracts were abrogated, wiping out at a stroke, tens of millions of pounds worth of business.

Given the sheer size of his money bags, Murdoch surmised that he could bash the 'wogs' with impunity The Tories and their yellow press miscalculated They failed to read the nation's pulse. The UMNO machine was vastly consolidated by the electoral victory in Sabah, former British North Borneo [8] Further, Mahatir was supported by all ethnic segments of indigenous capital. To be sure, it was greeted with hallelujahs by the foreign entrepreneurs for whom the ban was manna from heaven

The spurious media charges against Mahatir were the familiar run-of-the-mill filth: he was an authoritarian upstart obsessed with his own rhetoric, a man who never valued a free press, etc. Such sanctimonious baloney coming from corporate capital to whom the press is one commodity like any other: bought, sold and trafficked is the foulest of hypocrisies. For the UK, the confrontation proved devastating

No doubt in the fullness of time the ravages of the dispute will be mitigated but it will never be the same again. *The Far Eastern Economic Review* has got it right: "Things may be patched up, but the relationship has been soured and irreparably so. Crucial is that this is a marking point or rather a turning point in the relations of both countries."9

British racist arrogance towards colonial and ex-colonial peoples has not changed. In his celebrated manifesto to *The Financial Times*, Mahatir struck a vital chord: "the press is not elected".[10] Certainly not the corporate media.

"Press freedom is about telling the truth, not fabricating lies for whatever purposes. The contempt for the hurt inflicted on others seems to be condoned by the British government. The standard answer to Malaysia is that the British press is free. 'Lies, damned lies are free'. Redress is not... If this is not moral decadence then what is?"

Turning the knife in the wound Mahatir went on: "Of course the natives are corrupt. They must be because they are not British and not white. To allege that the Malaysian prime minister accepted bribes is second nature. He should accept the allegation because all politicians in Asia are corrupt. If this is so the question is: why do the British insist on corrupting 'corrupt' politicians? Don't they have any scruples, or do they consider giving bribes is not corruption?"

As he said in his summing up "The die is cast. No contracts in exchange for British press freedom to tell lies." When the ban became law the British press whined that politics and business should not mix, as though the two were ever separable. Did the yellow press ever object when the US, and the UK savagely slammed embargoes on third world countries for 'political' reasons?

The bang would boomerang, vociferated the yellow press: Malaysians would have to pay more for the non-availability of British goods and services. In short, the UK was indispensable. Another myth would be shattered. Like the Bourbons, the British ruling class and their ventriloquist dummies have learnt nothing and forgotten nothing.

British arms deals were scrubbed. The Russians sold 28 Mig-29s ($ 385m) at knock down prices including spare parts, training and other marketing allurements. With more to come. Payments would be made in primary commodities and manufactures. Britain's competitors jumped into the ring: Japan, China, Sweden, France, etc. The KL airport, one of the world's biggest infrastructure projects, in which British construction companies and banks were slated to play a big role, will henceforth be bankrolled, in large measure, by Japanese and Korean soft loans and grants. Markets once deemed eternal are lost.

Strategy of Industrialisation

The all-out offensive to industrialise and export gathered momentum in the 1970s, has its own national logic, but one that bears similarities to the other Tigers. While Malaysia officially does not acknowledge a 'model' as such it nonetheless exists. Whether it be in caning for white collar [illegible] or the vociferous campaigns to maintain clean public toilets, or in its trenchant rejection of *laissez-faire* policies, the model is Singapore.

'Look and learn from Singapore' is the *mot d'ordre* that breaks with the nostrum that West is Best. Central planning is a battering ram. The public sector is to be deployed for breaking into strategic sectors with long gestation periods before profitability emerges.

Manufacturing contributes a third of GDP and employs a quarter of the workforce, up from 15 per cent 10 years ago. Manufactured exports are 70 per cent of aggregate export receipts, expected to rise to 76 per cent in 1998.[11] Nonetheless, it continues to be a powerful primary commodity producer: rubber, timber, tin and palm oil, the world's largest producer.

Production and marketing of Proton, Malaya's national car, symbolises the rhythm of the industrial machine. A joint venture in which Mitsubishi has a minority stake (17 per cent) with the rest held by the public sector. Financing is assured by domestic investors and private Malaysian banks. Proton's domestic content of 70 per cent will rise to 78 per cent by 1998. Around 1,20,000 are produced yearly. By end 1994, the number will be boosted to 1,50,000. These rosy numbers obviously cannot dissimulate the antagonistic forces within Malaysian capitalism.

Japan fears, with justification, that boosting the national auto industry will erode its markets, which is speeding down the familiar South Korean highway. This explains Mitsubishi's reluctance to transfer technology, but any intransigence here spells big trouble. One that goes beyond Porton.[12]

Tokyo knows that this is no bluff The core problem is that if Mitsubishi does not allow Proton to design and produce its own engine and transmission parts it could turn to other Japanese firms; and elsewhere. Malaysia is therefore exploiting, victoriously so far, the imperial conflicts inherent in the world's major triadic blocs: Japan, the EU and the US. Is it surprising that overtures have been made to Peugeot and Citroen amongst others?

Proton's growth is built on a protected internal market, and a small one at that. As in South Korea, a saturation point is rapidly approaching. It is most unlikely that the Wira, Proton's new model, will boost sales appreciably. Continued growth is predicated on breaking into foreign markets. And here, as a Mitsubishi Motors' executive comments, it will be battling with the big sharks. KL remains nonetheless bent on expanding the sector.[13] Whether the gamble will pay off will soon be seen.

Another major car project, this time with

Japan's Daihatsu is slated to come on stream, adding to productive capacity. And that is not all. Can this be sustained? Already the US takes one-fifth of the nation's total exports and an even higher share of its manufactured exports. This underscores the vulnerability of its international marketing strategy. In this kind of conjuncture not only Uncle Sam, but the triadic bloc as a whole has the capacity to put the squeeze on KL's expansionist ardour.

The passage from a colonial primary commodity exporter to a major manufacturing power is apparent on the drive from Penang's international airport to George Town, the state's capital, familiarly known as Silicon island on the peninsula's NE coast. A manufacturing colossus employing a workforce outstripping 2,20,000, the world's largest exporter of semiconductors

A sector ruled by the world's giants: Texas Instruments, Hitachi, Intel, Motorola, Thomson, Seagate, Hewlett-Packard, Taiwan's Acer Inc, etc. This phalanx depicts the extent to which the sector has been rocketed into the TNC orbit and hence ceases to be an autonomous actor. There are critics who contend that this is an irreversible process. Such a thesis, however, appears in my view untenable.

Restructuring the international division of labour means, as in Singapore and South Korea, switching into hi-tech products and not simply assembling components. That cannot be achieved in the short run without research foundations. The problem is however soluble through regional co-operation, notably with Singapore. The central issue faced by Malaysian planners is: what is the feasibility of removing the clutches of TNC capital? Can the TNCs be expected to accept changes in the structure of ownership anathema to their profitability when unit labour costs are considerably cheaper in Vietnam and China, Indonesia and India?[14]

Let us see how Silicon Island is fixed into the TNC mould: Seagate, one of the world's biggest producers of computer hard disks, has 17 plants scatterd around the globe. It produces basic components for hard disks in Northern Ireland and the US, airlifts them to Penang for assembly; sends them to Thailand for further processing, and then to Singapore for final assembly. Malaysia lured the majors in the 1970s by the familiar stratagems of massive tax-breaks and other inducements. Emulated by others.

The industry is buttressed by an incomparable infrastructure and ancillary services. But the bill of the TNC electronics industry to the national economy must be measured by imports; and that is huge: the single largest import item is electronics components parts engulfing one-third of total imports for intermediate goods, and around 14 per cent of total imports. Revelatory is that these imports are three-quarters of the value of electronics exports.

Matsushita Television in Malaysia is the main producer of TVs exported the world over. It accounts for more than three per cent of the nation's GDP. Every morning, its thousands of workers don their Japanese uniforms and sing the company song in Malay, celebrating the start of another day to the greater glory of Matsushita.[15] Exports to the US are denoted as Malaysian and not Japanese. What the strategic ramifications of the electronics industry illuminates is that the TNC research, production, technology transfer and marketing networks effectively control the industry.

This configuration is not, however, as bleak as certain critics contend. What cannot be ignored (and this also holds for the Tigers) is the enormous reservoir of public and private savings. Gross capital flows pouring into Malaysia give a distorted picture. The bulk are speculative short-term flows in quest of high interest rates.

More analytically significant is the breakdown of officially approved manufacturing investments. In 1994, these are expected to be M$ 21 bn as against M$ 8.6 bn in 1993. Only two-fifths of these funds are of foreign provenance. Most are destined for joint ventures. What these relative numbers suggest is that the nation is rigorously selective as to whom it does and does not accept as manufacturing investors. How many countries—let us omit the third world—have the capacity to exercise such discriminatory choice?

Emergence of Malaysian Bourgeoisie

The new Malaysian capitalist order is rooted in two interrelated segments of capital: foreign and domestic. The first, comprises the TNCs and Chinese capital from the Diaspora. The second is national: public and private. The conflicts between them for larger slices of the national market are already manifest.

Foreign capital's rapacity—after all its power and profits[16] were exhibited over the last 150 years—is not lost on the national leadership which, while momentarily an ally of big capital, has a dynamic of its own. The economy is not exempt from the forces of uninhibited concentration, the salient trend of global corporate capital over the last four decades.

The ruling elite have placed their bets: since there's no capitalism without capitalists, to smash into the world market, their capitalists must be big. As a technocrat in the finance ministry proclaims with a Darwinian accent: "To beat the competition you've got to join and fight the Big Boys internationally, and make sure you get bigger and bigger all the time. That's the road we're on. We intend to stay there." Nothing specifically Malaysian about this: such stratagems are embodied in the hegemonic goals of the Tigers and of course China.

Strategy has therefore been blueprinted to generate a mighty national bourgeoisie whose core would consist of about six mega TNCs buttressed by all the financial inducements of the regime and imbricated with UMNO's political strategies. This design ensures that the Bumiputras[17] retain a sizeable chunk in the kingdom of Malaysian finance capital. The following profiles suggest that national policy is well on course.

The Profiles

Sime Darby typifies the thrust to transnationalisation. The firm began its life in the Victorian world as a British plantation corporation. At present, this multi-billion dollar wholly owned Malaysian TNC (in which the State acquired important stakes in 1979) is enormous: over 200 companies in 21 countries, a workforce of 50,000, assets of about 5 per cent of GDP, bigger than Singapore Air Lines. China and Vietnam now are major recipients of its expanding ventures and capital exports.

A conglomerate powerhouse par excellence whose chairman, a Bumi, is Nik Mohamed Yaacob (44). Its tentacles extend from all plantation commodities to petrochemicals, petroleum refining and exploration, certain major manufacturing sectors and services comprising banking and insurance, hotels and tourism, real estate and trading.

Tajudin Ramli, a Bumi corporate tycoon, began his career in bicycles when he purchased a controlling stake in the British Raleigh group. Since then his assets at home and abroad have sprouted astronomically. His conglomerate conquests extend well beyond his central focus: telecommunica-tions and transport. His Technology Resources Corporation already grips two-thirds of Malaysia's booming cellular communications market. His corporate tentacles already extend into every country of SE Asia and China.

Since Malaysian Airlines was put on the privatisation auction block he has acquired a 33 per cent stake. That is not enough. He is after the whole hog. He is the super-expansionist prototype of Malaysia's finance capitalism. Ethnically, he is part of a self-reinforcing coterie of Malay corporate bosses known as 'the Daim boys', after Daim Zainuddin ex-finance minister, and now one of the nation's biggest money-

men. The triumphs of the 'Daims boys' stems not only from their business savvy but also from proximity to political power.[18]

The Chinese-Malaysian group, *Rimbunan Jijau*, one of the world's biggest timber corporations (like the family-owned US Weyerhauser Corporation) is owned by Tiong Hiew King, the dynasty's head. Sarawak accounts for four-fifths of the world's unprocessed log exports. Its operations already extend to all the major Asian producing countries such as the Solomon Islands. The group has now pushed its operations into North America and North China; plans are afoot to move into Siberia and Latin America.

The dynasty's timber concessions in Sarawak alone outstrip 9,00,000 hectares, over 10 times the size of Singapore. As with Sime Darby, its conglomerate holdings straddle a vast array of plantations and manufacturing. It is already one of the world's biggest plywood producers, a major pulp and paper producer; one of the nation's biggest publishers and proprietor of the largest selling Chinese newspaper.

In services, its stakes are high and climbing: real estate, banking, insurance and shipping. Soon we will know whether it succeeds in grabbing the Berjaya Group, one of the biggest manufacturing and textile concerns. It is at times extremely difficult to differentiate between Chinese Diaspora capital and Chinese-Malaysian capital. Obviously the line is blurred. As the trade and capital flows within Asia intensify it will be impossible to disentangle them.

Malaysia United Industries owned by Khoo Kay Peng bought out Murdoch's 15 per cent stake in the *South China Morning Post*, one of HK's biggest newspapers. If to this is added another Chinese-Malaysian financier Robert Kuok's 35 per cent stake that brings Malaysia's control to 55 per cent.

Concluding Reflections

There is nothing that can halt this frenzied drive to capital concentration: the ineluctable corollary of accumulation wedded to liberalisation, privatisation and accelerated integration into the world market. The upshot is that Malaysia's financial and manufacturing structures will become even more massively concentrated by 2000, with striking similarities to the Chaebols in South Korea.[19] That is precisely what the power elite is battling to achieve. The global and domestic reverberations of these cataclysmic changes will, however, be vastly different from the dreamland of its corporate expansionists and their political promoters.

Notes

1 The nine sultans chose from their numbers, every five years, a king. The monarchy has been stripped of its immunity from criminal prosecution. Attempts in 1983 to curb the monarchy's power generated a constitutional crisis. The 1994 constitutional amendments have put an end to its ability to delay legislation.

2 *The Wall Street Journal*, April 12, 1994.

3 GATT Secretariat.

4 BIS, *Annual Report*, Basel, 1994.

5 ESCAP Secretariat estimates, Bangkok.

6 It is the only member of the ASEAN Group that shares a border with all the rest: Brunei, Philippines, Singapore, Thailand and Indonesia.

7 The present coalition headed by Mahatir consists of eleven parties within the National Front (Barisan Nasional) led by the UMNO-Baru, new UMNO or United Malays National Organisation.

8 Now only one state in the Federation, the Moslem fundamentalist state of Kelantan, is not part of the National Front.

9 *The Far Eastern Economic Review*, March 17, 1994.

10 *The Financial Times*, March 17, 1994.

11 East Asian economies are the most export-oriented in the world, measured by the size of their exports relative to GDP. For Malaysia it is 78 per cent, Taiwan 40 per cent, Thailand 36 per cent and South Korea 25 per cent. The world's record is held by Singapore: 175 per cent.

12 The discriminatory practices of Japan Inc are of a quasi-colonial nature of which failure to promote nationals to higher positions of managerial responsibility is but one. Further, Japanese firms have always retained rigorous control over their local subsidiaries, and seldom opt for overseas stock market listings. Hence the claims of the politico-money elite that they have been hindered from purchasing shares in highly profitable domestic firms owned by Japanese.

13 A leading UK vehicle manufacturer has concluded a joint-venture deal to build buses for the domestic and export markets.

14 With more jobs than workers wages are rising fast. What is helping to keep the lid on wages is the 4,00,000 legal immigrant workers and the more than 3,00,000 illegals. When hunted down and caught the latter will be deported. The government has opposed strenuously the linkage of labour standards to trade issues under a new world trading regime. "Our sole advantage", stresses Mahatir, "is our lower costs of labour... there has been talk of levelling the playing field by removing the labour costs advantage we have. But a level playing field is meaningless for midgets competing against giants", *The Financial Times*, April 6, 1994.

15 William Tabb, 'Japanese Capitalism and Asian Geese', *Monthly Review*, 1994.

16 Frederic Clairmont, 'Le liberalisme economique et les pays sous-developpes: etudes sur l'evolution d'une idee', Librairie Minard, Paris, 1958.

17 The Malay word for sons of the soil.

18 Edmund T Gomez, *Corporate Involvement of Malaysian Political Parties*, James Cook University Press, Queensland, 1994.

19 For the wider context of corporate concentration, cf Frederic F Clairmont and John H Cavanagh, 'Sous les ailes du capitalisme planetaire', *Le Monde Diplomatique*, March 1994.

Clamp Down on Press in Indonesia

S P Seth

The protests against the banning of three news magazines recently is a reflection of the growing aspirations of Indonesia's new middle class for greater freedom and civil rights.

DESPITE criticism in influential international quarters (the US, for instance) of Jakarta's action in banning some lively news magazines, the Suharto regime is unrelenting. It brutally suppressed a demonstration by a sizeable group of journalists, university lecturers and students against the banning of the magazines *Tempo*, *DeTIK* and *Editor*. The closure of these publications (in June) has put back the process of gradual opening of the country's political system. The crackdown is meant to serve as a warning that the government is determined to maintain the hard line on press freedom.

The official justification for banning the news magazines is that it was necessary to maintain national stability. They were allegedly 'disrupting stability' by investigating and reporting differences between the military and Bachruddin Jusuf Habibie, minister for research and technology, over the purchase and the refurbishing at additional cost of 37 old East German warships (considered rusty buckets by some) which Indonesia had contracted to buy from Germany. Habibie was said to be meeting resistance from the military. Habibie is a close personal friend of president Suharto and has his support. By banning the news magazines in question, Suharto was not only signalling his support for Habibie but clearly warning the press that they must respect official guidelines over the limits of press freedom. He had earlier (before the ban) warned that if this kind of "muddling the situation...to the point of disrupting stability" did not stop, "we will take firm action". He was as good as his word when the government banned the three 'offending' magazines for not heeding his prior warning.

It is hard to believe that a debate over the purchase of defence equipment would be seen by president Suharto as threatening Indonesia's national stability. If Indonesia's stability is so fragile even after over a quarter century of Suharto rule, there is something seriously wrong with the system. There was some hope that the system was gradually opening up. But such optimism was obviously premature. As the *Jakarta Post* commented: "It never crossed our mind that, right in the middle of the newly found climate of openness, the government would go as far as to ban these three publications."

Even though president Suharto is still effectively in charge of his country, there are serious rumblings in Indonesia's body politic. The Indonesian army, which still plays a major political role in the country (and is likely to continue doing so even after Suharto) has started to distance itself from some of president Suharto's actions. It has, for instance, not come out in support of the decision to ban the three magazines. It is unhappy over Habibie's role as the head of Indonesia's military-industrial complex, thus depriving the military brass of important decision-making and lucrative commissions in its own backyard. Habibie's empire is spanning such crucial and lucrative defence industries as developing and building planes, ships, telecommunications, electronics, weapons, etc. It is, therefore, not surprising that he is despised by powerful elements in the military. And because he has president's support, this (among other things like the military's unease over the business activities of Suharto's family) becomes an additional point of tension between Suharto and the military. There is no suggestion here that the president and the Indonesian army are on a collision course. But it is not a happy co-existence. The army might not take it kindly if president Suharto were to consider another five-year term, after the current one ends in 1998 when he would be 76.

In the last over 25 years (after the failure of the communist coup of 1965), Indonesia has made good economic progress in a stable political environment. But this has also meant the growth of the Indonesian middle class keen to have a role in the country's polity. The growing disparity between the country's rich and poor is also a cause for serious concern. Labour disquiet is on the rise, as they seek a better deal for themselves. The growing urbanisation, with its attendant squalor and widespread dissatisfaction, is another ominous sign. Corruption is rife, and the growing prosperity of the president's family seems to symbolise it all in the eyes of people. Students are restive. Riots and demonstrations, involving different strata and sections of society, are not uncommon. The demonstration against media clampdown right in the heart of Jakarta, and its brutal suppression, is probably a sign of things to come.

All because the political system tends to deny legal channels of political participation and/or dissent. All sorts of tensions (political, economic, social and ethnic—the last directed against the country's prosperous Chinese minority believed to be in league with the Suharto family's economic ventures) are, therefore, building up. Unless something is done soon to open up the system and broaden its base of political participation, Indonesia might be in for tumultuous change in time to come.

Immigrant Groups as a Factor in Communal Riots

Zainab Banu

The phenomenon of migration, both temporary and permanent and the presence of migrants in the receiving societies are factors which must be included in any analysis of communalism and communal conflict in modern times.

IT has been a fashion with the political scientists to discuss at public forums, platforms, seminars and the press the havoc perpetrated by communal tensions. Much has been written on communal riots and increasing rate of violence. The antagonism, historical or political, which is found among multi-ethnic groups in a region or in a village have been discussed at length by political scientists. What is worse is that the phenomenon of migration, both temporary and permanent, and the presence of migrants in the receiving societies have not been discussed within the perspective of communalism. It is this focus which is central to the present enquiry. At the outset it must be observed that we dare not consider the settlement of migrants at the place of destination as the only cause of creating communal tensions.

There is an interesting case of Surat which witnessed large-scale communal riots following the demolition of Babri masjid and the Bombay blasts. Jan Breman, who happened to have carried out intensive field work in the district of Surat in 1985, gives his observations on what he calls an anti-Muslim pogrom in Surat ('Anti-Muslim Pogrom in Surat', *Economic and Political Weekly*, April 17, 1993). Breman, while analysing the orgy of violence which broke out in Surat, observes:

> Surat is basically one big transit camp of labour coming in and going off again. The place is swamped with a floating mass which remains outside the law and beyond the benign reach of state agencies. These foot-loose proletarians are subject to repression and exploitation in a capitalist framework remarkable for its nakedness and rawness. The transients are reduced to a passing labour commodity in a cycle of attraction and rejection, condemned to a life which is inhuman by any definition.

Breman argues that the population of Surat within a period of barely 25 years has grown from less than 5,00,000 in 1971 to nearly 17,00,000 inhabitants at the beginning of 1993. The agglomeration has become one big industrial work place characterised by highly varied pattern of small-scale enterprises. Most migrants are temporary and underpaid hands, constantly rotating along the enterprises in their sector of employment. These men are hired and fired according to the needs of their industrial bosses until they are worn out. It is this immigrant labour situation of Surat which is largely responsible for creating violence among Hindus and Muslims. Jan Breman has very rigorously employed the perspective of immigration in explaining the recent orgy of violence which took place in Surat. This is a political explanation of migration in terms of communal riots.

There is yet another dimension of migration. There is migration of entrepreneurs to a less developed community. These entrepreneurs do not belong to the receiving society, but because of their enterprises emerge as decision-makers of the host society. This brings them into cut-throat competition with members of the receiving society. As the labour force working in industrial society is labelled 'outside' it does not hesitate to settle its scores with the local community by committing violence. The immigrant entrepreneurs in the receiving less developed community create situations of violence between two or more groups. In both the cases, immigrant labour force and the immigrant entrepreneurs, the emergence of violence is a possibility, sometimes leading to communal riots.

Communal Perspective of Migration

There was a time in our country more particularly in erstwhile Rajputana, when people died at the same place where they were born. Their life survived at the place of origin right from cradle to grave. With the increasing facilities of transport and communication there has been much movement of population from one place to another.

Generally, the disciplines of history and political science study communalism. Recently communalism has become a sub-speciality of sociology also. It is because of the bias of discipline that historians and political scientists have not studied migration from their own perspectives. However, when social scientists study migration, they have an orientation of their own discipline. Recently those who have tried to attempt a general theory of migration have taken orientation of their own discipline. This has become one of the weaknesses of the building up of a general theory of migration. A perusal of the phenomenon indicates why this weakness has crept in. Migration is a demographic problem; a majority of shifts in population are due to economic imbalances between areas. It may also be a political problem; this is particularly so in international migration where restrictions and conditions apply to those wishing to cross political boundaries. It involves social psychology insofar as the migrant is involved in a proces of decision-making before moving and that his or her personality may play an important role in the success with which he or she integrates with the host society. It is also a sociological problem since the social structure and cultural system both of places of origin and of destination are affected by migration and intention effect of the migrants.

In our country, the study of communal violence has taken place within historical and political perspectives. The migration perspective has all through the period of history remained unexploited. There has not been much international migration in the country. Borders were changed at the time of the division of the country in 1947. The exodus of populations from both the countries—India and Pakistan—was terrible. There was unprecedented bloodshed. The whole episode was unhistorical. It was for the first time that communalism was viewed in terms of mass scale migration. But this was short-lived.

During the last few decades the rate of urbanisation has increased substantially. Surely, there is a tremendous movement of population from one place to another. V S Naipaul who is not charitable to India and the Indian people, however, makes a very interesting observation about the accelerated rate of migration to Bombay. He observes:

> It is said that every day 1,500 and more people, about 1,350 families arrive in Bombay to live. They come mainly from the countryside and they have very little; and in Bombay there is no room for them. There is hardly room for the people already there. The older apartment blocks are full; the new skyscrapers are full; the small, low huts of the squatters settlement on the airport road are packed tightly together. Bombay shows its overcrowding (*India: A Wounded Civilisation*, Penguin Books, 1979, p 57).

If communal violence in India is to be studied scientifically it is essential that in the post-modern period when there has been acceleration of urbanisation and industrialisation, we should fruitfully employ the perspective of migration.

Miron Weiner has attempted to analyse social violence particularly communalism with reference to multi-ethnicity syndrome. There are actually two situations when the immigrants reside in the host society. First the immigrants try to emphasise their ethnic identification. Secondly, they accept the industrial ethic. Weiner argues that in a low income multi-ethnic society which we call less developed society, the process of modernisation includes two processes which are often antagonistic. First, it provides opportunities for mobility and thus encourages internal migration. Secondly, it helps the development of "ethnic cohesion". To quote his words:

> The one encourages movement of individuals across cultural, linguistic and ethnic regions, thereby changing the mix of ethnic group within a given space... the *other often generates anti-migrant sentiments among the local people* (emphasis mine) (*Sons of the Soil: Migration and Ethnic Conflict in India*, Princeton University Press, p 178).

Weiner has brought out two basic factors in the process of migration. For the migrants and also for the members of receiving society, the local resources are limited. As a result, the effectiveness of ethnic identification and ethnic cohesion play an important role. Each group of immigrants and the group of locals come in competition to corner as much benefits as possible. A kind of antagonism ensues between the two groups which more than often ends up in communal violence.

Communalism has been recently analysed not from the class bias but with the perspective of ethnicity. Giving explanation for this, Deniel Bell[1] argues that ethnicity has become more salient than class because it can combine an interest with an effective tie. To Bell, it has become more salient because of the institutionalisation of class interest and the centrality of political arena. In a comment on constitution making and minority problem A D Pant and U K Tiwari observe:

> In a multi-ethnic society where class cuts across ethnic lines and ethnicity cuts across class lines ethnic issues prevail over class issues and ethnic tie becomes more effective.[2]

Quite like Pant and Tiwari, Weiner has also argued that when there is a closefit between the class division and ethnic division and conflicts generally take an ethnic character that often transcends whatever class differences exist within each of the ethnic groups. The fact of the matter is that on the one hand the immigrants carry their ethnic attributes with them while going to the host society; on the other, they are free to undergo the processes of political modernisation. At the receiving society they have all the rights *vis-a-vis* the right of the local people as a result of political modernisation. The process of the 'fit' between ethnicity and class gets complicated when it is charged with political modernisation.

Yogender Singh in his essays on modernisation, argues:

> There is differential rate of economic growth in various regions. This has a definite impact upon the process of political modernisation.
>
> In fact, he argues that when the primordial ethnic groups lose at the hand of ethnic immigrants, the situation gets worsened. His sociological studies have shown that actual deprivation, economic or social, does not matter as much in people's evaluation of the betterment of their life chances as does their *perception* or *evaluation* of deprivation. Education, political mobilisation, and communication may be such important variables. In this respect communication holds an important position. If the rate of economic growth in a region is slow but the communication multipliers is high, there may develop radical political movements, depending upon a suitable combination of other variables.[3]

Though Yogender Singh has not made it explicit, it is certain that communication at the local level, and specially when there is much of inequality among the weaker and minority groups, the chances of violence increase. Political modernisation has equipped the immigrants, and particular entrepreneur immigrant, with the ideology of political consensus based on political individualism or citizenship role.

When an active process of political modernisation after independence was needed, there came the ideological legacy of socialist and democratic liberalism which envisaged a transformed social structure for India, based on economic and social equality, freedom, secularism and social justice. Yogender Singh observes:

> In a society which was mainly rural, ridden by caste, tribal and regional loyalties, this was an uphill task, but the objective was set, to be realised through economic planning. The three major sectors to be mobilised for this purpose were *human*, *industrial* and *agricultural* for human development and educational policy was adopted by most states aimed at the abolition of illiteracy and widening of educational opportunities. Industrial policy resolution formulated a controlled mixed economy and agricultural improvements were sought to be realised in two stages: first, through the abolition of vested interest in the rural social structure through land reforms and secondly, through the Community Development Programme and Panchayati Raj.[4]

The political mobilisation which came into operation from the 1950s and the present globalisation or liberalisation of economy encouraged the movements of entrepreneurs from one place to another. The marwaris, who migrated to Assam and parts of West Bengal and Maharashtra, exercised their hegemony over the local population. With immigration began a sharing in the local power. Thus immigration resulted in the struggle for power which sometimes ended up in communal riots.

Problem of Integration

The sociologists who study migration have a distinct perspective. Their problem is basically the problem of integration of the immigrants in the receiving society. For them, the social structure and cultural system of both the places of origin and destination are affected by migration. Their perspective, therefore, centres round ethnicity and ethnic interactions and, finally, integration of the immigrants. Where they stop the political scientists take over and aruge that integration, mainly ethnic, is not end in itself. What is interesting for them, i e, immigrants, is to corner as much power as possible. Power is always a bone of contention. Those who wield power rule the region. It is with this perspective of power in mind that we should look at the problem of immigration. The problem of immigration, for political scientists, basically involves ethnicity and power.

Any discussion on immigrants should consciously discuss the consequences of lack of cohesion. No society, not even that which does not have immigrants, is fully integrated. Society has a tendency to develop factions working round vested interests. When the immigrants enter the receiving society, they are required to go through a process of resocialisation. The norms, values, and the rituals of the receiving society are expected to be re-learnt by the immigrants. If there remains a widening gap between the norms and values of the immigrants and the receiving society, there would be tensions. And this might lead to violence between the migrants and the local people.

Of all the aspects of immigrants, that of their integration has probably been given the most attention by political scientists. Eisensladel rightly observed that this is resocialisation of the immigrants (*The Absorption of Immigrants*, London, 1954, p 5). It is appropriate here to mention Eisensladel's discussion of indices of full observance. These are three-fold: one, acculturation, that is the learning of a number of new roles, norms and customs of behaviour; two, personal adjustment, so that there are few or no indices of personal disorganisation like suicide, delinquencies, crime, mental illness; and three, institutional dispersion, that is immigrants are not concentrated in one sector of the economic, political, ecological or cultural spheres, and hence cease to have a separate identity. It is the third index which is important for our present enquiry. The situation is quite clear. When the immigrants come to the host society and begin to assume the role of a dominant group in one of the spheres of community's life, there is every possibility of this dominant immigrants group coming into conflict with the local groups. Here lies the rub. If the process of integration becomes a little slow or disoriented, in the long run the result would be communal violence.

There is possibility of communal violence when the frequency of migration to a multi-ethnic society is accelerated. Our Constitution allows the existence of multi-ethnicities. The Indian society which is envisaged in our Constitution is a plural society. On the one hand, the Constitution encourages and protects the identity of each ethnic group, on the other it obliges all the multi-ethnicities to fall into the regional and national mainstream. The multi-ethnic situation has an in-built possibility of communal violence. If in a situation of migration, each immigrant group struggled hard to maintain its identity, exercises its ethnic rights, it may come into conflict with the local ethnic groups. It requires a long process of acculturation and integration in a situation of immigration.

The communal violence which took place after the demolition of Babri masjid in Ayodhya and the Bombay blasts is the result of the weaknesses of the process of integration. All the multi-ethnicities which were in conflict had forgotten the national mainstream which consisted of democracy, socialism, secularism and rationality.

What we have been arguing in the present enquiry is that the incidence of communal violence or the violence involving different segments of society is neither only historical nor is it wholly political. The basis of violence in terms of long-term explanation lies in the ethnicity of the people. The ethnic groups instead of making a composite culture make alliances with different vested interest groups and mobilise people to get as much share in power as possible. In the absence of immigration, the local population is guided by the historical forces with which the community has survived. But when the immigrants come, new combinations of relations are made and this creates ethnic and power elite conflicts. It would, therefore, be fruitful if, first we look at the conceptual framework of ethnicity, and then relate it to the power politics which in the long run results in violence.

Competitive Ethnic Groups

In the present situation of international and inner migration no society is monolith in its ethnic structure. With the increase in migration, varying ethnicities fall into different groups. The ethnic groups in a plural society may differ from one another in their respective numerical strengths, political orientation, socio-economic affiliations, influence in national affairs and communal solidarity. Relations between ethnic groups may vary from being harmonious and complementary to being tense and opprobrious. Take the case of India's villages. Till quite recently, life in our villages was more or less harmonious. Village unity has characterised India's past. It was never heard that village ever had communal riots. Premchand, the well-known Hindi novelist in the story *Panch Parmeshwar*, very clearly indicates the friendly relations between Aligu Chowdhry, a Hindu and Juman Sheikh, a Muslim. With improvements in the fields of transport, communication, and above all migration, the incidence of violence has also made its entry in the villages. As a matter of fact, inter-group relations acquire a problematic character when they are marked by persisting distrust, tension, disharmony and conflict. In their problematic form, they divide a plural society vertically.

The problem of ethnic tensions is the problem appropriate to inter-group relations. P N Rastogi who has critically examined the ethno-social conflict in Indian society argues that communal riots and violence are, in fact, ethnic riots and violence. He says that ethnic tensions are:

> engendered through perceived grievances, deprivation and non-reciprocated expectat-ions of the ethnic communities toward one another. This perception is usually associated with feelings of distrust, political insecurity economics, antagonism and a threat to cultura identity. Such perceptions and feelings hav their basis in the social, political, economic an cultural interests and aspirations of th concerned com-munities. Some of th communal interests and aspirations may deriv from the community's heritage of history. Th psycho-social schism emerging in this manne lead the concerned groups toward intrusiv assertions of their respective ethnic difference Emphasis on ethnic separatism and implici chauvinism leads to persistent aggravation o inter-communal tensions (*Ethnic Tensions i Indian Society*, Milap Publications, Delhi, p 2.

Ethnic conflict is not particular to Indi only. It is worldwide phenomenon. Recently Paul Brass a political scientist from th University of Washington has come ou with a theory of ethnicity and nationalism He dwells on inter-ethnic conflicts an secessionist movements found mainly i erstwhile Soviet Russia and India. He argue that ethnicity has today become a recours

for political identity. In present world situation it has become fashionable for social scientists to explain complex phenomena with the perspective of ethnicity Ethnicity is, in fact, a cultural phenomenon It is defined as a collectivity of people of a distinct nature in terms of race, descent, and culture Thus, an ethnic group is a social collectivity having certain share history and certain common attributes such as race, tribe, language, religion, dress and diet, etc Ethnicity is not a static or pre-ordained category It is a manifestation of the common economic, political, social and cultural interests and their protection by certain members in a plural society What is important for an ethnic community is to keep its culture distinct

The structure of ethnicity is not rigid, it keeps on changing Paul Brass emphasises the dynamic nature of ethnicity when he observes

> the first relates to the variability of ethnic identities The point of view taken in them is that there is nothing inevitable about the rise of ethnic identity and its transformation into nationalism among the diverse peoples of the contemporary world Rather the conversion of cultural difference into basis for political differentiation between peoples arises only under specific circumstances which need to be identified clearly (*Ethnicity and Nationalism* Sage Publications New Delhi 1991)

Urmila Phadnis who has discussed multi-ethnicities of Sri Lanka observes

> Ethnicity is the submission of ethnic consciousness for status and recognition as a distinct social entity (*Ethnicity and Nation Building in South Asia A Case Study of Sri Lanka* 1987)

As a matter of fact though authors have analysed ethnicity from varying perspectives, the fact remains that an ethnic group possesses a greaterdegree of cohesiveness based on common language, traditions, and a common pride for the land of origin Cardene F Ware, while discussing the basic attributes of ethnic communities, says that a community is held together by self-consciousness emerging from race, culture, language and realism T K Oommen[5] has explained ethnicity in Indian context and says that the term ethnic is sometimes used to refer to minorities of various types in Indian society K S Nair who has applied the concept of ethnicity to India's urbanisation (*Ethnicity and Urbanisation*, 1985) uses it as a collectivity of people who (1) share some patterns of normative behaviour, and (2) form a part of a large population interacting with people from other collectivities within the framework of a social system

Conflict Theory of Ethnicity

There is no well-developed theory of ethnicity which dwells on conflict or violence However, it is argued that in the present era of post-modernisation when migration has become part of a worldwide process of urbanisation and industrialisation, the fear of the loss of the ethnic identity might result in conflict Ethnicity in itself is a cultural manifestation, an exhibition of festivals, ceremonies, rituals and folklores There are always interventions in the ethnic manifestations of one group by another Hellen I Safa argues that there is a fusion in ethnicity and class Political conflict, therefore, is the result of their fusion Hellen Safa's argument runs as under

> Discussions of ethnic identity and class structure cannot, therefore be divorced from the political implications of massive intra and international migration Political conflict arises out of *the growth of regional imbalances and income inequality as well as the socio-cultural conflicts between migrant ethnic groups and their host societies* (italics mine)[6]

Scholars who have worked on migration and ethnicity suggest that migration is both a reflection and response to inequality Inequality is an essence of those migrations which are forced or which are the consequences of cohesive or contrived inductions Roy Simon Bryce-Leporte, while linking migration with inequality, observes

> Voluntary migrations on the other hand represent reactions to inequality of opportunity due to various forms of inexactness and inequality among two or more loci of residence These may be short term, long-term, or simply a result of the existence and importance of either or all of such considerations Recent observations in the neo colonial and developing world indicate that these countries find it difficult not merely to fulfil the tradition or standard design of their population but also to match the rising expectations and increasing aspirations of their people[7]

If we critically examine the theory of conflict as given by Paul Brass, it becomes clear that in a plural society as that of our country, ethnic groups are always at loggerheads to make access to power acquisition Historically, there was competition between Muslims and Hindus right from medieval period to the fall of Mughal empire During the British period also both these groups tried to take as much power as possible from the British Raj The creation of Pakistan is nothing but separation or division of power The struggle for power on the basis of ethnic or religious outfits became so pervasive with these two groups, that Hindu-Muslim riots came to be a common occurrence even in post-independence India Now a variety of ethnic groups have come into conflict for power acquisition and consequently it has provided opportunities for the outburst of violence What has been argued by scholars is that migration intensifies and strengthens ethnicities The consolidation of ethnicity and class consciousness ultimately results into violence.

Although each ethnic group's thought is basically cultural, yet it aims at achieving power. When the Manipuri ethnic group or the Rajasthani ethnic group tries and struggles to get a constitutional status for its language, it is to get power from the centre and the state Those who know Manipuri or Rajasthani would get more employment opportunities, thereby exercising a hold in administration When we talk about the Hindi belt, actually, we are talking about the power exercised by Hindi-speaking people Ethnic groups in a democratic set-up always strive to corner a large share of power, and it is here that the conflict is born

Concluding the discussion on the relationship among migration, ethnicity, power and violence or conflict, it must be said that in the Indian context, the four themes cannot be analysed without reference to India's history For instance, if there is violence at inter-ethnic group level it cannot be explained only in terms of empirical variables There is a history behind each ethnic group and its interrelationship In the past, when they were considered to be aggressors, as a distinct ethnic group, they made their acculturation with the local population At a later stage when they came into conflict with the exercise of power there was conflict between the two as predominant ethnic groups In contemporary India, when migration has increased and the media has become electronic, there has emerged a struggle for ethnic identity This identity can be maintained if there is class collaboration When there is an alliance between ethnic groups, class and power, violence and conflict are inevitable It is in this context that we look at the immigrants in a developing community

Notes

[This study was carried out by the Institute of Islamic Studies Bombay]

1 Bell Deniel 'Ethnicity and Social Change in *Ethnicity Theory and Experience* by Glazer and Daniel P Moynihan (eds), Harvard University Press, 1976

2 Pant, A D and Tiwari U K 'Constitution Making and the Minority Problem' in *Multi Ethnicity and National Integration* by Pant A D and Gupta Shiva K (eds), Vohra Publishers and Distributors, Allahabad, pp 32-33, 1985

3 Singh, Yogender, *Essays on Modernisation in India*, New Delhi Manohar, 1978 p 56

4 Ibid, p 48

5 Oommen T K 'Insiders and Outsiders in India Primordial Collectivism and Cultural Pluralism in Nation Building' in *International Sociology*, Vol 1, No 1 (March 1986), 72

6 Safa Hellen I, *Migration and Development*, Preface in Safa Hellen I and B Dutoit, Brian (eds), Mouton Publishers, Paris 1975

7 Bryce-Leporte Roy Simon, *Comments' in Migration and Development*, op cit, 1, p 316

In Defence of Smallholding Farmers

Gail Omvedt

Smallholders, Householders: Farm Families and the Ecology of Intensive, Sustainable Agriculture by Robert McC Netting; Stanford University Press, California, 1993; pp xxi + 389.

THE problems posed by a rapidly growing population have become even to many scientists the major cause for pessimism about the future of the human race. In an article in the prestigious *Science* magazine that attempts to summarise some basic facts about the human species, Luke O'Neill, Micheal Murphy and Richard Gallagher write that in order to feed the growing world population in the next decades all the scientific ingenuity we have must be used, "including nuclear power and genetic engineering to insure crop yields." ('What Are We? Where Did We Come From? Where Are We Going?', January 14, 1994.)

Genetic engineering is by now well known as a potential Aladdin's lamp for agricultural production, but the thought of nuclear power applied to crop growing is somewhat awe-inspiring. It is, however, symptomatic of a strong conviction among both traditional liberals and traditional Marxists that industrial agriculture represents the most advanced productive form and that the future in this field as in any other lies with centralised, large-scale production. Those seeking to uphold small-scale, low-input 'peasant' production have tended to rest their defence on arguments of ecological sustainability, accepting the same evolutionary framework but arguing that it is precisely the industrialising 'advance of the productive forces' that has to be avoided and that both economic growth and needs (consumption) themselves have to be limited.

Now this basic framework has itself been challenged in an important new work on intensive smallholding cultivation by anthropologist Robert Netting. Combining theoretical verve and empirical studies of farming communities around the world, from Africa and China to North America and Europe, Netting argues that farmers cultivating small areas of land intensively are a socio-economic type (Netting avoids the term 'mode of production' which seems to carry evolutionary assumptions that he disagrees with) that not only has endured thousands of years but is in fact the most viable and sustainable mode of producing food for the future also in situations of high population density.

Smallholding cultivation is defined as households practising intensive, permanent, diversified agriculture on relatively small farms in areas of dense population (a definition that comprises communities as diverse as mountain Swiss farmers and African cultivators) and is distinguished sharply from other forms of social organisation of agriculture such as shifting cultivation (extensive low-input agriculture), plantation or estate agriculture using serf or slave labour, and large-scale high-energy input farming either in its capitalist form using wage labour or as bureaucratically organised collectives. It has, according to Netting, the following characteristics:

(1) In being based on the household, it can make use of labour that is diverse, flexible (a wide variety of tasks can be performed without supervision at varying and variable times), intelligent and more or less willingly applied. Presumably other small collectives or teams of well-motivated workers could work similarly, but historically up to now the family, with people united not simply by economic ties but by bonds of emotion, has been the sole unit capable of such flexibility. Household producers are workers, managers and consumers at once, a fact which gives the household its strength.

(2) As a diversified agriculture (and often agro-forestry) with a relatively great degree of use of local inputs, recycling, complementary production forms, it is one of the most ecologically sustainable forms of cultivation. Netting cites a fair amount of evidence to show that both chemical-industrial large-scale agriculture and extensive agriculture practised in 'frontier' areas tend to be more destructive of soil and forests.

(3) It is also efficient; looked at in terms of energy use, these small farms are more productive per unit of energy than large-scale high-input farming; in terms of labour use the household form allows a more flexible use of more intelligently applied labour (often with intense knowledge of the particular local environments) than farming based on hired labour, slave labour or other forms.

(4) It is primarily based on property holding by individual families, though this is usually combined with common property forms. Netting, as most social scientists do, points out that 'common property' does not mean accessible to anyone (often assumed in metaphors about the 'tragedy of the commons') but is rather property held in common by the local community with well defined household membership. Normally there are individual household property rights in the lands used for crop and garden cultivation, while more extensively used forest and grazing lands are held as CPRs. (Netting sees shifting cultivation or other forms of extensive land use as associated with lineage or other more collective forms of social organisation.)

(5) Smallholding farmers have never been purely subsistence farmers; they have been almost everywhere involved in both production for their own subsistence and for sale; furthermore there is a long history of members of such households engaging in sidelines, supplementary occupation, wage work of various kinds as part of the overall household basis for consumption. This involvement with the market has, according to Netting, even strengthened the dominance of the smallholder form. Thus, while his analysis fits with that of many environmentalists in stressing the viability and ecological sustainability of small farming, unlike many voices dominant today he sees the market more as a friend than an enemy.

(6) Intensive smallholding cultivating communities are by no means egalitarian. There is often substantial internal inequality, varying significantly by region—more in Asia, less in Africa and south-east Asia. Growing involvement with commercial capitalist production can increase this. But Netting denies that the capitalist market (any more than earlier markets) automatically leads to the polarisation into large capitalist farmers and landless wage workers assumed by traditional Leninist theory—for the very simple reason, perhaps, that large-scale centralised farms are not more efficient than the smallholders. Instead the community persists as a stratified and diversified one, with limits to the inequality that develops and with this inequality being minor in comparison to that in the non-farming population or between farmers and the rest of the society. Land concentration, he argues, does not increase over time, though Marxists have frequently used this as an argument to abolish smallholding in favour of 'socialist' collective forms.

The main thrust of Netting's analysis is against the traditional evolutionary model which sees smallholding agriculture as a form connected with 'precapitalist' feudal agriculture, representing a step forward from hunting societies, shifting cultivation, slave and other unfree production but destined to be superseded by large-scale 'capitalist' production or 'socialist' collective forms. In one of his most interesting chapters on China, he argues that the early communist support of a smallholding agricultural development gave way to collectivisation only as a result of political ideology, and that the 'household responsibility system' which developed after 1978 represented the resurgence of the historically efficient and increasingly productive Chinese smallholders.

But Netting's differences with Chayanov, who has put forward what is considered the major alternative model of peasant production, are also important. It is worth stressing these, since it has become normal to describe as 'Chayanovists' all those refusing to admit the reality of peasant polarisation and the destined triumph of large-scale agricultural production.

Chayanov's model saw the peasant household as primarily subsistence producers who did not follow a market logic but instead sought to maintain consumption levels at a historically determined community norm. Here the ratio of producers to consumers was the primary determining factor, with a larger ratio of consumers offset by greater labour input from the working household members. Similarly, the household responded to pressures from outside by intensifying labour input ('self-exploitation' in one phrase); it could thus on its limited land maintain levels of production high enough to 'outcompete' the otherwise more efficient capitalist farms.

Whatever its other faults or virtues, it is clear that in many ways the Chayanovian model does accept the evolutionary framework but rather seeks to explain 'peasant persistence' by ability to resist the process of proletarianisation. Perhaps, then, there was no reason for Stalin's regime to respond so harshly (Chayanov was murdered along with the innumerable 'kulak' farmers he was taken as a spokesman for)! But it is on this point that Netting disagrees. The Chayanovian peasant household, he argues, was developed for the specific Russian context which, with its wide availability of land, low population densities, and lack of infrastructure that often kept peasants totally cut off from market production, was in fact very different from the high population areas of true smallholding production. Russian agriculture, he argues, was actually closer to shifting cultivation—a characterisation that would (in terms of Netting's own classification) make the predominance of collective forms quite understandable.

Netting's is an argument that thus avoids the abstract and unrealistic subsistence-market production distinction and instead rests its assertion of the viability of smallholder production on the argument that a small 'team' of self-motivated producers with locally based knowledge can in fact produce more efficiently that bureaucratically managed labour, whether wage or unfree. He challenges traditional 'Marxist' notions of advances of forces of production in agriculture, but this is perhaps more a challenge to Lenin than to Marx himself. Netting quite effectively shows the viability of smallholding production, but he does not really deal with the changing forms of the relation of smallholders to the state and to landlord/capitalist/bureaucratic exploiters—and in this sense leaves the analysis of 'modes of production' as a task still to be undertaken. It can be argued, for example, that capitalism as a mode of production involves not simply imposition of a market but also an increasingly centralised state that works to dispossess small property holders and impose large-scale production; at least some such analysis is needed to understand why we see the predominance of an industrial-chemical agriculture that is in fact inefficient. Marx's insight in his writings on the French smallholding peasantry was that they also had crucial reasons to fight capitalism, an insight lost in Engel's model and in subsequent Leninism which sees the 'rich peasant' as pro-capitalist and only the proletarianised section of rural producers as a progressive force.

SMALLHOLDING IN INDIA?

Some important questions, however, can be raised about Netting's thesis. One of them is whether the smallholding model can really be applied to India—for the fact is that up to now most students of Indian agriculture stressed its inequalities and rather denigrated the idea that the 'middle peasant' is the main type of producer. Netting's model is far from being a model of the 'middle peasant'—as noted, he stresses the diversity and often stratification of the smallholder community, the degree to which wage labour may be used and cultivation on one's own farm is combined with other forms of income earning. And, those who seek to refute a 'middle peasant' form of agriculture often do so with an unrealistically abstract ideal type middle peasant.

Still, the average inequality (as measured by Gini coefficient ratios) is significantly higher in India than in the majority of farming communities discussed by Netting—with ratios of over .7 for owned holdings and .500-.600 for operated holdings, compared with Gini coefficients of .300-.400 in farming communities in Africa and south-east Asia. Given high internal variation, this means that in the areas of the highest population and greatest cultivation densities—the river valleys and deltas and coastal regions in general, where inequality has traditionally been highest—the inequality between households is even higher. The caste system crystallises this inequality, and where specific communities form communities of dispossessed controlled field labour, it seems hard to characterise the community as a genuine 'smallholding' one. In particular, the non-working upper-caste households controlling dependent field labour and the services of artisans would seem to represent a form nearer to estate agriculture.

However, while inequality is high in India, it has not by and large been increasing and the expected polarisation of big farmer-landless labourer has not developed. Inequality in operational holdings remains significantly lower than that in ownership. The large majority of regions in India would indeed seem to fit the smallholder model. Statistics given in a recent comprehensive survey of *Food and Agriculture* by A Vaidyanathan indicate this (Tables 1 and 2).

TABLE 1: INEQUALITY IN DISTRIBUTION OF HOLDINGS—GINI COEFFICIENTS BY STATES

	Land Owhership		Operational Holdings	
	1961-62	1982	1961-62	1982
Andhra	0.764	0.737	0.617	0.599
Assam	0.634	0.558	0.382	0.519
Bihar	0.701	0.687	0.562	0.616
Gujarat	0.683	0.693	0.521	0.558
Karnataka	0.663	0.685	0.537	0.581
Orissa	0.684	0.650	0.521	0.535
Punjab	0.750	0.735	0.502	0.654
Tamil Nadu	0.749	0.761	0.497	0.640
UP	0.621	0.627	0.506	0.565
West Bengal	0.666	0.670	0.465	0.597
All India	0.720	0.714	0.584	0.629

Source for Tables 1 and 2: A Vaidyanatha, *Food and Agriculture (Second India Studies Revisited)*, Madras Institute of Development Studies, Madras, 1994; Tables 28 and 34.

TABLE 2: GINI COEFFICIENTS FOR VARIOUS ASPECTS OF RURAL INEQUALITY

	1971-72	1981-82
Total assets	0.6551	0.6354
Total productive assets	0.6969	0.6742
Value of land	0.7143	0.6874
Livestock	0.5089	0.4810
Machinery/equipment	0.7070	0.7135
Operational landholding	0.586	0.629
Ownership holdings	0.7110	0.7141

Inequality in operational holdings (which might better reflect the impact of the market, given legal limitations on landholdings) has indeed been growing. Its growth is significant in the Punjab which provides support to proponents of capitalist polarisation. Yet inequality has grown just as much in Tamil Nadu and in Left Front-ruled West Bengal, neither of which has been a 'Green Revolution' success. (It seems also in the case of West Bengal that Operation Barga had little effect in reducing inequality of operational holdings.)

It might be argued that the data are incomplete, they do not cover the 1980s (the period of greater agricultural growth) and they are not specified to regions within the states enough to truly capture trends. Nevertheless, the fact remains that overall inequality is not growing dramatically, and that in most areas smallholder production does remain the dominant form in India. It is clear that there is scope in many regions still for abolishing 'landlordism' and that given already high levels of inequality, there is need to assure the landless and property less access to resources. Genuine co-operative forms also have an important role. But a land reform programme which goes beyond simply abolishing landlordism to move to a bureaucratic collectivisation seen as necessary for the presumably more efficient large-scale capital-intensive cultivation is not justified by any criteria of social justice or productive efficiency. 'Land reform' itself has many meanings, and what is necessary is reform that protects the smallholding community (including protecting its property rights both for individual households and for community control of 'common property resources') from the state and capitalists.

A central aspect of protecting smallholding for India is the fight against caste hierarchy and the caste division of labour. The main argument for the viability of smallholder production rests on its ability to use labour both intelligently and flexibly. But caste institutionalises both the separation of mental and manual labour and the fragmentation of knowledge and skills. It not only creates a section of purely dependent labourers who are not expected to use their minds at all, but a large number of other skills related to agriculture are fragmented and dispersed on a caste basis among artisan households. There has been a tendency for Indian environmentalists to excuse or even praise the caste system as ecologically functional for maintaining diverse types of production in varied and often complementary ecological niches. But none of them would presume to argue that this is consciously done, knowledge itself has been dispersed and fragmented, none of the producers have been expected to have knowledge of the whole. Truly effective smallholder production requires a holistic understanding and would thus seem to necessitate a destruction of both caste hierarchy and fragmentation.

Future of Smallholding

Finally, we come to the most interesting question raised by Netting himself in his final chapter: 'Does the Smallholder Have a Future?' He himself answers yes, on the basis of the energy efficiency of the smallholders, arguing that economies of scale do not operate in agriculture ("when you count all the costs, it is cheaper to raise a zucchini in your garden than on your megafarm") and especially when quality food is concerned the megafarms cannot provide it (Table 3). The smallholding is most adapted to a situation of high population density, and even in the US we could expect the number of farms to increase.

The case for energy efficiency is quite well argued and is backed up by numerous studies from other sources. It also seems quite clear that smallholding has survived up to now because it is in fact an efficient and viable form and that a large part of the dominance of large-scale 'industrial' farming in many areas and the crisis of the small farmer have been related to state intervention policies which have actively fostered an energy-intensive, chemical-based agriculture.

Nevertheless doubts may remain. Population after all is growing, and may it not in the end be necessary to raise production precisely through the application of more energy?

In fact, increased energy input itself may work better with smallholdings: large amounts of energy can be applied to smallholdings and energy itself is of course generated on smallholdings and can be generated in increasing forms (in the form of energy from biomass through gasifiers and solar and wind energy). Further, a major necessity in regard to energy today is that of moving towards renewable rather than non-renewable fossil fuel and nuclear sources, and renewable energy is in many ways inherently more capable of being used by smallholders. The energy question is also one of the efficiency of use of energy—and here smallholdings, once again, may prove much more effective in avoiding the waste that frequently is associated with over-centralised large-scale production.

Not only is increasing application of renewable energy quite compatible with a smallholding production form, so is the application of science to agriculture. The efficiencies of smallholding, as Netting argues, lie to a large degree in the intelligent use of labour and in viable knowledge of local agricultural production methods and environmental conditions. As a farming community—along with the rest of the society—becomes increasingly educated, the quality of this knowledge can be stepped up. Farmers who in the past were very often part workers, part-artisans and craftsmen can very well be part-scientists in the future. And more than managers of large corporations they will be ecologically oriented 'eco-system managers'.

In an 'agricultural agenda for the 21st century', Dean Freudenberger argues that "regenerative agriculture will be solar and biologically intensive instead of being petro chemically and capital intensive. Farmers will be understood as managers of micro biotic communities of which there are millions. Farming will be site-specific. It will attempt to harmonise and enhance the massive diversity of ecological niches. New agricultural infrastructures for research food production and processing will unfold. An agro-ecology will engineer itself in ways that maintain and enhance the health of the land and those who farm it. Agribusiness as we define it today will fade just as soon as oil, gasoline and nitrogenous fertilisers skyrocket in price by the mid 1990s. Undoubtedly, large-scale capital-intensive agricultural assets will shift to other, more profitable places once artificial tax structures which today favour corporate invest

Table 3: Comparison of Energy Inputs and Crop Outputs for Philippine, Chinese and US Rice Production Systems

	Philippines (1962-63)	Dawa China (1979-81)	Louisiana, US (1977)
Input			
Labour (hrs/ha)	576	3,045	25
Animal power (hrs/ha)	272	332	—
Seeds (kg/ha)	108	164	na
Energy (Kcal/ha)	1,825,432	7,577,139	11,460,694
Output			
Rice yield	1,654	8,094	4,114
Rice yield (Kcal/ha)	6,004,020	29,382,672	14,933,820
Efficiency (ratio of Kcal output to Kcal input)	3.29	3.16	1.30

Source: Netting, Table 4.4, p 138.

ments of agriculture are modified to reflect a wider justice for folks still on the land."[2]

The flexibility brought by the new information and communications technology enhances the degree to which diversified and dispersed production forms can absorb new technologies and knowledge. In fact, even in industry it is now being argued that we are in an era when mass production is being replaced by 'flexible specialisation', corporate hierarchies are proving ineffective and being 'flattened', and bureaucratic forms are giving way to more autonomous teams of workers. The household form (particularly once the heavy hand of patriarchy is overcome) in intensive smallholding agriculture proves to be a kind of paradigm of the new 'small is beautiful' model.

But it needs the support of the state. The biggest danger to the smallholder has very often been the fact that centralised states favour centralised industrial producers. Those who talk of a 'level playing field' clamour for special facilities and concessions. In the field of agriculture both bureaucratic interests and the framework of thinking take 'industrial' as equivalent to advanced. Now that agricultural production and exports are being seen as one of the most viable sectors in India, large companies are clamouring for support and the government seems ready to believe that it is these who can efficiently do the task and is ready to give away 'wastelands' and waterlands at throwaway prices, overriding the rights of local communities in the process.

The fact is that without the subsidies and without cheap land the corporations can hardly compete with the small producers. What is needed is to ensure the same kind of (ecologically sustainable) research, extension and marketing services to smallholders—and above all to give local communities and farming households secure rights over the land and other resources. These services can be provided by corporations or state agencies, but in an atmosphere of choice that recognises the rights of local communities. What has been rarely asked about such cases as Kandla and Lake Chilika is why the state had the right to lease away the lands in the first place, why Cargill and Tata were not forced to buy them from their original owners, the local farming and fishing communities.

Why not a 'future for smallholders' in an era when decentralisaton and community empowerment are coming to be seen as a crucial aspect of any genuine socialism? But this means not a state abolition of smallholding under anti-capitalism but a protection of their rights and a social transformation that overcomes caste and patriarchal barriers to equality.

Notes

1 For the most thorough study of the international capitalist food system as a whole, see David Goodman and Michael Redclift, *Refashioning Nature: Food, Ecology and Culture*, Routledge, London, 1991.

2 C Dean Fredenberger, 'The Agricultural Agenda for the Twenty First Century', *Kidma: Israel Journal of Development* 39, 1988.

A Global Battleground

Xavier Dias

The Gulliver File, Mines, People and Land a Global Battleground by Roger Moody, Minewatch, London, distributed by Pluto Press, 345 Archway Road, London N6 5AA, UK, £ 25

IN 1981, Charles Barbour, vice-chair of the American Mining Congress, in response to emerging environment, land rights and third world restrictions, placed on the mining industry, complained: "Like Gulliver, the mining industry is a robust giant held down by a million silk strings". An exasperated Charles Barbour gave Roger Moody the idea for the title of this gigantic task he ventured on to write, taking 20 long years to accomplish. *The Gulliver File* devouring over 894 pages of paper, listing 667 major mining and mineral companies and an equal number of smaller ones, has thus become an event in the history of environmental and land rights struggles of the people all over the world, especially the indigenous nations. *The Gulliver File* was selected by the *Guardian* newspaper (UK), as one of its ten best environmental books of 1992.

With the structural adjustment programmes and the globalisation of our markets, it has become imperative that we know the antecedents and the pedigree of these big conglomerates. Thakazhi Shivasankara Pillai, in his famous novel *The Scavenger's Son*, writes about the information the scavengers collect of their master's diet and health, just by raking through the baskets of night soil. Roger Moody gets his information not only from the horse's mouth—but also from its rear, the tribal indigenous organisations, trade unions, conscious employees, pressure groups and similar sources. *The Gulliver File* is therefore an encyclopedia on the ownership/partnership, genealogy, global operations, and facts on specific mining operations that companies would like to hide. This is in wide contrast to the *Financial Times Mining International Year Book* which depends on the mining companies themselves for the information and data supplied making it a mere directory or 'yellow pages' to suit their own needs.

The Gulliver File carries detailed information on the companies, their subsidiaries and associates, how they acquired mineral rich lands, their influence over the politics of the state and their strong arm local tactics that undermine the very democratic institutions these companies swear by. We, in India, will be encountering some of these companies very soon and their benign names camouflage their true character—11 of them are named after Christian saints! The book has some information too, for those debating on an alternative mining or mineral policy within and outside the present development paradigm. The case of the Nana Regional Corporation, a native corporation of the Inuit nation in Canada: "Nana has also developed a regional strategy aimed at carrying Native proposals into action" (p 217). For trade unions and adivasi organisations in India, there is a lot of useful information, in dealing with these companies. Our mines and minerals are now open to private/foreign companies. On February 26, 1994, in the steel city of Jamshedpur the state minister of mines and minerals Shankar Prasad Tekriwal at a press conference announced that four gold mines have been discovered in Singhbhum district, Bihar, and the state government was contemplating giving them to private parties. Therefore, the book is essential reading for all seeking information to screen these companies as they enter India with the backing of our government, their billion dollar publicity blitz and glittering technology in the post 'Desert Storm' era. However, *The Gulliver File* is limited to only a section of the mining industry—the heavy metals. There are still other avenues of the mineral industry where information is scarce: the mining technologies, know-how, the equipment, the marketing, the cartels, etc. Add to this the fact that mining and mineral industry is just a fraction of the global market. It is frightening to realise how little we know about the pharmaceutical, the bio-technological, the electronics, the agricultural and the consumer industry.

A promising

The Raymond Woollen Mills Limited

Address of the Chairman,
Mr Vijaypat Singhania, at the
Sixty-Ninth Annual General Meeting
on Friday, the 12th of August, 1994.

The Company had another good year with growth in total income, profits and earnings, as you must have read from the Annual Report. What was particularly gratifying was the 40% increase in exports to Rs 73 crores from Rs 51 crores in the previous year.

We are pleased to have been rated sixth in the Survey of India's Most Respected Companies, conducted jointly by BusinessWorld and MARG. We have been ranked the BEST in the category of textiles and fabrics, and stand second in the pecking order in innovativeness, and third for the quality of products.

RAYMOND is now moving into a faster track from a phase of sustained growth attained during the last few years. We are now embarking on an ambitious programme of expansion and diversification to fully avail of the opportunities offered by the more liberal economic environment, and to cater to the rapidly expanding market for the goods manufactured by us and also for special steel products for which we are setting up a new facility.

Let me now spell out our medium-term plans.

TEXTILES

The demand for the Company's products over the last decade has been growing at 11% compounded and we expect it to grow at a more rapid rate in the future, especially as we are targetting to increase our exports by at least 20% annually in volume terms. To meet this enlarged demand, our recently established new textile unit at Chhindwara is being expanded to double its capacity, which will come on stream in early 1995. A new greenfield textile unit is being set up for manufacturing 5 million metres of high quality worsted and blended fabrics. We are planning to commission this by mid-1996.

On completion of these two projects, RAYMOND's total capacity for worsted/blended will have increased by 10 million metres, ie by over 50%, in two years. By 1996, we will be larger than the biggest woollen textile manufacturer in Europe.

> ***"...By 1996, we will be larger than the biggest woollen textile manufacturer in Europe..."***

Co-terminus with the expansion of volume in output, great emphasis is placed on constant improvement in quality, to meet the most exacting global standards. RAYMOND's basic philosophy has always been to upgrade its manufacturing facilities as modern and efficient as possible. Keeping this in view, your management has been continually modernising equipment at its various locations to keep pace with the latest developments elsewhere in the world. This alone, however, is not adequate to emerge as a global player. Technology worldwide is changing very rapidly and cost-effectiveness has become

future, based on strong fundamentals.

imperative to compete in overseas markets and even more so to keep ahead of increasing competition in the domestic market. The Company has, hence, entered into a technical collaboration with two leading international worsted textile manufacturers to ensure that its products achieve the ultimate in quality and also be globally competitive. The positive impact of these technological transfers is already being felt.

CEMENT

The Cement industry which was passing through a dull phase in the last two years is now looking up. Both demand and price realisations have improved. Our expanded capacity of 2.25 million tonnes has now come on stream, and this division is expected to do well in the current year. With our very low capital cost per tonne of capacity and high energy efficiency, this division is well poised to perform better in the coming years

ENGINEERS' STEEL FILES

This division did well despite recessionary conditions in the engineering industry, both in India and overseas. It continues to expand its product range and enter new markets to retain its pre-eminent position as the largest manufacturer of files in the world. It continues to export over 50% of its output.

> *"...the largest manufacturer of files in the world..."*

COLD ROLLED AND SILICON STEEL

We are putting up a steel facility for manufacturing cold rolled steel sheets/strips and silicon steel sheets near Nasik With a view to ensuring the best product quality, we have concluded a Technical Transfer Agreement with Allegheny Ludlum Corporation, Pittsburg, USA, who are among the top manufacturers of special steels in the world. This project is well-timed to be able to cater to the spurt in demand for superior quality special steel from manufacturers of automobiles, consumer durables, and the electrical equipment industry, where the current and future growth rate is expected to be high. With our track record for high quality and achieving optimum capacity utilisation on going into commercial production, we are confident that this project will be successful.

FINANCE

To finance these projects we have already obtained your approval for making a Euro-Issue of up to US$ 100 million. This issue will be made shortly, after Government approvals are received. The proceeds from this issue will be used to part finance the capital outlay on the new textile unit and the steel project aggregating Rs 450 crores.

The future of our Company is certainly promising in view of its very strong fundamentals We expect the total turnover to exceed Rs 2,000 crores, from the current level of Rs 750 crores, by early 1998. Both profitability and earning per share will go up substantially. The Company's net worth is likely to exceed Rs 900 crores by then, and the debt equity ratio decline sharply. As a result, interest burden as a percentage of sales will be considerably lower.

Your management is very conscious of the fact that these ambitious targets can only be achieved by a highly motivated and committed team of employees. RAYMOND has been fortunate in having such a team and the management is placing due thrust on creating a work environment in which the creative energies of its employees can have a full play. The Board has great pleasure in thanking each one of them for their dedication and achievement.

(This does not purport to be a record of the proceedings of the Annual General Meeting)

Raymond
SINCE 1924

Japan's Changing Political Economy

Domestic Roots of Changing International Relations

E Sridharan

From a broad Indian policy perspective, an understanding of Japan's emerging foreign relations, especially economic relations, with the economically dynamic but politically fluid post-cold war Asia-Pacific region is extremely important. However, any analysis of Japan's emerging international role needs necessarily to be rooted in an in-depth understanding of its domestic political economy and industrial policy regime. This paper discusses the changes in Japan's economic and political system over the past decade and more.

JAPAN bulks large in the world economy. Its GNP is the world's second largest after the US, its trade and current account surpluses the world's largest and it has been for several years one of the world's largest foreign investors, lenders and aid donors. It is also now seeking a permanent seat in the UN Security Council, exploring new relationships in a post-cold war Asia and has an unprecedently tense relationship with the United States in the post-war period. At the same time it has been undergoing gradual but basic changes over the past several years in its domestic political economy and industrial policy regime, the origins of which lie well before the present coalition government and the now three year-old recession.

From a broad Indian policy perspective, an understanding of Japan's emerging foreign relations, especially economic, with the economically dynamic but politically fluid post-cold war Asia-Pacific region is extremely important. There are several possible scenarios. Each of these pose challenges and opportunities for India. However, in our view, any analysis of Japan's emerging international role needs necessarily to be rooted in an in-depth understanding of its domestic political economy and industrial policy regime. This tends to be glossed over in most of the academic and journalistic writing in India on the Japanese role in the emerging Asia-Pacific and world economies. Therefore, the primary focus of this paper is on the changes in Japan's post-war economic and political system over the past decade and more. The treatment is also 'qualitative' in that it focuses on policies and policy changes, with illustrative figures where necessary, rather than being yet another account of Japan's development experience.[1]

I

Post-War Japanese Industrial Policy and Growth up to 1973

Japan's post-war recovery and rapid growth in the 1950s and 1960s until the early 1970s was characterised by a particular pattern of state intervention, government-business relations and private sector industrial organisation. This pattern has been changing since the industrial restructuring following the 1973 oil shock, changing significantly again during the 1980s and currently in the throes of what appear to be fundamental changes in the post-war pattern of industrial organisation and policy. The extent of state intervention's or industrial policy's contribution to Japan's rapid growth is still being debated but there is no doubt that it played a major role. The role of industrial policy until 1973 can be outlined briefly as follows.[2]

The Japanese economy saw a near-10 per cent compound annual growth rate in real terms between 1953 and 1973—the 'miracle' years—overtaking West Germany to become the world's third largest economy by 1969. This took place against the backdrop of the US nuclear umbrella, low defence spending, cheap oil supplies and booming world trade under the multilaterally liberalised post-war trading order. Japan's industrial policy during this period consisted of intervening to promote the competitiveness of domestic firms. The objectives, spheres, instruments and specific measures of intervention varied form the 'miracle' period to the post-1973 oil shock period to the 1980s to the present. The Ministry of International Trade and Industry (MITI) played the leading role, supported by the ministry of finance and other ministries and agencies.

The basic objective during the 'miracle' years was to create competitive industries by focused industrial policy support for industries in which Japan could acquire a comparative advantage and which were the growth industries of the day, thereby enabling Japan to catch up with the west. However, trade and other liberalisations also took place during these years, enjoined on Japan by its becoming a full member of IMF, GATT and OECD by 1964. Industrial policy functioned within these parameters.

A very important development prior to the 'miracle' was the restructuring and rationalisation of Japanese industry during the post-war reconstruction period. The old, family-controlled *zaibatsu* conglomerates were abolished and a new form of industrial con glomerate—the *keiretsu*—emerged. These were conglomerates centred on a main bank and included diversified manufacturing firms, often with considerable vertical integration, and a general trading firm, all interlinked by cross-investments and interlocking directorships. Intra-group cross-shareholding and interlocking directorships along with horizontal and vertical integration meant long-term continuous relationships between stable shareholders, suppliers, distributors and employees. These relationships were based on flexibility, co-ordination and direct competition and helped stabilise the management environment, spread risk, exploit economies of scale and scope and raise long-term capital cheaply, mostly from their main bank. During the 'miracle', Japanese companies had the highest debt-equity ratios among leading industrialised nations. This type of industrial organisation encouraged long-term profit-oriented strategic perspectives and, therefore, investment in modernisation and R and D, risk-taking and high-volume, low-margin, high market share strategic behaviour in global competition.

With such a form of industrial organisation dominant in Japanese industry, the state intervened to promote competitive firms via industrial structure and industrial organisation policies.[3] These were the main spheres of intervention in Japanese industrial policy. Industrial structure policy refers to those policies that influence the allocation of investments among industries. They can broadly be divided into 'forward-looking' policies that promoted or upgraded industries judged to be desirable, and 'backward-looking' policies that phased out or rationalised declining industries. The latter are also called industrial adjustment policies. In the 'miracle' years industrial structure policies were 'forward-looking' as Japan was catching up with the west. From 1973 onwards, 'backward-looking' industrial adjustment policies have also been important. From the 1950s onwards, heavy and chemical industries such as steel, machine tools and parts, shipbuilding, machinery and electrical equipment, and chemicals, were promoted, as well as new and promising industries like

synthetic fibres, petrochemicals, automobiles and electronics. All these industries got special assistance from MITI including low-interest loans, tax concessions, selective import and foreign direct investment curbs and export promotion incentives.

Industrial structure policy, under which these industries were singled out as promising, was guided by two criteria according to the 1963 report of MITI's Industrial Structure Research Council, the key policy advisory body. They were (1) the income elasticity criterion, and (2) the productivity increase rate criterion. Promising industries were those whose products enjoyed high income elasticity of demand and which were expected to enjoy high rates of productivity increase due to technological progress. MITI supported such industries even if they had no current comparative advantage if it was judged that they could rapidly develop comparative advantage in the future with some state support.

Industrial organisation policies—those which intervene in the organisation of individual industries—were also used to support such industries. These consisted of anti-monopoly policies and policies that restricted 'excessive competition' by reducing the number of firms while increasing their scale so that oligopolistic competition among firms of adequate scale, by world standards, is achieved to reap the benefits of both scale economies and competitive pressure. MITI promoted and supported corporate amalgamations, mergers and joint activities including R&D, and at times prevented new market entries. MITI worked closely with industry associations in formulating and implementing industrial structure and organisation policies. The latter were helped by the fact that the *keiretsu* form of industrial organisation allowed flexibility as well as extended time horizons.

Within these two broad industrial policy rubrics a range of measures were employed to get the desired results in different aspects of policy. MITI's industrial policy measures can be lumped under three broad categories: (1) presentation of information, especially 'visions'; (2) restraints and encouragements for firm behaviour through legal actions and administrative guidance; (3) fiscal, financial and tax incentives, i e, government spending, subsidies, procurement policies, soft credit and tax concessions.

The *information infrastructure* provided by MITI, supplemented by other ministries and agencies, consisted of the following: (a) Various industrial and trade statistics and annual White Papers analysing the current situation of industry, trade and the economy; (b) More importantly, MITI presents future-oriented scenarios about industry and trade, highlighting policy issues, called 'visions'. These outline the long-term industry development considered desirable in the national interest based on the best currently available information. The 'visions' have no binding authority. They usually originate as comprehensive reports drawn up after broad-spectrum consultation with experts by advisory bodies to MITI such as the Industry Structure Council and other councils. However, over time they came to constitute one of the most powerful policy tools due to the close interaction among MITI, business, consumers and academics during the formulation process of six months to a year and thus send a strong signal to individual firms as to what is considered desirable by private sector planners and the government taken together.

Restraints and encouragements or incentives and disincentives for firms are provided both by formal laws and regulations as well as by 'administrative guidance', including informal consultation and persuasion. During the 'miracle' years administrative guidance played an important role in discouraging overinvestment, and over the past decade in aiding industrial adjustment and responding to trade friction with the US.

Fiscal, financial and tax incentives have been employed for encouraging investment, R&D and exports. Direct subsidies were probably the least important while preferential government procurement played an important role in the earlier years in new industries, especially in computers and telecommunications.[4] Financial incentives, also called 'policy financing', were important in targeted industrial promotion, especially the Fiscal Investment and Loan Programme (FILP) and soft loans from government-affiliated banks like the Japan Development Bank (JDB). However, these amounted to only a small fraction of bank lending to industry. Tax incentives for investment, R and D, exports and other desired behaviour, were also employed.

However, state intervention was based on clearly defined, well understood criteria, was transparent and neutral as between firms and *keiretsu*, and did not mean 'picking winners' in the Korean sense of specific ties with particular firms or *keiretsu*.[5] Domestic competition remained vigorous and the state apparatus was not captured for rent-seeking by any actor.

II

1973 Oil Shock and After: First Phase of Restructuring

The 1973 oil shock and consequent recession brought an end to the 'miracle' growth phase and precipitated a painful industrial adjustment and policy shift. Four waves of such industrial adjustment took place after 1973: (1) 1973-77; (2) early 1980s after the second oil shock; (3) the post-Plaza Accord (1985) phase of the upvalued yen; and (4) the current phase of restructuring since the recession of 1991 to the present (1994), probably the most fundamental of all.

By the early 1970s the Japanese economy had essentially matured, catching up technologically in mass production industries with the west. It was ready for further economic liberalisation and industrial upgradation. The 'Vision for the 1970s' foresaw further economic liberalisation, especially of capital movements. The basic orientation of this 'Vision' was to change Japan's industrial structure into a more knowledge-intensive one. Such industries were those with greater amounts of 'knowledge-labour' inputs and R and D expenses in total resource inputs or costs and less dependent on unskilled labour, raw materials and energy.

It added two criteria to those laid out in the 1963 'Vision', viz, the density and environment criterion and the better working conditions criterion, for state support. Examples of desirable industries were semiconductors, computers, speciality chemicals, numerically controlled (NC) machine tools and advanced service industries.

However, in the early 1970s, Japan was hit by the 'Nixon shocks'—the prohibition of automatic conversion of dollars into gold and import duties that hit Japan hard, especially on textiles. Japan moved to floating exchange rates, the yen rose against the dollar, hitting exports, and Japanese firms adjusted by adjusting profit margins and prices while seeking to maintain market share. Inflation, already high, was sent skyrocketing by the September 1973 oil shock and the subsequent anti-inflationary policy began to have effect only by 1975. The 1973-75 recession was unprecedented in post-war Japan.

Recovery was export-led over 1973-78 with automobiles and TV sets leading. Japan's industry restructured itself while recovering through exports, but the period since 1973 has been marked by a moderate growth rate of around 4 per cent annually over 1978-1990, half the rate of the 'miracle' years. Growth leaders were the new hitech segments such as advanced machinery, electronics and chemicals (usewise capital goods and consumer durables), while segments heavily dependent on imported raw materials and high labour input, such as textiles and foodstuffs, underwent relative decline.

Three factors contributed to the export drive's success after the 1973-77 downturn. First, a major sales effort abroad, mainly in the US. Second, the yen dropped to 300/$ after 1974 compared to 266/$ in 1973. Third, the *keiretsu* carried out vigorous cost-cutting and rationalisation policies after 1974. This was supported by industrial adjustment assistance stressed in the 'Long Term Vision on Industrial Structure' of 1974.

Consequently, the post-1978 growth pattern that set in and continued throughout the 1980s, had the following characteristics. First, the growth rate slowed down to about

4 per cent while the shift towards electronics, machinery and chemicals continued.

Second, export demand became progressively more important for these segments compared to domestic investment demand.

Third, the increase in exports of these segments were largely to the US market and at the expense of European competitors. In electronics, especially, the Japanese carved out a commanding global position in two stages, occupying the expanding market during the second half of the 1970s, and invading the US market at primarily European, later US, expense in the 1980s. However, in key advanced segments like pharmaceuticals and aerospace the Japanese did not make a significant global mark. The electronics industry, however, shifted from consumer electronics to semiconductors, computers and industrial electronics.

Fourth, from the late 1970s onwards, Japan began accumulating large trade surpluses with the US and the rest of the world that made it the world's biggest investor, lender and aid donor by the end of the 1980s.

Fifth, these shifts following the post-1973 oil shock were accompanied by a modified industrial policy framework. The new policy framework co-ordinated industrial adjustment policy with investments in key technological sectors.

III

Restructuring in 1980s: Prelude to Current Phase

The second oil shock of 1979 accelerated the tendencies in industrial policy that emerged from the 1973-77 restructuring process. It was captured in the 'Vision for the 1980s' of 1980. The new goal was to be the creation of a knowledge-intensive industrial structure which, while pushing such hitech segments as leading sectors, aimed at the diffusion of the most advanced technologies in the products and processes of all industries across the board. Concretely, emphasis was laid on new energy technologies, new materials, 'fifth generation' computing and biotechnologies, and on technological upgradation of service industries.

Before discussing the basic characteristics of Japanese industrial policies in the 1980s it is important to understand the changes from the 1970s onwards in the organisation of production and related technological developments. First, in those industries where the cost structure hampered Japan from preserving its competitive advantage, Japanese firms moved to reduce capacity, relocate to competitive sites abroad or develop new technological niches. Intermediate goods like steel, aluminium, chemical fertilisers, shipbuilding and cardboard, in particular, were affected, with firms developing niches like speciality steels for example. This was helped along by MITI's industrial adjustment policy.

Second, Japanese industry adjusted to changing world market and technological conditions by reorganising production to integrate new technologies such as microelectronics-based information and telecom technologies into design and production. Heavy investments were made from the 1970s in numerically-controlled machine tools, flexible manufacturing systems (FMS) and robotics, and programmed automation generally, and in associated business systems. Priority was given to reducing raw material and energy costs, reorganising the labour process, increasing the productivity of each production complex and improving product quality. Japanese productivity growth began to outstrip that of the US from the late 1970s, although the absolute level of productivity remains below that of the US even today.

There were two important centres of strategic negotiation for these adjustment policies: (1) between MITI and industry; and (2) within the *keiretsu*, which served as a network for information and co-ordination for investment strategies within the group. Flexibility, quality improvement, learning by doing, employee involvement and new technologies were the key elements. The result was new organisational innovations such as just-in-time and zero-defect systems of production and quality control. FMS also helped firms exploit economies of scope by reducing changeover time or machinery downtime. There was also a strong tendency to increase R and D investment relative to capacity expansion investments. Programmed automation, in which the Japanese have been pioneers, consisted in bringing the advantages of rigid or dedicated automation, earlier applied to high-volume mass production characterised by scale economies, to the potential gain from flexibility, the result being programmed batch automation. These developments helped the Japanese production system remain integrated within Japan. It also facilitated the full exploitation of enterprise-wide systems economies at the firm and *keiretsu* levels.

The four basic focal points of Japanese industrial policy in the 1980s can be summed up as: (1) industrial adjustment policy; (2) promotion of R and D; (3) coping with trade friction; and (4) deregulation. The first two existed earlier, gaining importance after 1973, while the last two were characteristics of the 1980s in particular.

(1) *Industrial adjustment policy* aimed at helping firms in industries losing their comparative advantage to diversify into new and promising fields and to generally facilitate transfer of resources out of declining industries with minimal dislocation. The June 1978 General Guidelines of Positive Adjustment Policy (PAP) adopted by the OECD were based on the principle that adjustment be left to the market. Japan's policies are based on the OECD's PAP guidelines and were aimed at the smooth phase-out of declining industries rather than protectionist attempts to keep them going at all costs. There were two forms of support: (i) to help firms shift to new lines in the same industry, e g, to speciality steels or fashion-oriented apparel; and (ii) to help firms shift to other industries.

Measures used for (i) included tax support for accelerated depreciation for equipment or prolonged deferment of losses caused by scrapping equipment. For (ii) the Temporary Measures Law for Structural Adjustment of Specific Industries of 1983 for 26 industries played a major role as industrial adjustment became a permanent feature of industrial policy in the 1980s. Industries affected included aluminium smelting, shipbuilding, electric furnace steel-making, viscose short fibres, ammonia, urea, cement, electric wires and cables. MITI, in consultation with the firms in each industry, drew up a 'structural improvement basic plan' for each industry and cartels were organised, being exempted from anti-monopoly laws, and helped by soft loans and special depreciation, for scrapping excess capacity. In 1987, another law, 'Temporary Measures to Facilitate Industrial Structural Adjustment' was enacted with a nine-year duration.

The general characteristics of the adjustment process in Japan were that import restrictions and tariffs were rarely employed and time limits were strictly adhered to. The fact that Japan was faster-growing and more competitive than most of the OECD helped smoothen the adjustment process compared to Europe and the US.

(2) The *promotion of R and D* assumed heightened importance during the 1980s. The responsibility for R and D is shared between the Ministry of Education and Culture, the Science and Technology Agency and MITI. The latter is responsible for R and D in mining and manufacturing or 'technology development policy'. This consists of the following four spheres of activity:

(i) Presentation of 'visions'.

(ii) Inducement of private R and D through tax incentives, policy financing, subsidies and other schemes. This includes the formation of joint research associations among firms on specific research objectives under MITI's initiative such as several in the semiconductor and computer industries (for example, the 1970s VLSI Project and the early 1980s Fifth Generation computing project respectively). Several large-scale joint public-private research programmes have been launched including the R and D Project of Basic Technologies for Future Industries, focused on superconductivity, new electronic devices, new materials and biotechnologies.

(iii) R and D at research institutes affiliated to MITI.

(iv) Provision of the scientific-technological information infrastructure and co-ordination of international programmes, e g, the Human Frontier Science Programme.

The first two activities have had the major impact on the technological progress of Japanese industry. The reasons behind the success of the joint research projects were that research was well-defined, limited to basic technology, of limited (four or five year) duration and attracted the best brains.

(3) *Trade friction arising from Japan's trade surpluses* became a problem that Japanese policy had to cope with throughout the 1980s particularly with its largest trade partner and trade surplus source, the US. Foreign reaction to Japan's trade surpluses could, in theory, take the form of raising tariffs, creating quota and other non-tariff barriers, imposing anti-dumping duties and seeking voluntary export restraints (VERs) from Japan. It could, on the import side, lead to pressures on Japan to enhance access to its domestic market. Article 19 of GATT permits 'safeguards', i e, emergency restrictions on imports. However, most trade deficit countries have preferred to rely on bilateral agreements restricting imports, quantitative import restrictions unauthorised by GATT or so-called VERs. Japan's policy so far has been to agree to bilateral accords or VERs. Rarely has it retaliated or demanded compensation.

In the first half of the 1980s two trade friction issues arose that have since persisted—automobile and semiconductor exports from Japan to the US. After bilateral negotiations between the governments a VER was agreed to by Japan in 1981. The VER for automobiles has been renewed annually since then with modifications.

In the semiconductor industry, the rapid growth of Japanese memory chip exports to the US and the virtual monopolisation by domestic producers of its rapidly growing domestic market, led to the establishment of a joint working group of trade officials in 1981 and a bilateral agreement on semiconductor trade in 1982, the first of four through 1991; by 1993 the problem was said to have been overcome as the US regained world dominance.[6]

VERs and floor price agreements also exist in steel, machine tools and other industries. However, the key issue is not just that of trade friction per se but of trade friction in hitech fields with technological externalities where a leader can establish technological and market leadership in a number of related fields, and followers then face daunting entry barriers. Semiconductors are such a vital 'strategic' segment and also have defence industrial implications. Japanese industrial policy-makers in the 1970s feared that if Japan remained dependent on foreign supplies of products like semiconductors and computers which are strategic in the sense of having broad-scope spillover effects in other industries, raising productivity and competitiveness in user industries, then foreign oligopolistic firms would enjoy rents or quasi-rents affecting Japanese competitiveness across the board. This led policy-makers to nurture domestic firms in these and other industries.

The same fear in reverse, caused by the success of the vertically-integrated *keiretsu*-backed Japanese firms in semiconductors and computers, led to US protectionism and formation of consortia like Sematech and Microelectronics and Computer Consortium (MCC) in the 1980s. The core of trade friction is not just the impact of Japan's surpluses on short-term output and employment but the fear of its gaining an irreversible lead in strategic technologies that are dependent on high-volume production and require large R and D outlays possible only with large sales revenues. However, the underlying problem is the very different form of industrial organisation in Japan which affords Japanese firms home market protection without trade barriers and a long time horizon for a high-volume, low-margin, high absolute profit and market share-oriented strategy in turn allowing high R and D outlays.

(4) *Deregulation* was the fourth major feature of Japan's industrial policy in the 1980s. The most important deregulatory measures were the privatisation of public sector corporations, the deregulation of telecommunication services and the decontrol of the oil industry. In addition to these specific measures, there was a general trend towards reduction or abolition of regulation and administrative guidance in both industrial structure and industrial organisation policies and greater reliance on non-directive 'visions'.

IV
Second Half of 1980s: Internationalisation of Production, New Salience of Asia and the Bubble Economy

Japanese capital began to flood abroad after the Plaza Accord of September 1985 revalued the yen, relocating production to take advantage of lower costs, and to establish an early presence in markets that might be threatened by protectionism.[7] Most of this capital went to the US, then to Europe, but increasingly it flowed to Asia in unprecedented amounts, generating local exports and growth, and creating a web of regional economic integration in the Western Pacific rim. Very briefly, what happened can be summarised as follows.

The yen began to appreciate against the dollar from February 1985 when it was Y260/$ to November 1988 when it reached Y123/$ after which it weakened to about Y140/$ by late 1990 but then gradually climbed to Y100-110/$ during most of 1993 and early 1994. The steep appreciation of the yen after the Plaza Accord of September, 1985, raised costs of production in Japan, made foreign assets and foreign costs of production cheaper for Japanese companies and triggered off a pattern of adjustment whereby Japanese foreign direct investment (FDI) soared in the following years, peaking in 1989 at $ 67 billion, making Japan one of the top two or three sources of FDI in each of the following years and the largest in fiscal 1989 and 1990. After 1989 there has been an absolute decline in Japanese FDI outflow but at $ 41 billion in fiscal 1991, $ 34 billion in fiscal 1992 and $ 16 billion in the first half of fiscal 1993, it remains one of the world's biggest foreign investors.

An increasing proportion of this FDI outflow went to the developed world, led by the US which received over 44-49 per cent, then Europe, which received around 15-22 per cent, followed by the Asian Newly Industrialised Economies (ANIEs)—Korea, Taiwan, Hong Kong and Singapore—and the ASEAN Five (ASEAN minus Singapore) which collectively received 10-15 per cent. In manufacturing, as far as North America and Europe were concerned, the primary motivation was local sales combined with lower costs of production as well as by fears of being shut out due to the rise of protectionism and European integration. Speculative acquisition of real estate and firms in the mergers and acquisitions boom since the late 1980s were also major motivating factors.

In Asia, however, the primary motivation was lower costs of production and relocation of plants and outsourcing of component production with the objective of export of components and semi-finished goods back to Japan or to third countries, primarily the US and Europe. This was how Japanese manufacturers retained competitiveness. This FDI-led adjustment strategy was complemented by progressive shifts at home to higher value added, knowledge-intensive industries and, especially, services, combined with increased automation. By the early 1990s there was an increasing shift towards non-manufacturing FDI, especially in service industries like finance, insurance, real estate, commerce and other services, both in developed countries as well as in the Asian NIEs. By the first half of fiscal 1993, Japanese FDI cumulatively totalled $ 402 billion worldwide, consisting of $ 176 billion (44 per cent) in North America, $ 80 billion (20 per cent) in Europe and $ 62 billion (15.6 per cent) in Asia.

For Asia, these developments combined with their own developments had the following consequences—economic, political and regional. The flood of Japanese investment led to export-oriented growth of

a kind which was increasingly oriented to regional markets and progressively less dependent on western markets. This was because of general growth of incomes and the intra-regional division of labour created by not only Japanese investment but also by investment from the Asian NIEs in ASEAN, an increasingly significant flow as the former became capital exporters and began relocating labour-intensive production as they upgraded into higher-technology industries due to wage rises. By 1990, of the $ 30 billion FDI flow to ASEAN, as much as half came from the Asian NIEs.

All this led to the rapid growth of regional integration, reflected in the growth of intra-regional trade. Intra-regional trade in Pacific Asia exceeded trans-Pacific trade for the first time in 1991 and reached 42 per cent of the region's total trade. Taken together with the end of the cold war in Asia, including normalisation of relations between the socialist states of Indochina and ASEAN, as well as between China and various other states over the years, South Korea's normalisations with China and Russia, the stage has been set for not only greater economic regionalism, as in the formation of the ASEAN Free Trade Area (AFTA), but also for new political and security frameworks.

Japan will be a key player in any such emergent arrangements, as the dominant economic power and closest US ally in the region, as well as an initiator of the need for new political and security dialogues (the Miyazawa doctrine enunciated in January 1993). For today, Asia is more important for Japan than ever before. Not only is it the most dynamic region of the world and hosts over 15 per cent of cumulative Japanese FDI (21 per cent including Australasia), and accounts for close to half the Japanese trade surplus in 1993, but in terms of individual countries, Indonesia, Hong Kong and Singapore host more FDI than all European countries and Canada, except the UK and Netherlands. And Thailand, China, Malaysia, Korea and Taiwan all host $ 3-7 billion of FDI, the same range as Germany, France, Italy, Belgium, Luxembourg, Switzerland and Spain. And Australia hosts $ 21 billion of FDI, more than any other countries except the US and UK. This makes regional economic, political and security arrangements in the Asia-Pacific critical to Japanese foreign economic relations and foreign policy in the 90s.

At the same time as the post-Plaza Accord overseas expansion of Japanese capital, was the rise of the 'bubble economy' at home in the second half of the 1980s, both responses to the changed economic environment. The 'bubble' was an inflation of asset values, specifically land and stock prices, that began in 1986 and ballooned through the rest of the 80s. It was due to a combination of economic and political factors. Following the Plaza Accord, a G-5 Finance Ministers' agreement to weaken the dollar in the foreign exchange market because the strong dollar did not accurately reflect the US economy, the strong yen sent Japan into recession, leading to measures to increase domestic demand to fight recession, boost imports and prevent the dollar sinking too low against the yen. US Treasury Secretary James Baker had said that unless Japan cut its trade surplus with the US by increasing domestic demand the US would do nothing to stop the dollar's fall. The policy of increasing domestic demand was endorsed by the Maekawa committee of experts, an advisory group to Prime Minister Nakasone, in April 1986. The conventional way of increasing domestic demand was to increase public expenditures, especially on public works. Since the government was in the midst of reducing domestic debt, this was not thought a feasible strategy and monetary policy became the favoured instrument, passing the buck to the Bank of Japan (BOJ).

The BOJ cut the discount rate to a historic low of 2.5 per cent by February 1987, where it stayed for two years. This led to lower interest rates and resumption of growth, but also led to assets inflation. Lower interest rates do not immediately lead to increases in fixed capital investment in a recessionary environment. Rather, the response of investors to lower interest rates is to invest in assets such as stocks, land and some bonds that benefit from such lower rates. Thus the stock and land price inflation of 1987-90, the bubble ballooning rapidly fuelled by borrowed money, with both banks and corporations increasing their exposure.

V

Factors behind Success of Japanese Industrial Policy

Underlying the success of Japan's industrial policy-supported growth (including successful industrial adjustments) were three factors: (i) a particular pattern of government-business relations; (ii) the *keiretsu* form of industrial organisation; and (iii) a particular pattern of labour relations.

Government-business relations in Japan have been characterised by mutual co-operation of a particular kind. It has not been a case of a privileged relationship with certain *keiretsu* conglomerates unlike, say, in Korea between the Park and Chun regimes and certain *chaebol* (Korean conglomerates). Nor did it seek to arbitrate in competition between *keiretsu*. In the eyes of the state all *keiretsu* were essentially treated equally. Rather than 'picking winners' from a given field of competitors, the government encouraged the 'making' of winners on a global scale from a field of equally treated 'qualifiers' through a combination of exposure to competitive pressure and industrial structure and organisation policies, taking into account Japan's possible comparative advantage, economies of scale and other relevant economic criteria. Promotional measures were available in principle to all firms that met certain transparent criteria.

At least until the Tanaka Administration in the 1970s, industrial policy was largely left by politicians to career bureaucrats, who by and large remained unbought by the firms they came in constant and close contact with. So the system did not degenerate into rent-seeking from regulation unlike under regulatory import-substituting regimes like India. Why politicians kept their hands off industrial policy and how bureaucrats remained unbought is a fascinating question explored by many students of Japan's political economy but it remains beyond the scope of this paper.

Second, the *keiretsu* form of industrial organisation helped Japanese firms obtain cheap long-term finance from their group bank, reap economies of scale, spread risks through diversification and horizontal and vertical integration, and a long-term perspective, all of which help make production, pricing and R and D decisions that support a high-volume, low-margin, high absolute profit, world market share-oriented strategy. The *keiretsu* have been key institutions in the acquisition of competitiveness in mass production industries and in high-risk, advanced technology, capital-intensive industries like semiconductors and computers.

Third, interlocking with the first two characteristics of Japan's institutional framework and mutually dependent on them, is Japan's unique labour relations system consisting of lifetime employment and heavily bonus-oriented remuneration. Much international attention has been focused on lifetime employment. However, this covers only a quarter to a third of the workforce and does not apply to the majority of small and medium enterprises. It also has several 'natural' counterparts, the most important of which is the system of remuneration heavily oriented towards biannual bonuses tied to profitability and, hence, indirectly to productivity. Bonus usually amounts to four to five months wages, far higher than anywhere else in the OECD where one month's wage is the maximum.[8] Public sector bonuses reflect private sector bonuses in principle, though not necessarily in practice. They follow the recommendations of the National Personnel Agency. Every spring, metal-based industry unions negotiate bilaterally and sign contracts, followed by machinery industries and then by others.

The bonus system and lifetime employment system in large corporations have many requirements and effects. From the management point of view, bonus implies wage bill

flexibility in tune with profitability. It also means relatively peaceful and co-operative industrial relations since workers and unions have a significant stake in profitability and hence in co-operation with the management. From a national macro-economic point of view, the system tends to raise the national savings rate as the propensity to save from large biannual increments is higher than from monthly salaries. This bonus-oriented remuneration system with its wage bill flexibility is the necessary counterpart of the lifetime employment system. The latter, in turn, conduces to the accumulation of skills and co-operative long-term intra-firm relationships. Enterprise unionism as against Anglo-American type industry-wide unions, reinforces such intra-firm co-operation.

Another counterpart of the lifetime employment system is long working hours and limited wage hikes. After the first oil shock, working hours did not shorten. They lengthened with increased overtime to make full use of capacity. In 1989, the Japanese worked an average of 2,159 hours, of which 254 hours were overtime, compared to 1,957 hours (198 overtime) in the US and 1,989 hours (187 overtime) in the UK, and ever less in Germany and France.[9]

Yet another counterpart of the lifetime employment system is the seniority system followed in large corporations and the public sector where, unlike in the US, people rarely change jobs and cannot shoot up the corporate ladder but only move up in small steps through their working lives. Under this kind of system a senior worker will earn more than a highly qualified new managerial or technical recruit.

A virtual requirement of the lifetime employment system is job flexibility and rotation within corporations. Unlike in the Anglo-Saxon countries and those influenced by them, where job descriptions are very detailed and narrow, originating in a pre-industrial craft system where workers only plied their own 'trade', a worker in Japan enters a company not a post. He has to do whatever he is assigned. Indeed, regular job rotation is the norm as is thorough in-house training. Companies hire fresh recruits every April on the basis of broad job descriptions and the premise of future flexibility. Workers are expected to do multiple jobs; their annual promotions, increments and bonuses are not affected. This, combined with wage bill flexibility due to the heavily bonus-oriented system, makes company adaptability including industrial adjustment that much easier because they can retrain people and reallocate tasks, with the back-up, if necessary, of other companies in the same *keiretsu*, thus upgrading the skill base while avoiding unemployment.

This whole system is also made possible by the vast small and medium industry sector, often sub-contractors to large corporations, which act as a buffer or shock absorber in times of downturn, laying off workers. The system has also been relatively stable due to rapid economic growth over the post-war period compared to other OECD economies, even in the 1970s and 1980s. It has both facilitated such growth and industrial adjustment as well as survived because of it.

VI
Recession of Nineties: Undermining of Post-war System?

This post-war system of industrial organisation and policy is currently facing fundamental challenges due to a number of domestic and international developments. The tendency is to undermine the 'Iron Triangle' of the Liberal Democratic Party (LDP), the bureaucracy and big business which underpins 'Japan, Inc'. First, the three-year recession of 1991-94 following the crash of the 'bubble' economy, the longest in post-war Japanese history, has shaken the system to its roots as it has not been able to generate recovery and renewed growth. The crash in stock and real estate prices has hit the profitability of a large number of Japanese banks and firms. The system of long-term industrial policy of anticipating and developing comparative advantage by improving on foreign innovations with the support of MITI's administrative guidance is no longer working well. Although the Japanese have taken the lead in luxury cars and fax machines in recent years over their European and American rivals, this traditional strategy of catch-up and overtake has not worked in several critical areas such as computers, logic chips, telecommunications and high-definition television.

In computers the Japanese while trying to catch up with IBM in mainframes and Cray in supercomputers, missed out on the PC and general downsizing and distributed data processing revolution. In advanced chips too, especially logic chips and dedicated (custom) high-value chips, the Japanese have been lagging behind even as they have gained dominance over the commodity chip, especially memory chip, market. In telecommunications again, due to continued overregulation and centralisation they have missed out on the networking revolution that marries chip, computer, software and telecom switching and transmission technologies. They have missed out on the over-the-air (cellular) telecom revolution.

And over the course of 1993, the US appears to have regained its technological lead in information technology-based industries with the revolution in digital transmission due to the innovations in digital data compression technology.[10] Japan's analogue high-definition TV technology is effectively obsolete. Due to the ongoing integration of information technologies whereby all products are essentially different systems architectures based on common (or dedicated) components, even Japan's traditional strength in consumer electronics is threatened by the US lead in advanced chips, telecom and networking (Clinton's proposed information superhighways). Japan remains less computerised and networked than the US or even some European countries. Even in automobiles Japan is on the defensive as the US auto industry recovers.

Increasing numbers of Japanese corporations are being forced to abandon the traditional approach of improving on foreign basic innovations and aiming for volume and market share rather than profit. They are increasingly adopting American strategies of leading-edge innovation and profit motivation and with them their inevitable concomitants of financial, employment and supply contract flexibility. The protracted recession has already forced many major corporations to close or 'downsize' factories, putting great pressure on the lifetime employment system despite the cushion of the *keiretsu* system and the small and medium enterprise sector.

Pressure to abandon the lifetime employment system also originates from the fact that its enabling condition—wage bill flexibility due to the bonus-oriented remuneration system—is being eroded by the fact that bonuses are no longer so closely tied to profitability and hence no longer providing the wage bill flexibility that they were intended to. Thus such key institutions of post-war Japanese industrial organisation and policy as lifetime employment and the *keiretsu* system are under threat. In the last three years there has been growing debate in Japan over the advisability of continuing with traditional business practices. Even Japan's burgeoning trade surpluses over 1992 and 1993 are not quite the signs of strength that they appear to be, as we shall argue in a moment.

Second, the end of the long period of Liberal Democratic Party (LDP) rule and the coming to power of a coalition government committed to fundamental political reform has created a new domestic policy climate. The coalition itself is fragile and based on only a broad commitment to political reform, the specifics of which, such as how to redraw electoral district boundaries, are bound to create dissensions both among the conservative parties as well as between the left Socialists and other left parties on the one hand and the conservative majority in the coalition and right Socialists on the other. In January 1994, the reform bill was passed in both Houses of the Diet but only after the Upper House rejected it due to opposition from Socialists. The matter was resolved and the bill passed in a joint sitting of both Houses but only after the Speaker Takak

Diet intervened to arrange a compromise between the then Prime Minister Hosokawa and now-opposition LDP leader Kono.[12]

The basic agreement is to shift to a system where 300 out of 500 seats (down from 511) in the lower house of the Diet are single-member seats. The remaining 200 seats will be allotted to parties on a proportional representation basis. The electorate will vote only once. The under-representation of urban areas will be redressed under the proposed new system. The rules on political financing are to be changed to tighten up on illegal donations. Company donations to politicians are still legal but there are more restrictions such as that there should be only one organisation attached to each politician for fund-raising. Earlier a politician could have multiple organisations so as to circumvent ceilings on donations to political organisations. The Upper House of the Diet is to remain the same for the present.

The present, mostly multi-member (two to six member) district system forces candidates to compete against not only opposition party candidates but against their own party candidates for maximising their votes and thus leads to tremendous pressure to raise money and hence to political corruption. This system tends to blur the distinctions between parties on issues while focusing attention on candidates and puts tremendous pressure on candidates to cultivate their constituents through the building of patronage-based political machines at constituency level. In fact, this traditionally LDP-dominated system focused on candidates and party factions rather than parties and issues, facilitated the autonomy and long-term perspective of the bureaucracy and hence, its long-range policy-making and implementation capacity.

Most observers see further political realignment ahead with the government not lasting its full term, and maybe the emergence of a two-party system with both parties being essentially centre-right in complexion. This may lead to the undermining of bureaucratic autonomy on economic and industrial policy which has been an underpinning of the traditional Japanese industrial policy regime, as policy issues and programmes becomes politicised in a single-member district two-party system, an internationalised economy and a changing world and regional order. The passage of the political reform bill in the Diet in January 1994 marks the beginning of both political reform and domestic political realignment with the consequences for long-term industrial policy hinted at. It remains to be seen how the battle between the reformers and the bureaucracy, big business and the old-style politicians plays itself out.

Third, the record trade surpluses with all its major trading partners, especially the US, has generated tremendous political pressure on Japan to not only reduce its surplus but also to undertake industrial policy and organisational changes that underpin the Japanese pattern of growth and exports. The *keiretsu* system and the Japanese distribution system based on long-term supply contracts that tend to exclude outsiders are under attack in US-Japan trade relations as in the Structural Impediments Initiative launched under President Bush. The Japanese trade surplus in 1992 was $ 107 billion including $ 44 billion with the US. The figures for 1993 are $ 120 billion and $ 59 billion respectively.

However, although this means that the Japanese have deep pockets to dig into to regain a technological and competitive edge, it also reflects stagnant domestic demand which is at least partly policy-induced as, for historical reasons, policy has tended to encourage saving over consumption and domestic infrastructure has been relatively neglected by the standards of an affluent country. It also reflects the fact that in a world recession, raw material and foodstuff prices tend to fall proportionately more sharply than manufactured goods prices, thus boosting the surplus of a manufactured export-surplus country like Japan whose import basket tends to be disproportionately dominated by primary products.[13] However, the loss of competitive edge to the US and Europe in key hitech areas and the deterioration of the 'quality' of its trade surplus with the US, most of it coming from a stabilised slow-growth industry like automobiles, is an indication of the underlying weakening that has taken place behind the trade surplus.

Fourth, the end of the cold war has brought US-Japan trade tensions to the forefront in a way that did not happen earlier and has also lessened the strategic importance of Japan to the US.[14] Earlier American administrations, even the Bush Administration, has tended to subordinate US-Japan trade frictions to the overarching need to maintain the US-Japan political and security alliance, the linchpin of the US Pacific security architecture, in good shape. It is no longer in much doubt that the Clinton Administration will attach such importance to the latter in the post-cold war world, especially when Japan's relations with Russia remain the coolest among Russian relations with any US ally. In addition, the new strategic environment in a fluid and uncertain Asia-Pacific region, due to the great uncertainties about the future courses of Russia, post-Deng China and North Korea, may generate pressure to step up defence spending, partially ending Japan's free ride under the US umbrella.

Following the conclusion of the Uruguay Round of GATT in December 1993 and the passage of the NAFTA bill in the US Congress just before that, and Japan's record 1993 surplus with the US, and the failure of the Clinton-Hosokawa summit in February 1994, the Clinton Administration appears determined to increase pressure on Japan to reduce its surplus by agreeing to numerical domestic market share quotas as well as by reforming its domestic distribution system and industrial organisation. The renewal of the Super 301 clause of the Omnibus Trade and Competitiveness Act of 1988 is a sign of increasing pressure although it will have to be exercised in conformity with GATT rules.

Japan argues, quite legitimately, that numerical quotas are violative of free trade principles and threatens to take the matter to GATT if the US applies sanctions, that the root cause of the trade deficit is the US budget deficit spilling over into the balance of payments, and that domestic industrial organisation is outside the purview of trade policy.[15] The upshot of the trade dispute, however, is its spilling over into domestic politics, politicising economic policy and leading to considerable rethinking about regional and international economic relations, Japan's foreign policy and role in the emerging world order.

Fifth, the ongoing demographic transition in Japan and its newfound affluence are pushing industrial policy in a direction that tends to undermine the pillars of the post-war system, reinforcing the pressures of its trading partners. Japan's is one of the mostly rapidly aging populations and labour forces in the OECD. It is also one of the most affluent countries in the world today, with a per capita income higher than the US. Historically, it has neglected housing and public infrastructure, encouraged saving as against consumption, reinforced by the bonus and lifetime employment system, had long working hours for the same reasons, and neglected its environment relative to its affluence.

There are now strong domestic public, private and foreign pressures reinforcing a shift to public infrastructural and environmentally sensitive spending, reduced working hours, more leisure, more emphasis on consumption including imports and less on saving. Managements in the post-bubble recession want to reduce working hours generally, especially overtime, to 1,800 hours a year on average; this will require massive investments in automation, which in turn will be facilitated by the phasing out of lifetime employment if such is possible. An aging population needs much higher public spending on health and social security; a polluted environment requires higher public investment too. An affluent and highly educated younger generation is more interested in consumption, leisure and the quality of life rather than austerity and long working hours. They are tired of paying prices far higher than world prices for the same goods and services. International

pressures to reduce the trade surplus have already led to tax cuts and increased public spending to stimulate growth and imports.

Sixth, the growing internationalisation of Japanese industrial production, especially its spread to the Asian Pacific Rim described briefly earlier, has created the potential for a Japan-centred economic bloc in the Western Pacific in response to the emergence and consolidation of other regional trading blocs.[16] All these are changing the Japanese political economy and Japan's international relations and foreign policy. We attempt to sketch possible Japanese responses and future scenarios for Japan's international relations.

VII
Japan's Possible Responses and Future Scenarios for Its International Economic Relations and Foreign Policy

There are several possible policy responses to the above economic and political situation by Japan. Very broadly speaking, they would fall into two trajectories, overlapping and non-contradictory, whose resultant course will become clear only over time and depending upon how the world and Pacific regional situation evolves. One broad trajectory would be that of greater integration of Japan with the developed world economies combined with the strengthened centrality of the US-Japan alliance, possibly complemented by a stronger Japanese defence capability.

The other broad trajectory would be a greater degree of economic integration into the Asia-Pacific area combined with the emergence of regional political and security architectures. This does not necessarily preclude the US involvement in the latter, or displace the US-Japan alliance but reduces its importance. In fact, the developed economies and the US alliance relationship would continue to remain central to Japan, but within a more diversified web of relationships.[17]

The appreciation of the yen over 1990-92 and again in 1993-94 to the range of 100-110 yen/$ has affected the competitiveness of Japanese corporations significantly despite their positive effect on imported raw material costs. Japanese industry is employing a range of coping strategies to deal with the problem, compounded further by recessions both at home and abroad and the recent US regaining of an edge in key technologies.[18] Traditional streamlining and cost-cutting measures appear, in many cases, to have reached their limits, raising the issue of continuing with the lifetime employment system. More companies, now, after three years of recession and battered profitability, are emphasising profitability rather than market share in their export strategies, unlike traditionally. In tandem with this, more companies are increasing the share of yen-denominated export contracts as a countermeasure against exchange rate risks, unlike in the 1985-88 yen appreciation phase. Another widespread countermeasure is the increase of outsourcing of parts and semi-finished goods both from foreign producers and overseas Japanese subsidiaries. Despite the falling off of FDI, relocation of parts and components production, especially of labour-intensive items, to lower-wage sites by the creation of new foreign affiliates is also taking place.

At the same time as these countermeasures, Japanese firms are also moving to reduce unit labour and raw material costs through increased productivity by way of increased automation of operations. They are also progressively phasing out low and middle-technology products either by relocation by FDI, or by vacation of these areas in favour of emerging industrial countries like the Asian NIEs and ASEAN, and shifting to high value added, high-technology products. These measures are in harmony with both the emerging Japanese labour shortage due to demographic factors, the increasing stress on environmental and consumer protection and higher labour standards in Japanese industrial policy, and the increasing supply of cheap skilled labour in the developing world. They are also in harmony with the need to focus financial, technological and managerial resources to catch up and keep pace with the US in advanced technologies. Consequently, international strategic alliances in R and D with the US and European compnies have been burgeoning as had mergers and acquisitions over the past several years.

These coping strategies have broad consequences. At one extreme of this policy mix, Japan's trajectory would be towards relatively greater integration with the developed world economies even while expanding its linkages in the Asia-Pacific too in absolute terms, with the continued overriding centrality of the US-Japan alliance in its international relations. Thus a policy mix dominated by a rapid vacation of low-technology, labour-intensive products combined with a rapid shift into high-technology, capital-intensive industries with Japanese FDI going increasingly to developed countries and Japanese corporations focusing increasingly on strategic alliances to develop new technologies and gain leads in Triad (US-Europe-Japan) markets as well as other developed markets like Australia, coupled with a strengthened Japanese defence capability based on hitech electronic warfare (early detection, concealment and interception) capabilities complementary to the US warfighting capabilities in the Pacific, could take Japan on a trajectory of greater integration with the West. This could be intensified if OECD growth picks up, if the European Union and NAFTA remain open, US-Japan and intra-Western trade tensions ease after the Uruguay Round, the technological gap between the developed and developing worlds increases and Asia remains politically unstable and a new Russian nationalism leads to continued US-Russian rivalry.

On the other hand, at the other extreme of the above policy mix, Japan's trajectory would be towards greater integration towards the Asia-Pacific region (including Australasia and the Russian Far East). If OECD growth does not pick up, US-Japan and intra-Western trade tensions continue while the Asia-Pacific region booms and rivals North America and Europe in GNP by 2000 and narrows the per capita income and technology gaps, (Singapore, Hong Kong and Taiwan are already at or approaching OECD income levels) exerting a strong pull effect on Japanese trade and FDI, new political and security arrangements emerge in Asia, including Russia and China, cold war tensions between Russia on the one hand and the US and Japan on the other remain managed, then Japan could while maintaining the US-Japan alliance, get far more economically and politically integrated into Asia in new arrangements blessed by or participated in by the US. The only thing that is extremely unlikely is some sort of Asian bloc of the Malaysian-proposed East Asian Economic Caucus type, formed to countervail the US; any regional security and integration arrangement will have to have at least the tacit blessing of the US to be viable.[19]

What is likely is a Japanese coping strategy and an international, economic and regional environment, post-GATT and post-NAFTA, that produces a policy mix that falls somewhere in the middle. Thus what is likely is growing Japanese economic integration with Asia through trade and FDI relocating industry especially to the fast-growing countries (after all Japanese overseas industrial production is only 6 per cent of domestic production while the US figure is 14 per cent; it can only grow), combined with rapid industrial upgradation into hi-tech activities and even tighter interpenetration of the US and Japanese economies through cross-investments, trade and technological alliances, all based on the continuance of the US-Japan strategic alliance in the Asia-Pacific, even if a US-blessed (or led) Asia-Pacific system of security and political understandings emerges.

Notes

1 This paper is based on research done on my own initiative (in addition to my official project) while I was a Visiting Research Fellow at the Institute of Developing Economies in Tokyo in the first quarter of 1993 and followed up since then from India. The material was gathered on that trip, on all

earlier trip in March 1991 and subsequently in India. I am grateful to the 40-odd people, mostly Japanese but also some foreign Japan-watching scholars and diplomats, too numerous to name here, academics, businessmen, diplomats, officials of MITI, the Ministry of Foreign Affairs and other agencies, journalists and others, who gave me interviews, many of them more than once, and other assistance.

2 In the historical account of post-war Japanese industrial policy I draw heavily upon Chalmers Johnson, *MITI and the Japanese Miracle*, Stanford, 1982; T J Pempel (ed), *Policymaking in Contemporary Japan*, Ithaca: Cornell, 1977; Ezra Vogel, *Japan as Number One: Lessons for Americans*, Cambridge: Harvard University Press, 1979; R Komiya, M Okuno and K Suzumura, *Industrial Policy of Japan*, Tokyo: Academic Press, 1988; Christopher Freeman, *Technology Policy and Economic Performance: Lessons from Japan*, London: Pinter Publishers, 1987; H Patrick (ed), *Japan's High-Technology Industries*, University of Tokyo Press, 1986; K Yamamura and Y Yasuba (eds), *The Political Economy of Japan*, Vol I, Stanford University Press, 1987; Ernani Teixeira Torres Filho, *Industrial Performance and Industrial Structure Policy: The Experience of Japan after 1973*, Tokyo: Institute of Developing Economies, VRF Series No 177, August 1990; Lily Kosiyanon, *The Changing Role of the State in the Development of the Private Sector in Japan*, Institute of Developing Economies, VRF Series No 168, October 1989; MITI-RI (Research Institute of International Trade and Industry), *Japanese Industrial Policy in the 1980s*, 1990, and *The Theoretical Basis of Industrial Policy: Towards a New Horizon in the 1990s*, 1991.

3 For a detailed account of industrial structure and industrial organisation policies see, MITI-RI, op cit, *The Theoretical Basis of Industrial Policies: Towards a New Horizon in the 1990s*, 1990, and *Japanese Industrial Policies in the 1980s*, 1990.

4 See, Marie Anchordoguy, *Computers, Inc: Japan's Challenge to IBM*, Cambridge: Harvard University Press, 1989, for a detailed account of industrial policy in the computer industry that employed all the instruments of intervention mentioned above, particularly perferential government procurement.

5 For an authoritative account of the state intervention and state-*chaebol* relations in South Korea during the boom years of the 60s and 70s see, Leroy Jones and Il Saknog, *Government, Business and Entrepreneurship in Economic Development: The Case of Korea*, Harvard, 1980, and with a different emphasis but covering the same ground, Alice Amsden, *Asia's Next Giant*, Oxford, 1990.

6 See MITI-RI, op cit, *Japanese Industrial Policy in the 1980s*, 1990, for details of US-Japan trade frictions in the automobile and semiconductor industries.

7 See, Nomura Research Institute, *Nomura Asia Focus*, December 1992; Sakuya Fujiwara, "Bubble Begone", *Japan Economic Report*, October-December 1991; Chia Sow Yue, *Japanese Overseas Direct Investment in ASEAN and Asian NIEs*, Institute of Developing Economies, VRF Series No 187, February 1991; E Sridharan, 'Japan and Western Pacific Integration: Implications for World Order', *Economic and Political Weekly*, September 7, 1991.

8 Japanese Ministry of Labour, *Monthly Labour Survey*, various.

9 Ibid.

10 See Peter Drucker, 'The End of Japan, Inc? An Economic Monolith Fractures', *Foreign Affairs*, Spring 1993.

11 For a detailed account of the functioning of the LDP 'system' and its consequences for policy, as well as for a comparison with India's Congress 'system', see Takako Hirose, *Two Asian Democracies: A Comparative Study of the Single Predominant Party Systems of India and Japan*, Delhi: Konark, 1993. For an analysis of the 1993 elections see, Purnendra C Jain, 'A New Political Era in Japan: The 1993 Election', *Asian Survey*, Vol 33, No 11, November 1993.

12 At the time of writing, Tsutomu Hata, the coalition's foreign minister and former finance minister in the previous LDP government, has been elected prime minister; the Socialist party has left the coalition and some further defections from the LDP have taken place.

13 See, Peter Drucker, op cit, for this point.

14 See, Leonard Silk and Tom Kono, 'Sayonara, Japan, Inc', *Foreign Policy*, No 93, Winter 1993-94.

15 For a critique of US policy and Japan-bashing from a free trade perspective, see, Jagdish Bhagwati, 'How Declinism Drives Trade Policy', *Foreign Affairs*, Spring 1993.

16 See, E Sridharan, op cit.

17 See Eugene Brown, 'The Debate over Japan's Strategic Future: Bilateralism versus Regionalism', *Asian Survey*, Vol 33, No 6, June 1993, for an analysis of the ongoing debate in Japan.

18 See JETRO, *White Paper on International Trade 1993*, and *White Paper on Foreign Direct Investment 1992* for figures on Japanese foreign trade and investment including all mentioned in what follows. See the above and Japan Institute of international Affairs (ed), *White Papers of Japan 1991-92* and MITI, Industrial Structure Council, *International Trade and Industrial Policy in the 1990s: Towards Creating Human Values in the Global Age*, 1990, for detailed surveys of how Japanese firms are evolving coping strategies and Japanese industrial policy is evolving in response to the perceived challenges.

19 The basic reason is that the negotiations are bound to be extremely difficult and protracted while the US has several possible instruments and strategies for intervention to scuttle any such process of building a countervailing coalition if it wishes to. For a solid theoretical analysis see, Vinod Aggarwal, 'Building International Institutions in Asia-Pacific', *Asian Survey*, Vol 33, No 11, November 1993

Beliefs and Practices about Food during Pregnancy

Implications for Maternal Nutrition

Moni Nag

As in many other countries, there are traditional beliefs in India regarding specific food items a pregnant woman should or should not eat during pregnancy and about the proper amount of food desirable for a pregnant woman for successful reproductive outcome.

This paper reviews the empirical evidence available from community or hospital studies regarding these beliefs as well as the reasons reported for these beliefs and the extent to which these are reflected in their food behaviour. Programmatic implications of the findings are discussed.

ALL societies have traditional beliefs regarding harmful and beneficial foods for women during pregnancy. There are also beliefs regarding the optimal amount of food to be taken during pregnancy for a successful reproductive outcome. These beliefs may or may not conform to the modern biomedical notions about the proper types and amount of food needed by pregnant women to safeguard maternal nutrition, adequate growth of foetus and safe delivery. Many studies have shown that the food taken by a large section of pregnant women in India is deficient in caloric content, protein and other nutrients—a leading cause of maternal and child mortality.

Three well known reasons for low nutritional status of pregnant women in India are (i) widespread poverty, (ii) discrimination against women and female children in household food distribution and health care, and (iii) lack or poor quality of antenatal care. Whether or not the beliefs and practices regarding food during pregnancy are significant additional reasons for the low nutritional status of pregnant women and undesirable reproductive outcome in India is an important question which has been hardly addressed by scholars. Anthropologists and nutritionists have conducted studies on various aspects of food beliefs and practices of pregnant women in Indian communities and hospitals but most of these are limited by narrow disciplinary perspectives and have not discussed in any depth the possible effects of specific beliefs on the dietary behaviour, maternal nutrition and on reproductive outcome.

The present paper attempts to pull together information relevant to the above question from the available literature. The belief of 'eating down'—the belief that pregnant women should eat less than before pregnancy or should not increase the diet during pregnancy mainly to limit baby size and avoid a difficult delivery—is known to be common in India and many other countries [Brems and Berg 1989]. A critical issue in planning and delivering nutrition and health services that are nutritionally, obstetrically and culturally appropriate for pregnant women is whether this belief has a significantly harmful effect on reproductive outcome in India and, if so, what should be and can be done about it.

This paper will review in two different sections the food items which are believed to be harmful and beneficial in various Indian communities along with the reasons for these beliefs and the extent to which these are actually practised. Since these beliefs are often associated with the concepts of 'hot' and 'cold' foods, an initial section will be devoted to the prevalence and interpretations of these concepts in India. These will be followed by a section on pica foods or foods that are specially craved for by pregnant women and a section on the amount of food believed to be proper in various communities along with the reasons for the beliefs and the extent to which the beliefs are actually practised. The final section will deal with the nutritional effects of the beliefs and their programme implications.

'Hot' and 'Cold' Foods

The concepts of 'hot' and 'cold' foods are quite widespread in India and many other countries but the underlying criteria for classifying foods as 'hot' and 'cold' are often not clear. Although there seems to be some consensus regarding the classification of specific foods as 'hot' and 'cold' and the perceived consequences of taking them in a localised population, considerable variation exists in this respect not only between different countries but also within a country and within its various regions. The studies in India reviewed for this paper indicate that in Indian communities food items perceived as 'hot' are often believed to be harmful for pregnant women and those perceived as 'cold' believed to be beneficial, although in a few communities effects are believed to vary in different stages of pregnancy and also on individual physical constitution. Moreover, a fairly common ethnophysiological theme in India is that a balance of 'hot' and 'cold' is necessary for body's well-being, and since pregnancy generates a state of 'hotness', it is desirable to bring a balance by taking 'cold' foods [Mathews and Benjamin 1979; Nichter and Nichter 1989; Pool 1987; Ramanamurthy 1969]. The diversity in food restrictions and prescriptions in different parts of India is often due to the variation in the classification of specific foods as 'hot' and 'cold' as shown in Table 1.

There is a striking uniformity in the perception of all animal foods (eggs, fish and meat) as 'hot'. In some societies these are perceived as harmful not only because they are 'hot' but because they are believed to make babies too large. Milk, yoghurt and buttermilk are perceived as 'cold' in Gujarat, Uttar Pradesh and Tamil Nadu communities but as 'hot' in a Karnataka community. In an Uttar Pradesh village clarified butter (ghee) is perceived as 'hot' (but not excessively so) and beneficial for pregnant women because it produces blood and gives strength.

Most fruits are perceived as 'cold' in Gujarat, Karnataka and Uttar Pradesh communities but significant exceptions exist. For example, in Karnataka communities banana, papaya, jackfruit, pineapple and all unripe fruits are perceived as 'hot'. Fruits perceived as 'hot' in Tamil Nadu communities are more in number (papaya, pineapple, mango, jackfruit, groundnut and palmyra fruit) than those perceived as 'cold' (coconut and custard apple). In Andhra Pradesh communities banana, papaya and mango are perceived as 'hot'; only fruit perceived as 'cold' is coconut. There seems to be some general consensus in perceiving papaya, pineapple and jackfruit as 'hot' and coconut as 'cold'. There also seems to be a consensus in perceiving jaggery as 'hot',

but sugar is perceived as 'cold' in a Gujarat community and 'hot' in a Karnataka community.

Perceptions regarding 'hotness' and 'coldness' of vegetables vary more than those regarding fruits. Karnataka communities characterised a few vegetables as 'hot' (eggplant, bittergourd, ashgourd, pumpkin, drumstick and bamboo shoots) but none as 'cold'. In Tamil Nadu a few vegetables are perceived as 'hot' (eggplant, bottlegourd, beans, carrot, raddish, drumstick and potato) and a few as 'cold' (eggplant, bottlegourd, ashgourd, pumpkin, raddish, tomato and sweet potato). It may be noted that different communities in the same state may perceive the same vegetable as 'hot' and 'cold' (e g, eggplant, bottlegourd and radish in Tamil Nadu). Even in the same community perceptions between individuals may vary regarding specific food items.

Foodgrains form the staple diet for most people in India. Perceptions about the 'hotness' and 'coldness' of specific grains vary considerably in different regions. More grains are perceived as 'hot' than as 'cold'. For example, wheat is perceived in Andhra Pradesh, Karnataka, Uttar Pradesh and Tamil Nadu communities as 'hot' and as 'cold' only in a Gujarat community. Pulses are perceived as 'hot' in a few communities (Gujarat, Karnataka, and Uttar Pradesh) and 'cold' in none. Sesame seeds are perceived as 'hot' in Gujarat, Karnataka and Tamil Nadu and 'cold' in none. Varieties of grains are sometimes perceived differently in different communities, even in the same state.

Spices and herbs are perceived more commonly as 'hot' than 'cold'. For example, in a Gujarat community some spices (specially, onion, garlic, chillies and fenugreek) are perceived as 'hot' and none as 'cold'. In Tamil Nadu communities ginger and mustard are perceived as 'hot' and none as 'cold'. In a Karnataka community, however, more spices are perceived as 'cold' (cumin, aniseed, amaranth and coriander) than as 'hot' (salt). There is very little information on beverages. Alcohol, tea and coffee have generally been mentioned as 'hot' in a few communities.

Wide variations regarding perceptions of 'hotness' and 'coldness' in various Indian communities, as revealed in Table 1, indicate that the underlying reasons for perceiving specific food items as 'hot' or 'cold' vary considerably. Very few studies cited in this paper have attempted to analyse these reasons. It is, however, clear that the concepts of 'hot' and 'cold' foods generally bear no relation to their temperature or pungency. Also the foods characterised as 'hot' and 'cold' do not seem to possess any common characteristics such as colour, texture and form. The most plausible explanation of categorising some foods as 'hot' and some as 'cold' in most communities perhaps lies in the perceptions people have about the effects which specific foods have on the person who eats them.

Pool (1987) elaborates this relationship in his attempt to explain the classification of some foods as 'hot' and others as 'cold' by a mostly tribal community in Gujarat. In this community perceptions of the hot-cold qualities of food seem to be derived from the disease which is thought to result from eating too much of the food in question. For example, eggplant is perceived as 'hot' because of the belief, perhaps based on some experience, that if a person eats too much of it, he/she will get a skin disease (which is 'hot'); bananas are 'cold' because too many bananas cause coughs and colds (which are 'cold' diseases). All diseases are not categorised as either 'hot' or 'cold' but there was a surprising unanimity among 48 informants in the way they identified 10 diseases as 'hot' and eight as 'cold'. Thus, all skin diseases (common in the community), which are supposed to include scabies, boils, ulcers, measles, chickenpox, smallpox, are thought to be caused by excessive heat in the body. The sources of this heat may be 'hot' food, environmental heat, lack of hygiene or 'unclean blood'. Respiratory diseases, which include coughs, colds, asthma, bronchopneumonia and breathlessness, are perceived as 'cold' diseases caused by excessive cold food or cold weather. Pregnancy and menstruation are considered to be 'hot' stages in which a woman is vulnerable to hot food and hot weather, and particularly prone to hot diseases. It is considered desirable to adjust the amount of heat in the body system to different levels during the various stages of pregnancy. In the early stage when the body is believed to be in a heated state, women are advised to take more 'cold' food in order to avoid abortion and 'hot' diseases. In the third trimester women are supposed to need 'enough heat to expel the infant' and so should take more 'hot' food.

Foods Believed to be Harmful

Table 2 summarises information available from 14 studies which investigated food items believed to be harmful. It includes reasons for the beliefs and the extent to which the beliefs were reflected in actual behaviour. The populations studies are listed in the table in alphabetical order of the states to which they belong. Most of the groups studied are rural communities. One of them (No 5) consists of 500 mothers who attended hospitals and clinics in Mysore. The largest sample of women surveyed (1200, No 13) is drawn from all districts of Tamil Nadu [Ferro-Luzzi 1980]. The next largest is a sample of 1,106 pregnant, lactating and weaning women from 44 villages of Mahabubnagar district of Andhra Pradesh [Jesudason and Shirur 1980]. These are the only two groups for which some quantitative estimates of the proportions of women who actually avoided specific food items are available. For the Andhra Pradesh study estimates of the proportions of women who believed specific foods as harmful are also available. Locality is not known for one of the studies cited (No 14). The beliefs and practices for different categories of food are discussed below.

According to the findings of studies reviewed for this paper, restrictions during pregnancy in India seem to be more prevalent for fruits than for any other food category. The fruit that is most widely believed to be harmful in India is papaya. Next in order of their reported harmfulness are banana, jackfruit and pineapple. Other fruits which are mentioned as undesirable during pregnancy in one or more studies are coconut, custard apple, dates, groundnuts, guava, jambu fruit, mango, melon, nuts and palmyra fruits. Twin bananas are believed to be undesirable for pregnant women in Andhra Pradesh and Tamil Nadu for the fear of giving birth to twins. Among the Bhil women of Gujarat most fruits are believed to be harmful for pregnant women in the third semester of pregnancy because the fruits are believed to be 'cold', causing a sticky layer of 'fat' formed around the foetus making it stuck to the womb [Pool 1987]. Fruit products, such as honey, jaggery, molasses and sugar are believed to be harmful in some communities but for different reasons.

Papaya is reported to be harmful for pregnant women in both the studies of Andhra Pradesh communities, all three studies of Karnataka communities, two studies in Tamil Nadu and one study in Gujarat. In sample surveys conducted in Andhra Pradesh and Kerala in 1971 (not cited in Table 2), 22 per cent of women in Andhra Pradesh and 23 per cent in Kerala stated that papaya should not be taken during pregnancy. In both the states the belief regarding harmfulness of papaya was more common among the upper income group than among the lower income group [ORG, no date].

The most common reason given for avoiding papaya during pregnancy is its quality of being 'hot' and inducing abortion. Other reasons, also perhaps associated with 'hotness', include causation of uterine haemorrhage, white discharge from vagina and diarrhoea. Behavioural evidence of the belief regarding harmfulness of papaya, a widely available multi-seasonal fruit in

India, is not adequate. In rural areas of Mahabubnagar district of Andhra Pradesh, 72 per cent of 1,106 women interviewed reported papaya as harmful during pregnancy but only 2 per cent avoided it during pregnancy [Jusudason and Shirur 1980]. Among 500 women interviewed in Karnataka 35 per cent reported avoidance [Khanum and Umapathy 1976]. Papaya seems to be avoided during pregnancy most widely in Tamil Nadu. A study among 1,200 women from all districts of Tamil Nadu shows that 82 per cent of women avoided it during pregnancy [Ferro-Luzzi 1980].

In an attempt to find explanation for widespread avoidance of papaya in Tamil Nadu not only during pregnancy but also after delivery, at puberty and during subsequent menstruations, Ferro-Luzzi refers to the Tamil term for papaya, papali, which is comprised of two parts, pappa, meaning little child and ari meaning to destroy. The belief in the abortive power of papaya may be a corollary to the widespread belief that taking the fruit is closely followed by the onset of a due or overdue menstrual period. Papaya contains a digestive enzyme, papain, which acts on protein. It is used for softening meat in some parts of India but not in Tamil Nadu. Ferro-Luzzi thinks that the resemblance of papaya with female breast (recognised in Portugal and Puerto Rico) and a few of its other characteristics suggesting female analogies may be associated with the belief in its harmful effect on women. Such an association was, however, not mentioned by any woman in the study sample.

Banana is mentioned as harmful for pregnant women in both the studies conducted in Andhra Pradesh as well as in Gujarat and in one each of the studies conducted in Karnataka and Tamil Nadu. Banana is perceived as 'hot' in some places and 'cold' in others, but it is uniformly believed to be harmful though the reasons for the belief varies from place to place.

Jackfruit and pineapple are believed to be harmful for pregnant women in some communities and the most common reason given for their avoidance is that they are 'hot', often but not necessarily implying that they may induce abortion. Jackfruit is believed to cause infection in both mother and foetus in Karnataka [Nichter and Nichter 1989] and to cause fits in baby in Tamil Nadu [Ferro-Luzzi 1980]. Avoidance of pineapple in Tamil Nadu illustrates very well the behavioural variation that may exist in the same state. In Madurai district of Tamil Nadu 96 per cent of women interviewed said they did not eat pineapple during pregnancy while 94 per cent of women in Kanyakumari reported to have taken it freely. In Coimbatore and Nilgiri districts of Tamil Nadu almost nobody had any objection to pineapple, but it was not readily available. The folk belief in the abortive quality of pineapple was corroborated by an ayurvedic physician in Tamil Nadu, according to whose statistics pineapple acts on the uterus of 5-10 per cent of all women and causes bleeding [Ferro-Luzzi 1980].

Eggplant seems to be the most commonly prohibited vegetable during pregnancy. In the studies reviewed for this paper, next in order of prohibition are pumpkin and sweet potato. Other vegetables mentioned as harmful are ashgourd, bamboo shoot, bittergourd, bottlegourd, beans, cucumber, drumstick, potato, spinach, sweet potato and watergourd. Three of the four studies conducted in Tamil Nadu and one of two each in Andhra Pradesh [Mahadevan 1961] and Gujarat [SRRT 1992] do not include any vegetable in the list of foods believed to be harmful during pregnancy. There does not seem to be any commonality in the reasons given for avoidance of vegetables.

Among the grains, wheat and rice are more commonly believed to be harmful than others. Wheat has been mentioned as an harmful item in Gujarat [Pool 1987], Karnataka [Nichter and Nichter 1989], Uttar Pradesh [Jeffery et al 1989] and Tamil Nadu [Ferro-Luzzi 1980], mostly because it is 'hot' and may cause abortion. The reasons for avoidance of rice is more varied. In the Uttar Pradesh community it is believed to cause abortion not because it is 'hot' but it is 'heavy' ('badi'). In the Gujarat community it is believed to cause a sticky layer of 'fat' around foetus making it stuck to the womb. In the Karnataka community beaten rice is believed to be harmful because it causes excessive toxicity which results in infection both in mother and baby. In Tamil Nadu cold rice in water is believed to disturb the 'hot'-'cold' balance in the baby.

Other grains reported to be mentioned as harmful during pregnancy in various communities of India include bengalgram, horsegram, millet and pulses. Ferro-Luzzi (1980) found that in Tamil Nadu millet was rarely eaten by higher strata groups and in some districts it was avoided by 65-90 per cent of women only when they were pregnant. Horsegram was avoided by 26 per cent of women only when they were pregnant. Jesudason and Shirur (1980) found that pulses were avoided in the Andhra Pradesh community only by a small proportion of pregnant women.

Among the seeds believed to be harmful during pregnancy, sesame seeds were more commonly mentioned than any other. It has been reported to be so in Gujarat [Pool 1987], Karnataka [Khanum and Umapathy 1976; Rao 1985], and Tamil Nadu [Dumont 1957; Ferro-Luzzi 1980]. In all three states sesame seeds are believed to be 'hot', inducing abortion. Of the 1,111 women in all districts of Tamil Nadu interviewed in the study conducted by Ferro-Luzzi, 75 per cent abstained from sesame in one form or another during pregnancy. In that study sesame was second only to papaya as a food believed to induce abortion. The oil extracted from sesame seeds are widely used in India. However, sesame in the form of seeds is believed to be particularly 'hot'. In Tamil Nadu sesame seeds are thought of as being endowed with special power of life and fertility, and of stimulating the ovaries thereby hastening maturity. The reputed quality of sesame in promoting menstrual discharge makes it dangerous during pregnancy. In Tamil Nadu mustard seeds are also believed to be abortificient but only by a small section of population.

In many areas of India large sections of population do not normally take animal foods because of religious prohibition or because they are not affordable. Hence it is not unlikely that some of the survey respondents asked to name the food items believed to be harmful during pregnancy would tend to exclude animal foods.

Egg is reported to be a restricted food during pregnancy in Andhra Pradesh [Jesudason and Shirur 1980; Mahadevan 1961], Gujarat [Pool 1987; SRRT 1992], Karnataka [Khanum and Umapathy 1976; Rao 1985], Uttar Pradesh [Jeffery et al 1989] and Tamil Nadu [Ferro-Luzzi 1980]. Most communities cited its quality of being 'hot' and inducing abortion as reason for its avoidance. In Karnataka it is believed to cause red and blue patches on baby's face and body. In Tamil Nadu the main cause of avoidance is the fear of the baby growing too big. It is also supposed to cause the disease 'muccadaippan', characterised by breathlessness or the symptoms and signs of pneumonia. In Tamil Nadu among 1,034 egg-eaters out of 1,200 women interviewed, 9 per cent avoided eggs during pregnancy. Among 1,106 interviewed in Andhra Pradesh 16 per cent reported egg as harmful during pregnancy but only 3 per cent actually avoided during pregnancy [Jesudason and Shirur 1980].

For religious reason beef is taboo among the Hindus who constitute over 82 per cent of India's population. Non-vegetarians in various communities, however, sometimes take chicken, goat, lamb or pork. The commonly cited reason for avoiding meat is its quality of 'hotness' which induces abortion. In Tamil Nadu meat (usually pork and chicken) is believed to be not only 'hot' but also 'impure' [Ferro-Luzzi 1980]. If taken during pregnancy, it can cause vomiting, skin disease and deformity. If taken after seventh month of pregnancy,

the foetus can grow too large. In Andhra Pradesh 11 per cent of women interviewed (1,106) reported chicken as harmful during pregnancy and 2 per cent actually avoided during pregnancy.

Fish is reported to be harmful during pregnancy in studies conducted in Andhra Pradesh [Nichter and Nichter 1989], Gujarat [SRRT 1992], Uttar Pradesh [Jeffery et al 1989] and Tamil Nadu [Ferro-Luzzi 1980], mostly because it is 'hot' and induces abortion. In one Gujarat community [Pool 1987] only dried fish is believed to be harmful and in one Andhra Pradesh community [Mahadevan 1961] only a combination of fish and milk is believed to be so. In the Tamil Nadu survey among 1,200 women 998 were fish-eaters and among the latter 7 per cent avoided fish during pregnancy.

Some women in Andhra Pradesh [Jesudason and Shirur 1980], Gujarat [Pool 1987; SRRT 1992] and Tamil Nadu [Ferro-Luzzi 1980] are reported to believe milk as harmful during pregnancy. Buffalo milk is believed to be more harmful than cow's milk. Milk is usually perceived as a 'cold' food, sometimes having an adverse effect on women's health. For example, in Tamil Nadu it is believed to produce gas and cause rheumatism. Restrictions against milk products, such as yoghurt, buttermilk and clarified butter ('ghee') are perhaps more common than against milk. But actual avoidance of milk and milk products during pregnancy for their supposedly harmful effect is not widespread. For example, only 3 per cent of the total sample of 1,200 women in Tamil Nadu reported avoidance of milk and milk products during pregnancy [Ferro-Luzzi 1980].

Spices in general are believed to be harmful in Gujarat [Pool 1987; SRRT 1992] and Uttar Pradesh [Jeffery et al 1989] communities. Most of the studies reviewed for this paper mention one or more of the following spices as harmful during pregnancy: amaranth, chillies, fenugreek, garlic, ginger, onion, salt, sour spices and tamarind. The reason most commonly cited for avoidance is their 'hotness' which induces abortion.

Consumption of alcohol among women is rare in India except among tribes and low Hindu castes. The samples interviewed in two Gujarat communities [Pool 1987; SRRT 1992] include a substantial proportion of women from tribes and low castes among whom consumption of alcohol in the form of toddy by women also is not uncommon. Toddy is reported as harmful during pregnancy in both these studies because they are 'hot'. The only other study which mentioned toddy as such is from Andhra Pradesh [Jesudason and Shirur 1980]. In this study 0.4 per cent, 5 per cent and 16 per cent of women among 'scheduled' castes,

TABLE 1: FOOD ITEMS PERCEIVED AS 'HOT' AND 'COLD' BY STUDY RESPONDENTS IN VARIOUS INDIAN STATES

Food Item	States in Which Perceived as 'Hot'	States in Which Perceived as 'Cold'
Food grains and seeds		
Wheat	Andhra Pradesh [Jesudason and Shirur; Ramanamurthy], Karnataka [Nichter and Nichter], Uttar Pradesh [Jeffery et al]	Gujarat [Pool]
Rice	Karnataka [Rao], Tamil Nadu [Mathews and Benjamin]	Gujarat [Pool], Uttar Pradesh [Jeffery et al]
Pulses	Gujarat [Pool], Karnataka [Rao], Uttar Pradesh [Jeffery et al]	
Millet		Gujarat [Pool], Uttar Pradesh [Jeffery et al]
Gram (green)	Karnataka [Rao]	Karnataka [Nichter and Nichter], Tamil Nadu [Ramanamurthy]
Gram (red)	Andhra Pradesh [Jesudason and Shirur]	
Horsegram	Tamil Nadu [Ferro-Luzzi; Ramanamurthy]	
Cowgram	Tamil Nadu [Mathews and Benjamin]	
Maize		Tamil Nadu [Ramanamurthy]
Sesame seeds	Gujarat [Pool], Karnataka [Khanum and Umapathy; Rao], Tamil Nadu [Dumont; Ferro-Luzzi]	
Animal Foods		
Meat	Gujarat [Pool], Karnataka [Rao], Uttar Pradesh [Jeffery et al], Tamil Nadu [Ferro-Luzzi]	
Egg	Andhra Pradesh [Jesudason and Shirur], Gujarat [Pool] Karnataka [Rao], Uttar Pradesh [Jeffery et al]	
Fish	Gujarat [Pool]	
Fish (dried)	Andhra Pradesh [Jesudason and Shirur], Gujarat [Pool], Gujarat [Pool], Tamil Nadu [Ferro-Luzzi; Mathews and Benjamin]	
Milk and Milk Products		
Milk	Karnataka [Rao]	Gujarat [Pool], Uttar Pradesh [Jeffery et al], Tamil Nadu [Ferro-Luzzi]
Yoghurt	Karnataka [Rao]	Gujarat [Pool], Tamil Nadu [Djurfeld and Lindberg]
Buttermilk	Karnataka [Rao]	Gujarat [Pool]
Clarified butter (ghee)	Uttar Pradesh [Jeffery et al]	
Vegetables		
Most vegetables		Gujarat [Pool]
Eggplant	Gujarat [Pool], Karnataka [Rao], Tamil Nadu [Mathews and Benjamin]	Tamil Nadu [Ramanamurthy]
Bottlegourd	Andhra Pradesh [Jesudason and Shirur], Tamil Nadu [Ramanamurthy]	Tamil Nadu [Mathews and Benjamin]
Bittergourd	Karnataka [Nichter and Nichter]	
Ashgourd	Karnataka [Rao]	Tamil Nadu [Ferro-Luzzi]
Pumpkin	Karnataka [Nichter and Nichter]	Tamil Nadu [Mathews and Benjamin; Ramanamurthy]
Beans	Tamil Nadu [Mathews and Benjamin]	
Peas		Tamil Nadu [Ramanamurthy]
Carrot	Tamil Nadu [Ramanamurthy]	
Radish	Tamil Nadu [Ramanamurthy]	T N [Mathews and Benjamin]
Drumstick	Karnataka [Nichter and Nichter], Tamil Nadu [Ramanamurthy]	
Tomato	Tamil Nadu [Mathews and Benjamin; Ramanamurthy]	
Potato	Tamil Nadu [Ramanamurthy]	

(Continued)

'backward' castes and other castes reported toddy as harmful during pregnancy.

Beneficial and Unusual Foods

Information about foods believed to be beneficial during pregnancy is less than that about those believed to be harmful (Table 3) The scanty data available regarding foods believed to be beneficial hardly allow any generalisation. In general, items that are perceived as 'cold' are believed to be good for pregnant women In one community in Gujarat [Pool 1987], however, 'cold' foods are believed to be beneficial in first trimester and 'hot' foods in the third trimester In this community body is perceived to be in a heated state during first trimester, in third trimester body needs further heat so that the baby can be expelled easily by melting the layer of 'fat' formed around it by 'cold' food Milk, milk products and fruits were believed to be beneficial in Gujarat, Karnataka and Uttar Pradesh communities but in Andhra Pradesh and Tamil Nadu communities these were not mentioned as such The ayurvedic system of medicine, documented in *Charaka-Samhita* recommends milk, butter and clarified butter ('ghee') for the well-being of pregnant mother [Sharma 1981]

In one Gujarat community [SRRT 1992] no specific food item was mentioned by survey respondents as beneficial for pregnant women They were of view that food items which were not believed to be harmful for pregnant mothers were good for them Existence of beliefs regarding beneficial effect of specific food items on pregnant women do not necessarily imply their increased consumption because they are usually relatively expensive Only higher income group women are likely to get some advantages out of such beliefs

In one community living in Telengana region of Andhra Pradesh toddy—an unusual item—was believed to be beneficial during pregnancy In-depth interviews with 50 respondents randomly picked from 26 Hindu castes revealed that the belief existed among all the castes except brahmins and three other castes [Mahadevan 1961]. About 16-32 oz of toddy consumed daily or frequently after fifth month of pregnancy was expected to help in intra-uterine movement of foetus and hence in its growth If the new-born baby was found to be covered with 'dirt' (possibly *vernix caseosa*), mother was censured for not consuming toddy during pregnancy So most women actually drank toddy regularly during pregnancy whether they liked it or not Toddy drinking was, however, a regular habit among all adult men and women in that community except the four castes mentioned above. It is supposed to help

Table 1. (*Continued*)

Food Item	States in Which Perceived as 'Hot'	States in Which Perceived as 'Cold'
Sweet potato		Tamil Nadu [Mathews and Benjamin]
Bamboo shoots	Karnataka [Nichter and Nichter]	
Fruits and Fruit Products		
Most fruits		Gujarat [Pool], Karnataka [Nichter and Nichter; Rao], Uttar Pradesh [Jeffery et al]
Unripe fruits	Karnataka [Nichter and Nichter]	
Banana	Andhra Pradesh [Jesudason and Rao], Karnataka [Rao]	Gujarat [Pool], Tamil Nadu [Ramanamurthy]
Coconut		Andhra Pradesh [Jesudason and Shirur], Tamil Nadu [Mathews and Benjamin]
Coconut water		Karnataka [Nichter and Nichter], Tamil Nadu [Ferro-Luzzi]
Papaya	Andhra Pradesh [Jesudason and Shirur], Gujarat [Pool], Karnataka [Nichter and Nichter], Tamil Nadu [Ferro-Luzzi]	
Pineapple	Karnataka [Nichter and Nichter], Tamil Nadu [Ferro-Luzzi]	
Mango	Andhra Pradesh [Jesudason and Shirur], Tamil Nadu [Ferro-Luzzi]	
Jackfruit	Karnataka [Rao], Tamil Nadu [Ferro Luzzi]	
Groundnut	Tamil Nadu [Mathews and Benjamin]	Gujarat [Pool]
Palmyra fruit	Tamil Nadu [Mathews and Benjamin]	
Custard apple		Tamil Nadu [Ferro-Luzzi]
Dates	Gujarat [Pool], Tamil Nadu [Ramanamurthy]	
Jaggery	Andhra Pradesh [Jesudason and Shirur], Gujarat [Pool], Uttar Pradesh [Jeffery et al]	
Sugar	Karnataka [Rao]	
Honey	Karnataka [Rao]	
Molasses	Uttar Pradesh [Jeffery et al]	
Spices and Herbs		
Most spices	Gujarat [Pool]	
Onion	Gujarat [Pool], Tamil Nadu [Ramanamurthy]	
Garlic	Gujarat [Pool], Tamil Nadu [Ramanamurthy]	
Ginger	Tamil Nadu [Ferro-Luzzi]	
Salt	Karnataka [Nichter and Nichter]	
Chillies	Gujarat [Pool], Tamil Nadu [Mathews and Benjamin]	
Cumin		Karnataka [Nichter and Nichter]
Fenugreek	Gujarat [Pool]	
Aniseed		Karnataka [Nichter and Nichter]
Amaranth	Andhra Pradesh [Jesudason and Shirur]	Karnataka [Nichter and Nichter]
Mustard	Tamil Nadu [Ferro-Luzzi]	
Coriander		Karnataka [Nichter and Nichter]
Beverages		
Alcohol	Andhra Pradesh [Jesudason and Shirur], Gujarat [Pool, SRRT]	
Coffee	Tamil Nadu [Ferro Luzzi]	
Tea	Uttar Pradesh [Jeffery et al]	

Note Names in parentheses are those of corresponding authors referred to in this paper

elimination and have a cooling effect, particularly during summer.

Craving for Unusual Foods

Some pregnant women in India, as in many other regions of the world, are reported to have craving for unusual—often bizarre—foods. Four studies among those reviewed for this paper report the prevalence of such craving (Table 4). In rural Uttar Pradesh some pregnant women have craving for earth, ash from cooking stove ('chulah'), uncooked rice, bitter foods and sweet things [Jeffery et al 1989]. Among 500 mothers interviewed in hospitals and clinics in Karnataka 18 per cent stated that during pregnancy they had the habit of taking mud, clay, ash, lime, raw rice and charcoal. Craving for mud and clay was mentioned more commonly than other items [Khanum and Umapathy 1976]. In another Karnataka community a few women reported craving for small pieces of stone and limestone during pregnancy [Rao 1985]. Out of 50 pregnant women interviewed in a Gujarat community six reported consumption of baked clay ('mati') and tamarind seeds [SRRT 1992]. There are reports of pregnant women's craving for tamarind in Madurai district of Tamil Nadu [Reynolds 1982], for clay in West Bengal [Mitra 1904-07] and for handloom cloth, slate pencil, clay, charcoal and brick in unspecified localities [Raghuram 1975].

The craving for unusual substances that have no nutritional value is often referred to as pica. The word is derived from latin *magpie*, a bird of fickle appetite noted for its habit of eating or carrying away all manner of extraneous objects. Pica has been reported in all parts of the world and for all age groups and for both sexes. But it seems to occur more characteristically among young children, women in the childbearing cycle and in groups suffering from dearth of food or from deficiency in any important nutrient [Cooper 1951; Halstead 1968; Rosso 1990]. The compulsion to eat earth including clay or other types of soil (geophagia) by pregnant women is very widespread. Clay has a high calcium content but there is some evidence that its intake in substantial quantity may lead to anemia because it inhibits absorption of iron in addition to other possible contributing factors [Halstead 1968, Minnich et al 1968]. No evidence of such relationship has been, however, found in India so far.

Amount of Food

Review literature on food beliefs and practices during pregnancy in India often mentions about the belief in the desirability of eating in moderation during pregnancy for the fear of having a large baby causing difficulty in childbirth [Chatterjee 1991;

Table 2: Food Items Believed to be Harmful during Pregnancy

Respondents, Year of Study, Loc, Source	Food Items Believed Harmful	Reasons for Belief	Practice	Comments
(1) 1106 pregnant, lactating and weaning women; 1970s; 44 villages of Mahabubnagar district, Andhra Pradesh [Jesudason and Shirur 1980]	Papaya (72 per cent)	'Hot'	2 per cent avoided	Papaya, pumpkin, buffalo milk, banana, egg and chicken were items reported by women as their favourite; perhaps a reason why very few adhered to their belief
	Pumpkin (55 per cent)	'Hot', bad for baby and mother, boils, diarrhroea	5 per cent avoided	
	Buffalo milk (20 per cent)	Not available	Avoided by none	
	Banana (20 per cent)	'Hot', 'cold', fever, cough, bad for baby	3 per cent avoided	
	Egg (6 per cent), Chicken (11 per cent)	'Hot', bad for baby	2 per cent avoided each	
	Amaranth, bottlegourd, eggplant, pulses, toddy (each less than 1 per cent)	Various reasons	Avoided by few	
(2) 50 women; 26 Hindu castes; 1960-61; Telengana region, Andhra Pradesh [Mahadevan 1961]	Raw egg, papaya, horsegram (dolichos biflorus)	Induce abortion	Not available	
	Banana	Convulsion in baby		
	Twin fruits	Deformed baby or twin		
	Goat's meat (in summer)	'Hot'		
	Combination of fish and milk	Not available		
(3) 30 women and 30 men, mostly Bhil tribe, 1982-83, Bharuch district, Gujarat [Pool 1987]	In first trimester all items believed to be 'hot': sesame seeds, papaya, eggplant, dried fish, onion, garlic, chillies, jaggery, toddy, most pulses, dates, fenugreek, egg, meat, spices.	'Hot', ratevo (manifested in abortion, stillbirth, rashes, red spots or blotches on skin of baby), exacerbate already heated state in early pregnancy	Not available	
	In third trimester all items believed to be 'cold': yoghurt, butter-milk, banana, groundnut, millet, rice, sugar, milk, wheat, most fruits, most vegetables, all left-overs	'Cold', formation of a sticky white layer of 'fat' around foetus which makes it stuck in womb		
(4) 33 pregnant women in 16 villages; 1991-92; Bharuch district, Gujarat [SRRT 1992]	Yoghurt, milk, banana, left-overs	'Cold', 'sour', too much pain during labour	Adherence to belief quite irrelevant for relatively poor women because they rarely take, the pro-scribed foods in their non-pregnant condition; beliefs affect better-off women	Green coconuts and dates mentioned only by traditional birth attendants
	Fish, meat, egg, toddy	'Hot', induces abortion		
	Oil, spices, salt, meat, fish	Causes ratevo (rashes on skin of mother and baby)		
	Oil, milk, yoghurt, buttermilk, groundnut	Chonic food, difficult delivery, baby sticks to womb		
	Green coconut, dates	Interferes development and delivery of placenta and umbilical cord		
(5) 500 mothers in Mysore hospitals and clinics; 77 per cent Hindu; 1975-76, Karnataka [Khanum and Umapathy 1976]	Papaya	'Hot', induces abortion	35 per cent avoided	Avoided more by illiterate women
	Sesame seeds	'Hot', induce abortion	15 per cent avoided	
	Egg, jambu fruit (syzygium cumini)	Red and blue patches on baby's face and body	19 per cent avoided egg and 17 per cent avoided jambu fruit	

(Continued)

VHAI 1973]. There is, however, a dearth of empirical evidence of its behavioural implications and the extent to which it is changing as a result of antenatal services and education provided by the government and non-government agencies. Five of the studies reviewed for this paper give some information on beliefs regarding the amount of food believed to be proper during pregnancy (Table 4).

In their intensive study of two villages in Uttar Pradesh in 1982-83 Jeffery et al (1989) noted a common belief that a woman's strength can easily be sapped by pregnancy and that her diet should be supplemented with foods regarded as beneficial for coolness and strength, "but not so much that the baby becomes too fat". Many women said that the excessive eating results in such a large baby that delivery becomes difficult and even dangerous. Reasons given for negative effect of excessive eating were, however, not always consistent. For example, one woman, who was initially warned that her baby would be too large because she was too greedy regarding food, actually delivered a small sickly baby. She was then blamed for eating so much that "her tubes became filled with food and the baby became cramped". Very few informants reported, however, any changes in their diet during pregnancy.

Majority of respondents in Nichters' (1989) study of two taluks of Karnataka in the 1980s thought it advisable to eat less or same amount of food as opposed to increased amount during pregnancy. As in Uttar Pradesh villages, the relative ease in the delivery of a small baby was often cited as a reason but here it was reinforced by the belief that a large baby is not necessarily a healthy baby and that in order for a baby to become healthy it should have sufficient space in the stomach for free movement. The foetus is viewed as growing in a "space occupied by food, gas and urine" and hence can have more space for movement if food consumed is less in amount. Some women said that the felt need for food is decreased because of less activities during pregnancy. The major reason for low intake of food by both pregnant and non-pregnant women was their poor purchasing power but the fear of difficulty in delivering large babies and the concept of the need for adequate "baby space" for the foetus to grow healthy were responsible for some pregnant women actually consuming less than their normal diet. Periodic spot visits to 10 pregnant women who stated they took less amount of food during pregnancy confirmed their statements. Morning sickness was also an important reason for limiting food during pregnancy. There were, however, a few women who reported increased amount of food during pregnancy.

TABLE 2: (*Continued*)

Respondents, Year of Study, Loc. Source	Food Items Believed Harmful	Reasons for Belief	Practice	Comments
(6) 282 mothers with young children; mid-1980s; two taluks of Karnataka [Nichter and Nichter 1989]	Papaya, pineapple, unripe fruits, pumpkin, wheat bittergourd, drumstick, bamboo shoots, salt	'Overheating' of body manifested in burning sensation during urination, scanty urine, white discharge; induce abortion and premature delivery	Consumption of foods classified as 'heating' are decreased if not restricted	
	Jackfruit and unctuous vegetables (eg, eggplant, spinach, drumstick), some fishes (eg, Indian mackerel, prawn, shellfish, crab), blackgram, beaten rice	Excessive toxicity (nanju) resulting in blood impurity, wound infections, morning sickness of mother, skin infection of baby		
	Sweet potato, jackfruit, bengalgram, pulses	Gaseous (vayu) foods, cramp the living space of foetus and restrict its movement		
(7) 68 pregnant women; majority Hindu, rest Muslim; early 1980s; three villages in Dharwad district, Karnataka [Rao 1985]	Jackfruit	'Hot', causes sepsis	Some fruits (eg, jackfruit, guava, melon, cucumber) available only in season and hence not important in daily diet	All respondents except three who refused to participate gave similar reasons; groundnuts, coconut and cucumber are commonly eaten items
	Sweet potato	Produces gas		
	Colostrum of cow and buffalo	'Hot', indigestible		
	Papaya	Induces abortion		
	Groundnuts and coconut	'Hot' cause giddiness, vomiting		
	Melon and cucumber	'Cold'		
	Fried foods	'Heavy' indigestible, vomiting		
	Chillies, tamarind, overspiced and sour foods	Indigestion and heartburn		
	Ashgourd (Benimcassa hispida), banana, eggplant	'Hot'		
	Sesame seeds	Bleeding and abortion		
	Guava	Stomach-ache, colds		
	Stale, cold foods	Unappetising and indigestible		
(8) A few women interviewed in-depth, anthropological study; 1982-83, 1985; 2 villages in Bijnor district, Uttar Pradesh [Jeffery et al 1989]	Meat, egg, fish, pulses, wheat, garlic, onion, tea, hot milk, molasses, most spices, most nuts, beans, potato, warm water	'Hot' induce abortion, uterine contractions	Only few informants reported any change in diet during pregnancy; some stopped eating foods unpalatable to them (potato, onion, fish, hot spices); meat, egg, fish consumption insignificant also among non-pregnant women	Some women not aware of any restriction on food during pregnancy
	Rice	'Heavy' food (badi), causes flatulence		
(9) A few women of Kallar caste interviewed in-depth; anthropological study 1949-50; 1 village in Tamil Nadu [Dumont 1957]	Millet (tinai), sesame seeds, pineapple	Induce abortion	Pineapple rarely available	

(Continued)

Most of the pregnant respondents (22 out of 27) in the 1991-92 study conducted by the SEWA-Rural Research Team (1992) in Gujarat villages said that they were eating less during pregnancy than what they normally ate. The queries regarding the reasons for eating less elicited initial responses like "elders say so" or the discomfort of eating normal amount of food during pregnancy. Further probing indicated two contradictory beliefs shared in the community: (1) increased food consumption by pregnant mother makes baby too large and hence causes health risk for mother during delivery; and (2) increased food consumption by mother hampers the growth and health of foetus because the foetus and food share the limited amount of space in the abdomen (similar to the belief in Karnataka cited above). The first belief was more common among the tribal group called the Vasava; the second was more common among the two Hindu castes. Irrespective of their beliefs some women reported that during pregnancy they were unable to eat much because they felt less hungry or uncomfortable after a full meal.

In a controlled study to assess the influence of a health education project in five rural areas of Tamil Nadu with varying extent of MCH services, Mathews and Benjamin (1979) found that in areas with no or very little services 38 to 93 per cent of women thought that baby's health would not be affected if they did not eat enough food during pregnancy. Over three-quarters of women in those areas did not take any additional food during pregnancy. In areas with better and longer services 71 to 83 per cent of women thought that baby's health would be affected if they did not eat enough food during pregnancy. So the MCH services seem to have had an effect on women's belief regarding proper food during pregnancy.

In a diet survey of 68 pregnant women in three villages of Karnataka, 30 refused to indicate the specific amount of food eaten by them during the last 24 hours because of their belief that being specific could have an adverse effect on their nutrition [Rao 1985]. Most of the rest 38 women ate less during pregnancy partly due to their decreased appetite and partly with a view to restrict the size of the baby and avoid difficult childbirth.

Two other studies indicated wide prevalence of the practice of reducing or not increasing the amount of food during pregnancy. One of them conducted in 12 villages of Andhra Pradesh found that pregnant mother's diet was no different from usual family diet and that most of the pregnant mothers except a few who attended the nearby antenatal clinic did not think that pregnant and lactating mothers required additional food [Karan et al 1983]. In

Table 2: (Continued)

Respondents, Year of Study, Loc. Source	Food Items Believed Harmful	Reasons for Belief	Practice	Comments
(10) A few women interviewed in-depth; 1969-72; 1 village in Tamil Nadu [Djurfeldt and Lindberg 1975]	Yoghurt, buttermilk, cold rice in water, cold water in earthern pot	'Cold', disturb balance of cold and heat in delicate pregnant body		
(11) 3850 women; 1975-76; 5 areas of 3 blocks in North Arcot district, Tamil Nadu [Mathews and Benjamin 1979]	Pulses, meat, sweets, Kali	Not available	Avoided by 5 to 16 per cent in different areas	
(12) 48 pregnant women; all scheduled castes; early 1970s; 1 village near Vellore city in Tamil Nadu [Sundararaj and Periera 1973]	Jambu fruit	Blisters in newborn		
	Fruit and root of palmyra (borassus flabellifer)	Obstruct growth of foetus		
	Gingelly seeds, papaya	Induce abortion		
(13) 1200 women; mostly Hindu, rest tribal, Muslim and Christian; early 1970s: all districts of Tamil Nadu [Ferro-Luzzi 1980]	Meat (pork, chicken)	'Hot', induce abortion and vomiting, skin disease, deformity, 'impure', baby too big (if taken after 7th month)	6 per cent of 1059 meat-eaters avoided during pregnancy	Although avoidances are described in the paper with elaborate details, most food items are actually avoided by small proportions of women; considerable variation between ethnic groups and districts; author attempts psychological
	Fish (incl crabs, shark, catfish)	'Hot', induce abortion, nausea	7 per cent of fish-eaters avoided	
	Eggs	Baby too big, other diseases, pain on baby	9 per cent of egg-eaters avoided	
	Buttermilk, yoghurt, buffalo milk	Baby too big, difficult to digest	3 per cent of 1200 avoided	
	Papaya	'Hot', induce abortion, uterine haemorrhage, diarrhoea	82 per cent of 1200 avoided	
	Pineapple	'Hot', induce abortion	95 per cent avoided in Madurai district but only 6 per cent in Kanyakumari district	
	Mango, Jackfruit	'Hot', induce abortion, fits in baby	Not availanic	
	Custard apple, coconut milk	'Cold'	Not available Not available	
	Palmyra fruit	Sickness, particularly asphyxia	Not available	
	Banana	Digestive trouble	Not available	
	Double banana	Birth to twin	Not available	
	Jambu fruit	Baby dark-skinned, venereal diseases, abortion	A few women believed it might be eaten if craved for;	
	Sesame seeds	'Hot', induces abortion, haemorrhage	75 per cent of 1111 avoided	
	Millet (tinai, setaria italica)	'Hot', induces abortion	In some districts 65-90 per cent avoided	Rarely eaten by higher strata
	Horsegram	'Hot', induces abortion	26.3 per cent of horsegram-eaters avoided	
	Wheat, mustard seeds, ginger tamarind, jaggery, honey	'Hot', induces abortion	Sporadically mentioned	
	Ashgourd, bottle-gourd, eggplant	'Cold', pain, headache	Sporadically mentioned	
(14) 302 pregnant women; rural but locality not specified [Sood and Kapil 1984]	Jaggery, sugar, nuts, beans, maize	'Hot', induce abortion	Not available	
	Buttermilk, orange, yoghurt	'Cold', harm foetus		

Note: Figures in parentheses represent the percentages of respondents who believed the item to be harmful.

another study conducted in an unspecified locality of India, 64 per cent of pregnant women restricted their intake of all foods during first six months of pregnancy mainly because they believed that small babies are easier to deliver [Sood and Kapil 1984]. Other reasons given were avoidance of indigestion and advice of mothers-in-law or traditional birth attendants.

Nutritional Consequences

A number of diet surveys among women in Indian communities and hospitals have shown that the dietary intake of a high proportion of them is deficient in some essential nutrients, and that there is almost universally no increase of intake among low income group women during pregnancy [Bhardwaj et al 1990; Bhatia et al 1981; Gopalan 1985; Karan et al 1983; Kaur et al 1982; Khanum and Umapathy 1976; Mathews and Benjamin 1979; Matter and Wakefield 1971; Nath and Geervani 1978; NIN, India 1981; Nichter and Nichter 1989; Rao 1985; Sood and Kapil 1984; Tripathy et al 1987; Walter and Wakefield 1971]. The average intake of pregnant women in both rural and urban areas ranges from 1,200 to 1,600 kcal per day. Urban women weigh an average of 43 kg prior to pregnancy and gain six kg during pregnancy. Rural women generally have to spend more energy than their urban counterpart because in addition to doing household chores they often have to do heavy agricultural tasks. Rural women weigh an average of about one to two kg less and their fatfold thickness is only half that of urban women [Ramachandran 1989].

The deficiency of iron and a few other nutrients in the food consumed by low income group Indian women is reflected in the wide prevalence of anemia among them both in their non-pregnant and pregnant condition. The reported prevalence rate of anemia among pregnant women (haemoglobin less than 11g/dl) ranges from 40 to 50 per cent in some urban areas and 50 to 70 per cent in some rural areas [Jejeebhoy and Rama Rao 1992; Ramachandran 1989]. According to a recent report by an Indian Council of Medical Research Task Force, the National Nutritional Anaemic Prophylaxis Programme started in 1970 for providing iron and folic acid supplements to pregnant women had very little impact in reducing the prevalence of anemia [ICMR Task Force 1989].

The deficiency in dietary intake and its negative effect on the nutritional status of low income group women—both non-pregnant and pregnant—can be attributed mainly to widespread poverty and sex discrimination against women in household food consumption. Although India has been virtually self-sufficient in food production since the late 1970s, a large proportion of its population cannot afford to get their minimum requirement of essential nutrients because of their low purchasing power. In household food distribution, pregnant women hardly get any special consideration. However, the widespread prevalence of beliefs regarding food during pregnancy, as described in this paper, raises the question whether these have any effect on the nutritional status of pregnant women in addition to that of poverty and sex discrimination.

The relative inadequacy of information on foods believed to be beneficial during pregnancy compared to those believed to be harmful may be due to investigators' bias to learn more about food taboos for theoretical and practical reasons. However, even when investigators were able to identify food items which were believed by respondents to be beneficial or harmful

Table 3: Foods Believed to be Beneficial

Source and State	Food Items Believed Beneficial	Reason	Practice
(1) Mahadevan 1961, Andhra Pradesh	Rice water (Kali congee)	Facilitates movement of foetus	16-32 oz consumed daily
	Mercury in the form of rasa para with myrtle leaf pellets or cooked with meat	Provides strength, makes baby's skin fair and clear	
	Toddy	Helps movement and growth of foetus	Consumed daily after 5th month by all except brahmin and few other castes
	All items desired by pregnant women	Keep mother happy and hence good for baby	
(2) Pool 1987, Gujarat	In third trimester all items believed to be 'hot': sesame seeds, papaya, eggplant, dried firsh, onion, garlic, chillies, jaggery, toddy, most pulses, dates, fenugreek, egg, meat, spices	Help to build up necessary 'heat' to melt the layer of 'fat' formed around the foetus caused by 'cold' foods and hence prevent difficult delivery	Not available
	In first trimester all items believed to be 'cold': yoghurt, buttermilk, banana, groundnut, millet, rice, sugar, milk, wheat, most fruits, most vegetables, all left-overs	In early pregnancy stage body is in a heated state, so 'cold' foods help to bring the necessary balance	
(3) SRRT 1992, Gujarat	No specific food particularly beneficial		
(4) Khanum and Umapathy 1976, Karnataka	Milk with saffron	Gives strength, improves baby's complexion	Mostly practised by middle and high income groups
(5) Nichter and Nichter 1989, Karnataka	Tender coconut water, greengram, millet, amaranth, cumin seeds, ripe fruits	'Cold', cooling effect	Consumption not observed to increase significantly unless obvious symptoms of 'overheating' were observed
	Herbal decoctions made from aniseed, coriander, cumin seeds and other vegetable products	Purify and 'cool' blood, remedy for toxicity (nanju) and 'overheating'	
(6) Rao 1985, Karnataka	Freshly cooked food served hot	Easily digestible	Not available
	Milk	Easily digestible, good for lactation	
	Fruits	'Cool', prestigious	
	Clarified butter (ghee)	Palatable, good for lactation	
	Cardamoms, cloves	Help digestion	
(7) Jeffery et al 1989, Uttar Pradesh	Clarified butter (ghee), goat's milk, fruits, squash, cucumber, carrot, spinach, yoghurt, buttermilk, sugar, honey, cinnamon	'Cold'	Unlikely for women to get
(8) Djurfeldt and Lindberg 1975, Tamil Nadu	Rasam prepared from drumstick, herbal leaves, pepper, garlic, fenugreek, tamarind water	Relieves morning sickness, vomiting, giddiness	Not available
Ferro-Luzzi 1980,	Rice	Relieves vomiting	Not available

for pregnant women, it was difficult for them to find out the actual consumption of these items.

Available information indicates that milk and milk products are believed to be beneficial in some communities and harmful in others but since these are relatively costly food items, pregnant women, at least of low-income groups, are likely to derive very little nutritional benefit because of a positive belief about them. For example, in Uttar Pradesh villages studied by Jeffery et al (1989), "dais and village women alike said that a pregnant woman requires foods locally defined as those which produce blood and therefore strength ('taquat'), such as milk, fruit, and also ghee (which is warm but not excessively so), ...yet few of our key informants reported any changes at all in their diets during pregnancy".

A few of the studies reviewed for this paper report that beliefs regarding harmfulness of some specific foods for pregnant women have negative impact on their nutritional status. For example, Nichter and Nichter (1989) think that in Karnataka villages restrictions of the commonly eaten nutrient-rich drumstick, bengalgram, blackgram, groundnuts and others have a deleterious effect on pregnant women's nutrition. According to Ferro-Luzzi (1980), widespread avoidance of papaya (a rich source of vitamin A) by pregnant women

TABLE 4: AMOUNT OF FOOD BELIEVED TO BE PROPER AND FOOD ITEMS CRAVED FOR DURING PREGNANCY

Source and State	Amount Believed to be Proper	Reason	Practice	Food Items Craved for (Pica)	Practice	Comment
(1) SRRT 1992, Gujarat	Most believed amount should be less than pre-pregnancy amount	Two contradictory reasons: (1) increased food makes foetus large and delivery difficult; (2) increased food makes foetus small (and hence unhealthy) because food leaves too little space for foetus to grow	22 out of 27 said they ate less during pregnancy; most women did not have much to eat any time; some ate less because they felt less hungry or uncomfortable if they ate full meal during pregnancy	Baked clay (mati) and tamarind seeds	6 out of 50 women reported to have taken them	
(2) Khanum and Umapathy 1976, Karnataka				Mud and clay (more common); ash, lime, raw rice, charcoal	18 per cent had habits; more in low-income group	Practice associated with anemia
(3) Nichter and Nichter 1989, Karnataka	64 per cent of 282 women said a pregnant woman should eat less or same amount of food as before pregnancy	(1) Delivery easy when baby is small; (2) foetus is viewed as growing in a space occupied by food, gas and urine, and hence less food would allow easy movement of foetus necessary for gaining strength; (3) big baby not necessarily viewed as a healthy baby; (4) decreased felt need for food because of less activity during pregnancy	Periodic spot visits to 10 pregnant women who stated they consumed less during pregnancy confirmed their statement; most of those who favoured increased food consumption could not afford it; morning sickness was an important factor limiting consumption			
(4) Rao 1985, Karnataka	Should eat less during pregnancy	Big baby difficult to deliver	Most women ate less because of the fear of difficult delivery and partly because of decreased appetite during pregnancy	Small pieces of stone or limestone	"Several women admitted craving"	
(5) Jeffery et al 1989, Uttar Pradesh	Should "fill her stomach" but excessive eating harmful	Makes foetus big and causes delivery risk; also the minority belief that foetus becomes cramped and baby becomes sickly	Beliefs and behaviour vary widely, very few reported any change in diet	Earth, ash from chulha (cooking stove made of earth), uncooked rice, bitter foods, sweet foods		
(6) Mathews and Benjamin 1979, Tamil Nadu	38 to 93 per cent of women in different survey areas did not think that less food during pregnancy would harm the baby		Over three quarters of women did not take increased amount during pregnancy			

in Tamil Nadu and other places contributes toward their vitmain A deficiency, a serious health problem throughout India. It can, however, be observed from Table 2 that most of the foods believed to be harmful were actually avoided by small proportion of women. Moreover, animal foods which are believed to be harmful for pregnant women are often not accessible to many women either because of religious restrictions or because they are not affordable. Hence, the beliefs regarding harmfulness of specific foods for pregnant women in various regions of India may contribute toward specific nutritional deficiencies among some localised groups, but perhaps do not affect significantly the caloric and protein intakes of a large proportion of pregnant women. However, this effect may be significant if any item of the staple diet of a community is believed to be harmful for pregnant women and if this belief leads to avoidance or reduced consumption of that item.

On the basis of a review of available international literature on food and nutrition during pregnancy, Brems and Berg (1988) have concluded that the extent to which the phenomenon of "eating down" during pregnancy actually occurs and its effect on birthweight are not known, and that the extent to which nutrition can affect foetal size is not a clear-cut issue. However, they think that the evidence for the relationship between weight gain during pregnancy and birthweight is more compelling than that between weight gain during pregnancy and difficult deliveries. They raise a series of policy and programme issues which, according to them, merit further research and discussion before deciding whether to encourage "eating up" during pregnancy and if so, how to do that effectively for specific cultures.

The review of literature on beliefs and practices in Indian communities presented in this paper indicates that the phenomenon of "eating down" during pregnancy—both in belief system and in actual practice—is quite common in India and may have negative effect on many pregnant women's nutritional level which is anyway low for other reasons. However, whether or not an increased consumption of food during pregnancy can lead to disproportionately large babies causing an increased occurrence of obstructed labour in India needs to be assessed carefully.

Obstructed labour is known to be the most common reason for a difficult delivery and is one of the leading causes of maternal mortality in developing countries, particularly in Africa [Herz and Meashem 1987; Liskin 1992]. One major reason of obstructed labour is the disproportion between the size of foetus and the size of mother's pelvis. The foetopelvic disproportion can occur in three possible ways: (i) the pelvis of mother, because of childhood malnutrition or chronological underdevelopment may be too small; (ii) the baby may be too large; or (iii) a combination of both (Brems and Berg 1988). The shape and, to some extent, the size of the pelvis can be explained more by nutritional factors than by hormonal or genetical factor (Stewart 1984). Maternal diabetes is the most commonly cited factor for disproportionately large foetus (macrosomia), but maternal weight gain during pregnancy, maternal pre-pregnancy weight and maternal height in addition to a few other factors are also cited for such condition [Golditch and Kirkman 1978; Lazar et al 1986].

Urban and rural women in India gain averages of only six and five kgs during pregnancy respectively and the mean birth weights of both urban and rural infants average only 2.7 kgs [Ramachandran 1989]. In consideration of low dietary intake during pregnancy, poor pre-pregnant nutritional status, low weight gain during pregnancy and low birth weight in India, the Indian Council of Medical Research has recommended that the dietary allowances for pregnant women should include an additional 300 kcal and 10 to 15 grams of protein daily, over and above the recommended intake for the age and weight-matched women during the non-pregnant period [ICMR 1984]. The government of India has initiated a number of programmes for providing supplementary food to pregnant women of lower socio-economic groups but a number of recent surveys have shown that the impact of these programmes have been so far quite negligible [India, MW 1991; Jain and Agarwal 1986; Jejeebhoy and Rama Rao 1992]. Although the shortcomings in the implementation of these programmes may be the main factor responsible for their failure, popular beliefs regarding food for pregnant women may have contributed to it.

The evidence of widespread belief regarding the relationship between increased consumption of food during pregnancy and difficult delivery does not necessarily demonstrate that the prevalence of obstructed delivery is very high in India at present or was so even in the past. The distressful incidence of a prolonged obstructed labour without adequate medical care, even if it is rare, is likely to generate fear which spreads quickly and survives for a long time in rural communities. Ignorance about other causes of obstructed labour is likely to encourage the belief that it occurs mainly because of the large size of the baby and that the baby becomes large because of increased food consumption during pregnancy. The available data regarding prevalence of obstructed labour in India is scarce. In her comprehensive review of maternal morbidity in developing countries, Liskin (1992) has cited only one hospital study of obstructed labour in India [Basu 1977] which shows prevalence rate of 2.9 per cent—much lower than the estimates for a few African communities.

It is well known that in India and other developing countries a large proportion of babies die within the first five years of life because of their low birthweight and that maternal malnutrition is primarily responsible for low birthweight [Ebrahim 1987; Gopalan and Rao 1972; Jejeebhoy and Rama Rao 1992; Lechtig and Shrimpton 1987; Ramachandran 1989]. Also, several intervention studies in India and elsewhere have shown the positive effect of nutrient supplementation programmes during pregnancy on birthweight and other reproductive outcomes, if they are designed and implemented properly [Brems and Berg 1988; Dawn and Mitra 1990; Iyengar 1975]. Hence, it seems reasonable to recommend that the programmes in India to encourage "eating up" during pregnancy and to provide supplementary food to poor women who cannot afford it should be strengthened. In addition, the health education programmes should take cognisance of the popular beliefs regarding food during pregnancy in different regions of India and use innovative means to minimise their negative and maximise their positive nutritional effects. For example, in some communities, such as those in Karnataka [Nickhter and Nichter 1989] and in Gujarat [SRRT 1992], it may be desirable to emphasise the usefulness of mother's increased intake during pregnancy in making the baby strong rather than large or heavy.

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From Periphery to Centre

Toni Morrison's Self Affirming Fiction

Sunanda Pal

The racist and sexist structure of American society compartmentalises its various ethnic groups, denigrates the coloured as inferior and characterises female and male as being located at the margin and the centre respectively. Toni Morrison's novels explore a world of inter-locking system of race, class and sex oppression which is seen as a threat to Black women's psychological survival.

"I WRITE for black women. We are not addressing the men, as some white female writers do. We are not attacking each other, as both black and white men do. Black women writers look at things in an unforgiving loving way. They are writing to repossess, rename, reown,"[1] Toni Morrison told an interviewer. She belongs to a group of writers in America for whom writing is a liberating tool, a subversive strategy and an artistic mode for self expression. Toni Morrison, Maya Angelou, Alice Walker, Toni Cade Bambara, Gloria Naylor and Paule Marshall are exploring how the intersection of race, class and gender in the American society influences the shaping of Black female life. In the manner of Edward Said who exposed orientalism "as a western style for dominating, restructuring and having authority over the Orient," these writers are exposing the distortion of Black reality by the dominant group for its vested interest. They refute the hierarchical order shaped by the concepts of centre and periphery and question the ideology on which the order is based. They are simultaneously engaged in the project of constructing an Afrocentric perspective and evolving an African-American poetics. In a spirit of self-affirmation they are accentuating their distinctive features and celebrating the difference from the mainstream.

Exploring the complexity of Black female experience in white America, Morrison in her writing attempts to resolve the contradiction inherent in her African-American identity. Conscious of her own marginalisation within the context of the mainstream she started valuing her peripheral existence because, "it was deeper, more complex, it had a tension, it related to the centre but wasn't the centre."[2] In her novels Morrison explores the interesting possibilities that her position offers. She told Salman Rushdie in a telephone interview:

> I am not sure that word 'negro' means, which is why I write books. What is a black child/woman/friend/mother? What is a black person? It seems to me that there are so many things that inform blackness. One of the modern qualities of being an African-American is the flux, is the fluidity, the contradictions...[3]

Her novels are an exploration of the meaning of blackness. What does it mean to be Black in white America? To be a Black woman in a white male hegemonic society? To believe in an indigenous African culture in a world that endorses only Eurocentric culture! To strive for visibility in a society in which blackness signifies invisibility! Moreover, she talks of her writing as 'archaeological explorations', one of her major concerns being the rewriting of Afro-American history from a Black female perspective.

What interest does Morrison's work have for the Indian people? What relevance can her writing, emerging out of a specific political, social, cultural and economic experience, have for us? Considering the post-colonial situation of the Indian people, the African-American experience and the post-colonial Indian experience have many similarities. The tendency of the colonised to imitate the colonisers and to evaluate themselves from the colonisers' view point seems to last much after attaining freedom. The inclination to validate our thoughts and ideas with reference to western ideology reveals a need to reassess ourselves and to reclaim our own heritage and culture.

Besides the commonality of the third world consciousness, there is another factor that brings Morrison's writing close to the Indian experience—the issue of double oppression raised by the dalit women. The problem of double marginalisation caused by the system of caste and gender oppression is the same as the race and gender oppression in America. Like the dalits, the African-Americans are a marginalised group, the 'other' of the dominant group and the women hence the 'other' of the 'other'.

Morrison has said, "My work requires me to think about how free I can be as an African-American woman writer in my genderised, sexualised, wholly racialised world."[4] Questioning the Eurocentric epistemology that canonises all that is white and marginalises the coloured, her concern is with the African-American presence which she feels is central to any understanding o[f] American literature.

Born Chloe Anthony Wofford, o[n] February 18, 1931 in Lorain, Ohio, t[o] George and Ramah Willis Wofford, Morriso[n] majored in English at Howard and Cornel[l] University. After finishing school sh[e] changed her name to Toni. She started he[r] career as a college teacher and later becam[e] an editor at Random House. In 1962, sh[e] joined a writers' workshop at Howard when she began a short story about a little girl' desire for blue eyes. This became the them[e] of her first novel *The Bluest Eye* publishe[d] in 1970.

The Bluest Eye, which exposes th[e] devastation caused by white-cultura[l] domination in the lives of African Americans, achieved tremendous success She went on to write *Sula* (1973), *Song o[f] Solomon* (1977), *Tar Baby* (1981), *Belove[d]* (1987) and *Jazz* (1992)—soaring i[n] popularity with each novel and by 1992 sh[e] was hailed as a writer of national level Besides these novels she has written a shor[t] story about inter-racial relationship, calle[d] "Recitatif" and a play, *Dreaming Emmet* based on the tragic lynching of Emmett Till Her critical essays, entitled "Playing in the Dark" (1992), first presented as a series o[f] lectures at Harvard University, are her path-breaking contribution to the area of Black studies and post-colonialism. The numerous awards she has received for her writing, bea[r] testimony to her genius as a writer. With her powerful narratives set against a historical as well as mythical backdrop, she has captivated the hearts of the common reader as well as scholars of literature. She enjoys the unique distinction of both being a popular writer as well as an outstanding literary figure.

The Nobel prize awarded to her in 1993 is a recognition of her singular contribution in the field of literature, to the cause of the downtrodden. It is tribute to a writer who undaunted by her marginalised position, takes great pride in her Black identity, values her ethnic heritage and inscribes her work with the rich cultural traditions of her community. Though concentrating exclusively on the articulation of African-American experi

in her fiction, she reaches out to the entire world, but more specifically to the third world countries.

Louis Gates Jr, a well-known scholar of African-American studies, reacted to the news of her Nobel prize by saying: "Just two centuries ago the African-American literary tradition was born in slave-narratives. Now our greatest writer has won the Nobel Prize."[5] This statement draws attention to the African-American literary tradition, which started in the form of slave-narratives and has today attained the stature of high literature. Writers like James Baldwin, Richard Wright, Ralph Ellison, Langston Hughes, Alice Walker and Toni Morrison have created a body literature that has distinct identity of its own.

Morrison's achievement makes one recall the earliest slave poet Phyllis Wheatley, whose poetic talent was questioned by the whites who believed that Africans, belonging to a sub-human species, could not possibly participate in a cultural activity like writing poetry. The 18th century Eurocentric thought relegated Black people to a lower rung in the Great Chain of Being. The idea that the African "species of men" were "naturally inferior to the whites" prescribed by thinkers like Hume and Kant went a long way in justifying the enslavement of Africans in America. Southern plantation owners wedded to the pursuit of profit exploited Blacks for their own vested interests. Slaves not only worked tirelessly for their masters but were themselves marketable commodities. Young and healthy Black female slaves, prolific in child bearing, were highly valued for their capacity to "make little niggers for Massa".

To assuage their guilt and to veil their brutal exploitative actions, the dominant group perpetuated a number of negative stereotypes of Blacks during slavery. The long-suffering Christ-like Uncle Tom, the child-like Sambo, the loyal Mammy, the emasculating matriarch and the wild seductress were some such stereotyped images which have endured till today and inflicted immense damage on Black people's psyche. Pained by torturous existence of their slave ancestors and enraged by the denigrating stereotypes, many Blacks considered slavery as a dismal past best forgotten. Perhaps the most humiliating myth was that of the acquiescent slave which has been demolished by the numerous slave-narratives that recount the valiant resistance of slave-narrators to the institutions of slavery and their perilous journey to free states. Frederick Douglas, William Brown, William and Ellen Croft and Hatriet Jacobs in their autobiographical narratives articulate their experience of psychological and physical bondage and highlight their longing for freedom.

Toni Morrison in her novels records the triumphs and complexities of Black life from the painful past of slavery to the frustrating racist present. Her very first novel, *The Bluest Eye* a tragic tale about a young Black girl's longing for blue eyes, examines how the ideologies perpetuated by the institutions controlled by the dominant group influence the construction of Black women's self-image. It was W E B Dubois, the noted Afro-American sociologist, who first drew attention to the deeply rooted 'double consciousness' which afflicts African-American existence. He writes:

> ...the Negro is a sort of 7th son, born with a veil and gifted with second sight in this American world, a world which yields him no true self-consciousness, but only lets him see himself through the revelation of the other world. It is a peculiar sensation this double consciousness, this sense of always looking at one's self through the eyes of others, of measuring one's soul by the tape of a world that looks on in amused contempt and pity.[6]

This identity conflict caused by the stigma of race can lead to psychic fragmentation. Robbed of ancestral heritage and cut off from roots for several generations, the Black Americans are often deluded into thinking that the dominant ideology is the only valid ideology. The American media sells a white way of life to its multi-ethnic society. Through golden haired dolls, Mary Jane candies and an enormous range of cosmetics promising white skin and blonde hair, the dominant group sells an ideal of beauty that is beyond the access of the minority coloured groups. Parents inadvertantly validate this idea as they fondly present blue-eyed dolls to their impressionable children who internalise white values and despise their racial features. Various Black women writers and sociologists like Maya Angelou, Joyce Ladner and Michelle Wallace have poignantly described their first agonising confrontation with their own blackness.

The mass media, the education system and other cultural agencies over which the dominant group has control are the chief means of conveying ideological messages. These institutions perpetuate the values of the dominant white race and reinforce the stereotypes about the minority group. These stereotypes are socially constructed images that are one-dimensional and distorted. Pecola, the young protagonist of *The Bluest Eye*, has internalised the denigrated image of Black women and the idealised concept of white beauty, hence she believes that the absence of white skin and blue eyes is central to her 'ugliness'. The idea of physical beauty is according to Morrison, "probably the most destructive idea in human history and thought".[7] It does not occur either to Pecola or to her mother Pauline that the scale they used for measuring beauty was not applicable to the African-Americans because of their different racial identity. Collins has pointed out:

> From an Afrocentric perspective, women's beauty is not based solely on physical criteria because mind, spirit, and body are not conceptualised as separate, oppositional spheres. Instead, all are central in aesthetic assessments of individuals and their creations. Beauty is functional in that it has not meaning independent of the group.[8]

Morrison's novels present a world of interlocking system of race, class and sex oppression, which is seen as a threat to Black women's psychological survival. The racist and sexist structure of American society compartmentalises its various ethnic groups, denigrates the coloured as inferior and characterises female and male as margin and centre, respectively.

Blacks as 'Other'

The structural device of *The Bluest Eye* deftly exhibits the use of the education system as a site for transmitting ideologies that objectify Blacks as the 'other'. Friere has argued that the education system of the oppressor, though ostensibly humanitarian, is used by the oppressor "to preserve a profitable situation". He points out, "Indeed, the interests of the oppressors lie in changing the consciousness of the oppressed, not the situation which oppresses them... for the more the oppressed can be led to adapt to that situation, the more easily they can be dominated".[9] The education system should aim at awakening the critical faculty which would lead to the obliteration of race and class distinctions. The oppressed, dehumanised by the oppressive system they live in, must learn to see "themselves as men engaged in the ontological and historical vocation of becoming more fully human".[10]

The Bluest Eye begins with the text of a school primer reader:

> Here is the house. It is green and white. It has a red door. It is very pretty. Here is the family. Mother, Father, Dick and Jane live in the green-and-white house. They are very happy...[11]

Young Black students confounded with the poverty, racism and consequent chaos in their lives, learn to associate beauty and order with white Americans and ugliness and disorder with the Blacks. Education thus becomes an obstruction in the process of positive self-construction and effects a submerged consciousness. Morrison is contemptuous of those black women who in the process of liberation have erroneously decided to side with the oppressor. Pecola is depicted firmly entrenched in the ugly reality of her surroundings. The whites either look at her with distaste or simply look through her. Derided by her colour conscious schoolmates for her blackness, despised and ignored by her parents, she develops a precarious sense of selfhood. Ontologically insecure, she is doomed to fragmentation. Her eventual retreat into insanity reveals her pathetic inability to cope with her hostile environment.

Exploring the dynamics of racism and sexism, Morrison does not limit herself to an indictment of the dominant white class

turns her gaze to the problems within the Black community, as she relentlessly exposes intra-racism, male brutalities, female sexual abuse and incest.

The threat of cultural imperialism is a factor that seems to have affected Morrison greatly. She continues her exploration of the consequences of culture-conflict in *Sula* (1973) and *Tar Baby* (1982). "Higher education for blacks is a waste of time at best, truly destructive at worst,"[12] Edelberg has argued. Sula and Jadine, the protagonists of the two novels, alienate themselves from their community after acquiring higher education. Indeed, Sula bemoans the loss of neighbourhood ideas as the close knit small town transforms into "separate houses with separate televisions and separate telephones and less and less dropping by".[13] However, both Sula and Jadine consciously reject the values of their community as they set out on a quest for self-definition in terms of their dual African and American identity.

In *Tar Baby* Sorbonne educated Jadine attempts to identify herself with the whites but she cannot obliterate the fact that her authenticity lies in her African descent and the westernised image she projects is a false image. The episode of her encounter with an African woman who represents "all loveliness and life and breath in the world" reveals her inner contradictions. She is unnerved by the contempt this woman displays towards her and continues to be haunted by this vision. This "woman's woman that mother/sister/she"[14] embodies the African-American aesthetic for beauty which is not based on physical criteria as explained by Collins. By constructing this aesthetic, Morrison provides a point of resistance to the system of domination that denigrates Blacks and indicates a move towards self-empowerment. This self-confident African woman with a majestic gait, is in fact, Morrison's vision of self-defined and self-empowered Black woman, who while endowed with a self-affirming Afrocentric consciousness, is comfortable in the European environment and becomes the cynosure of all eyes. This woman with tremendous self-esteem offers a powerful challenge to the externally defined images of Black women. She represents hence a definite step towards generating an Afrocentric feminist epistemology.

Female presences abound in *Tar Baby*. The 'night' women and the swamp women collectively threaten the westernised identity of Jadine. The town of Eloe steeped in Black folk traditions is set as a contrast to the urban life-style of Jadine. But Morrison is not making a simplistic statement like Africa is the source of all good and Europe the source of all evil. She is aware that everything in Black culture is not worth hanging on to. There is a need for discarding certain aspects and enriching it with something from the modern American culture.

There is nevertheless the need to know and accept ancestral heritage. For the materialistic and upwardly mobile African-Americans ancestral connections are of supreme significance. Pilate in *Song of Solomon* (1977), a powerful culture bearer who inspires and guides Milkman in his quest for identity is one of the most unforgettable creations of Morrison. An antithesis of her brother Macon whose sole aim in life is material progress, she represents connectedness with family and with the past. The female community that she has made with her daughter Reba and grand-daughter Hagar is spiritually rich and balances freedom with connection. In her commitment towards the survival and wholeness of her community Pilate embodies a 'womanist'[15] vision.

By reclaiming their past African-Americans are learning to come to terms with that painful period in their history which seemed to them best forgotten. Black history is now being re-interpreted from the perspective of African-Americans as subjects rather than as objects. The emphasis is on the subtexts that lie beneath the historical facts which will unravel the 'interior lives' of the slaves. For delving into the subjectivity of figures in history what more suitable mode than literary fiction!

Revisionist Historiography

Morrison boldy takes up the project of revisionist historiography in writing *Beloved* (1987). This Pulitzer award winning novel is centred around the factual account of Margaret Garner, the fugitive slave mother who killed her infant daughter to save her from "the seething hell of slavery". The incident is widely reported and discussed in February and March issues of *The Liberator* in 1856. Taking just the broad outline of the event, Morrison takes recourse to imagination as she delves into the inner recesses of the minds of the traumatised slaves in order to discover why they acted as they did. She makes an attempt to examine the construction of Black subjectivity in the context of the heinous institution of slavery.

With a strong desire to discover what tragic stories lay underneath the numerous unmarked graves of Black people in America, Morrison resurrects the dead daughter of Margaret Garner and makes her question the order that necessitated her untimely death. Her project is to signify on those ordinary African-Americans who had resisted the inhuman oppression of slavery in ways which could not be deemed heroic in conventional terms but were heroic nevertheless. She writes into Black history those painful stories which have been bypassed by the controllers of history. Refusing to accept existing traditional history written by the whites as absolute and unquestionable, Morrison questions the paradigms on which historical 'facts' were constructed. And perhaps even more significantly, she deliberately forces her Black American readers to remember those denigrating experiences of their ancestors from which they were suffering a "national amnesia".

"It was not a story to pass on", she writes at the end of *Beloved*, "so they forgot her like an unpleasant dream during a troubling sleep",[16] thus highlighting the dilemma of telling a story that was not meant to be told. The story that begins in acute pain resists remembering. Moreover it is also the story of the nameless. "Disremembered and unaccounted for, she cannot be lost because no one is looking for her and even if they were, how can they call her if they don't know her name? Although she has claim, she is not claimed".[17] Rewriting the history of those who have been invisible in the existing history, to remember the nameless and the forgotten is a difficult task. Yet they have the claim to be a part of history, they need to be accounted for and this is the task of revisionist historiographer. Morrison's reminder at the end of the novel of silence and amnesia hence is as Marilyn Mobley points out, "an ironic reminder that the process of consciously remembering not only empowers us to tell the difficult stories that must be passed on, but it also empowers us to make meaning of our individual and collective lives as well".[18]

Morrison once pointed out that she depended heavily on the 'ruse of memory' for two reasons:

> One, because it ignites some process of invention, and two, because I cannot trust the literature and the sociology of other people to help me know the truth of my own cultural sources.[19]

Through the school teacher's racist anthropology Morrison condemns the representation of Blacks in the dominant discourse. Sethe is enraged when she hears him instructing his nephews to write down the human and animal characteristics of the slaves. Her decision to run away signifies her rejection of the slave holder's epistemology and an assertion of her own humanity. The stories Sethe, Baby Suggs, Nan, Ella, Paul D, Stamp Paid and others tell contribute to the re-writing of history of slavery from the subject position of African-Americans.

The devastating experiences of slaves during the Middle Passage from Africa to America is another period of history that needs to be written. Cruelly snatched from their homeland and dehumanised aboard the slave-ships, the slaves suddenly and unexpectedly were confronted with the agony of displacement and commodification. Morrison likens this trauma to death and makes Beloved in one section speak as a survivor from a slave-ship. With the aid of literary aesthetic, she invokes the entire scene of intense suffering in the Middle Passage.

Emphasising that her *metier* is Black Morrison has said:

In the third world cosmology as I perceive it, reality is not constituted by my literary predecessors in western culture. If my work is to confront a reality unlike that received reality of the west, it must centralise and animate information discredited by the west-discredited not because it is not true or useful or even of some racial value, but because it is information held by discredited people, information dismissed as "lore", or "gossip" or "magic" or "sentiment" [20]

Her novels transport us into a world in which there are flying Black men, blind horse men, swamp women, spirits and even a wild woman living naked in the forest. In *Beloved* no one questions the idea of the ghost co-habiting with Sethe and Denver, because her appearance was not a violation of African religion and philosophy. The mode of magic realism facilitates the presentation of an alternate reality, discredited by the west. By effecting "a poetic transfiguration of the object world" the repressed history of slave women is made intelligible. The device is used with great success by Morrison to critique historiography. Magic realism which is a post-modern device takes an unexpected turn in the hands of Morrison to emerge as a component of African-American poetics, since it becomes the means of creating an African world-view. African cultural traditions thus are integrated into contemporary western literary tradition.

In her novels Morrison relocates conceptual agendas and introduces a new consciousness. The context of her writing arises out of her position which provides her the interesting possibilities of "descredited" knowledge intersecting with Eurocentric epistemology. She has problematised the paradigms of knowledge as conceptualised by the west. The fabulous world she presents in her novels postulates a belief in an alternate reality in which spirits can cohabit with human beings. She blurs the boundaries between past and present, between the spirit world and the material world and by doing so she simultaneously revisions history and validates a set of assumptions rejected and trivialised by the west. Her position tends to evoke shocked responses from those readers who have internalised a Eurocentric world-view. "Ghosts! Do you mean to say she actually writes about ghosts," exclaimed an eminent professor. It is not the validity of ghosts that is the important issue but the respect that is given to a set of assumptions that may be different from one's own.

Feminist concerns like female self-realisation, mother-daughter relationship, friendship between women and community bonding are central to her writing. While the sisterly bond between Claudia and Frieda in *The Bluest Eye* empowers them to fight racial denigration, Pecola's alienation from family and community results in her psychic fragmentation. *Sula* explores the friendship

between Nel and Sula, which nurtures them through girlhood. At the end of the novel, Nel needs to realise the value of her friendship with Sula in order to disperse the gray ball of depression that had enveloped her for years. Presence or absence of supportive communities or women friends, acceptance or rejection of these support systems often determine the lives women characters. In *The Bluest Eye* Pecola's ontological 'insecurity' arises out of the absence of nurturing figures around her. Unlike Claudia, who survives unscathed under the same system, Pecola has no sister to share her problems with. Some of the most lyrical scenes in Morrison's novels are those which reflect joyous harmony between mothers and daughters. Pilate, Reba and Hagar singing together as they go through their daily chores in *Song of Solomon* and Sethe, Denver and Beloved skating with gay abandon in *Beloved* reveal an intuitive closeness that bonds the women together. In both the scenes harmony and joy are conveyed through music and rhythm. These women are weighed down by socio-economic problems but at these utopian junctures they seem to transcend all pain as they unite to create a beautiful world of togetherness. Communities of women in Morrison's novels act as support systems facilitating the survival of Black women in a hostile environment. These communities though replete with differences and complexities represent a specific culture and a specific value system. What is refreshing about them is that they are presented from the subject position of Morrison as an African-American woman. Their terms of assertion are determined by a discourse in which they occupy the centre and not the margin.

Morrison's communities of women, through their act of nurturing, help in restoring an off-centre individual to the centre. Thus Sethe, broken by the disappearance of Beloved, needs Denver, Paul D and the female community to heal her and restore her to wholeness and self-affirmation. With the loving care of Denver, the support of the community women and the concern of Paul D, she has to learn that she was her 'best thing'.

Whereas Alice Walker in her recent novels tends to take a radical Afrocentric feminist position, Morrison while advocating African cultural values is also conscious of the complexity of her situation as African and American and therefore explores the dynamics of culture conflict. The strong pull towards the dominant culture's commercial values is a major theme of *Tar Baby*. However, Morrison presents no viable alternative to the urban quest for upward mobility. The ending of the novel depicting Son running "lickety split" indicates his disentanglement from the *Tar Baby* but the composition of his briar patch is not revealed. Likewise, Jadine's destiny remains hidden. The open endedness of her novels like *Tar Baby* and *Song of Solomon* save her from falling into the trap of moralising or showing idealistic directions, and at the same time leaves the script open for the reader to make his own conclusions.

Questioning the compatibility of African-American self-expression and standard English, Morrison uses Black English for effective race representation. The language had to be true to her experience. To project a world-view that is distinct from the mainstream, she often takes recourse to black dialect. Black folk-speech used by her resonates with experience that is specifically Afro-American. In her hands language becomes a powerful tool in the construction of Black female identity. With the 'etymology of Africanism' she transcends the linguistic barrier arising out of gender and race difference. Hence expressions like "what you know good?", "This here Sethe..." "Don't eat no whites of eggs" place the text in a space that is different from the mainstream American writing. Language has power, and Morrison uses this power to her advantage.

The richness of *Song of Solomon*, *Beloved* and *Jazz* lies in the plurality of stories which together provide strength to the major issues incorporated in the novels. Anticipating a participatory relationship, Morrison endows her work with an oral quality. Hers is a conscious enterprise to sustain and evoke oral traditions which are a part of her cultural heritage. The text hence is not just a written product but a performance act which forcibly elicits response from the reader. Morrison writes into her narratives the "places and spaces so that the reader can participate". The oral mode she uses embodies a dialogic form inviting the reader to respond, to question and sometimes even to add his own script. In *Jazz* one wonders about the mysterious wild woman who was rescued by Golden Gray in a pregnant condition. After delivering the child, whom she refuses to nurse, she disappears again into the woods. Does she represents the agonised traumatised black woman who because of her inhuman degradations has become so psychologically fragmented that she has lost touch with reality? There is also the mysterious narrator of the novel. Is it the voice of the book? Or is it a disembodied griot articulating Black experience after slavery, the experience of moving to the cities which held out infinite possibilities?

Morrison evolves an African-American poetics by integrating oral tradition into the written. She thereby also preserves African oral literary and historical heritage. It is not without significance that Morrison's critique of historiography is presented through "speakerly texts".[21] The performative aspect of oral narration, which is as crucial as the story-telling itself, is built in through scenes like Baby Suggs' sermon at the clearing or the scene that recalls the murder of Beloved. Sethe's heart-rendering cry "No, No, Nono, Nonono" typographically evokes orality. One can almost hear the rising crescendo of 'No' as she pathetically tries to assert her agency over her children.

Morrison's tragic stories display the complex dimensions in which Black women's identity is structured and the way they negotiated or subverted their problematic position. She boldly subverts the traditional literary comfort of the reader who relies on Eurocentric literary tradition as she generates an African-American poetics from her specific socio-cultural milieu. Her writing, because of its orality, plurality of stories and the fusion of esoteric and material comes very close to the Indian Literary tradition. Morrison's work hence has an immense appeal to the Indian consciousness.

Notes

1 Nellie Mckay, *Critical Essays on Toni Morrison*, G K Hall and Co, Boston, Massachusetts, 1988, p 46.
2 Salman Rushdie, 'An Interview with Toni Morrison', *Brick*, No 44, Summer 1992, p 36.
3 Ibid, p 39.
4 Toni Morrison, *Playing in the Dark: Whiteness and Literary Imagination*, Picador, 1992.
5 William Grimes, 'Nobel Prize for Lit Awarded to Toni Morrison', *International Herald Tribune*, 10-8-1993, p 1.
6 W E B Bois, *Dark Water, Voices from Within the Veil*, A M S Press, New York, 1969, p 45.
7 Toni Morrison, *The Bluest Eye*, Pocket Books, New York, 1972.
8 Patricia Hill Collins, *Black Feminist Thought: Knowledge, Consciousness and the Politics of Empowerment*, Unwin Hyman, Boston, 1990, p 89.
9 Paulo Friere, *Pedagogy of the Oppressed*, Pelican Books, England, 1972, p 47.
10 Ibid, p 41.
11 *The Bluest Eye*, p 7.
12 Cynthia Edelberg, 'Morrison's Voice: Formal Education, The Work Ethic and The Bible', *American Literature*, 58:2, p 219.
13 Toni Morrison, *Sula*, New American Library, New York, 1982 edition, p 166.
14 Toni Morrison, *Tar Baby*, Triad-Granada, Great Britain, 1982, p 42.
15 Alice Walker has used the term 'womanism' in place of 'feminism' to mark out a distinct Black feminist perspective which highlights the solidarity of the Black community. Womanist consciousness incorporates racial, sexual, economic and cultural considerations.
16 Toni Morrison, *Beloved*, Alfred Knop, New York, 1987, p 275.
17 Ibid.
18 Marilyn, Mobley, 'A Different Remembering: Memory, History, and Meaning in Beloved', *Toni Morrison* edited by Louis Gates and Appaih, p 363.
19 Toni Morrison, 'Memory, Creation and Writing', *Thought*, 59:235, p 386.
20 Ibid, p 388.
21 Louis Gates characterises those texts as "speakerly texts" the rhetorical strategy of which is designed to represent an oral literary tradition.

'The First Country of Socialism'

Parish Chattopadhyay

WE read with considerable interest Hiren Mukerjee's piece on the ex-USSR (*EPW*, March 26). His *playdoyer* for the ex-USSR has all the passion and rhetoric that this well known parliamentarian—perhaps the best the Indian communist movement has produced—used to marshall in his arguments in parliament. Mukerjee holds that "socialism" in the ex-USSR—the "first socialist country"—has "failed", after having succumbed to a "counter-revolution". Subject to "ceaseless, ruthless attack from the enemy involving immeasurable pain and hardship", the system, Mukerjee acknowledges, had many "limits" and "even crimes in policy execution". After all, "force as a factor of basic change cannot be wished away". It is, however, wrong on the part of the Left, Mukerjee opines, to forget the immense achievements of this "socialism" that, by "storming heavens", made toiling people into a "claimant to the Throne".

Admiring as we do his passionate defence of what he believes to have been the "first socialist country", we may be allowed to make a few observations in this connection. Our observations, let us add, will be entirely situated within a Marxian framework, employing the ideas and categories as they appear in Marx's (original) texts, even though the subject under study is eminently practical. This is, we believe, as it should be, inasmuch as not only the rulers of the ex-USSR claimed that they were Marxists, but also Mukerjee himself declares that he remains an "unrepentant communist".

The basic premise, on which Mukerjee's whole argument is based, is that the ex-USSR was "socialist", which of course "failed". Interestingly this is also the point of view of the bourgeois scholars and the world-wide bourgeois media. With us this very premise is in question. The spokespersons of the ex-Soviet regime of course asserted, at least beginning with the late 1930s, that theirs was a socialist regime, in the precise sense of, as Stalin put it, the "lower phase of communism". The whole communist movement, that is, the parties affiliated to the Third International, accepted this assertion axiomatically. The basis of this assertion was a double identity: *capitalist* ownership identified with *private* ownership (in the means of production), the latter identified with *individual* ownership. Thus the ex-Soviet spokespersons claimed that the juridical abolition of private ownership in the means of production and their transfer to the hands of the state and the collective farm meant the abolition of capitalism and *ipso facto* the establishment of socialism in their land. In other words, a change in the juridical *form* of ownership in the means of production was taken as a change in the (capitalist) *relation* of production itself. We submit that this is nothing short of standing Marx on his head.

Now Marx holds (1859, 1875) that ownership relations—by definition juridical relations—arise from and are an expression, but *not* the basis, of the relations of production. (Stalin argued the contrary in his "philosophical" discourse of 1938.) Secondly, within a particular ownership *relation* there could be different ownership *forms*. Private ownership as *individual* ownership is but one specific form of capitalist ownership relation, the initial form in which capitalist ownership appears (taking over this form from the pre-capitalist era). Marx shows at length, particularly in *Capital*, Vol 3, how, dictated by the needs of accumulation, bourgeois ownership form changes in course of capitalism's evolution, leading even to the "abolition (sublimation) of capital as private property within the capitalist mode of production itself". In the French version of *Capital*, Vol 1, Marx goes so far as to envisage the tendency of capitalist ownership to a *single* ownership over "total national capital" at a certain stage of capital's accumulation. Let us also note that in *Capital*, Vol 2, and later in his notes on A Wagner's "textbook", Marx posits "state" as "capitalist". Thus the juridical transfer of ownership of the means of production to the state has nothing to do with "social" or "socialist" ownership, as Stalin and his successors would claim it to be. "Social ownership" in Marx is simply direct appropriation of the means of production by *society* itself, constituting ownership relation under socialism, where, by definition, there is *no state*. Capitalism is *not* abolished and socialism is *not* established on the basis of the juridical transformation of (individual) private property into state (and "collective form") property—the basic rationale of Soviet socialism, summed up in Stalin's report on the 1936 Constitution. (This became the rationale of socialism with Stalin's successors as well as with the spokespersons of all the communist-ruled regimes till now and acccepted as such by "pragmatic" scholars and the uncritical partisans of these regimes in the world outside.) After all, as Marx observes, an old social order cannot just be "legislated away" (1867), and a new one is not ushered in by will, as something "arbitrary" (1857-58).

How, then, does Marx envisage socialism (which is the *same* as communism in Marx, the same society only passing through different phases)? Just as the essence of capitalism lies in "separation" (opposition) between the immediate producers and the conditions of production, in the same way the essence of socialism lies in the "union" of producers and the conditions of production, creating a "society of free and associated labour" (1857-58; 1861-63; 1865). It is a "union of free human beings, ...masters of their own social movement" (1867; 1857). Leaving behind the "pre-history of human society" (1859) people start here as "universally developed individuals whose social relations are subordinated to their own collective control" (1857-58). The capitalist society yields place to an "association" where the "free development of each is the condition of the free development of all" (1848). With "collective production" here, "the labour of the individual is from the start posited as social labour" (1857-58), and, naturally, any mediation of products of human labour by *commodity (money)* form is automatically excluded, just as *wage labour*, symbolising human servitude, ceases to exist. Similarly, this "free association" is absolutely incompatible with state, by definition a repressive machinery. (Hence "Socialist State" or "State Socialism" are contradictions in terms.)

It is immediately clear that socialism in Marx's profoundly emancipatory sense and "socialism" claimed to have been realised so far are disjoint sets: there are *no* common elements between them. Nay, even the stage that is supposed to immediately *precede*, and prepare the society for socialism—that is, the "proletariat organised as the ruling class"—was *never* realised in the post-1917 Russia (or anywhere else in the post-October period). The authors of "Great October" (Mukerjee) systematically undermined and ultimately destroyed the independent organs of self-rule created by the immediate producers of Russia on their own during the preceding eight months, the most important being the soviets and the factory committees. These authors indeed installed a dictatorship in the name of the proletariat. It was, however, a dictatorship not of the proletariat hut *over* the proletariat (and the peasantry)—a "jacobin dictatorship, a dictatorship after the bourgeois image", as Rosa Luxemburg so prophetically observed in her otherwise sympathetic appraisal of the Bolshevik endeavour (1918). It was an absolute monopoly of power not of the proletariat but of a self-recruiting, self-proclaimed "vanguard" over the heads of the labouring people and claiming to know and represent the interests of the labouring people better than these people themselves. A well known historian writes: "All power to the soviets' appeared to be a reality on the 26th of October, 1917, but it was mostly power to the Bolsheviks in those soviets. The procedures of parliamentary responsibility—of the cabinet to the central executive committee and of the latter to the congress of soviets and the electorate—lasted scarcely six months...Through the single-slate elections and the communist party discipline the whole system of soviets and executive committees was reduced to an administrative and propaganda auxiliary of the party... The promise of workers' control of industry... fell

by the wayside even sooner than the soviets. Deprived of power in the soviets and in the factories, the Russian proletariat found that the triumph of the dictatorship in its name was a very hollow victory" (Robert V Daniels) E H Carr, in his turn remarks that "the all Russian Congress of Soviets was reduced to a nominally sovereign body", that "central soviet organs and the local executive committees both ultimately recognised an authority outside the soviet system", and that the "ultimate power of decision rested with the appropriate party organ"

Mukerjee is right to refer to the plethora of ordeals, immeasurable pain and hardship" by the new regime But is it not rather odd that in a regime openly claimed as the one under the proletarian *class* rule, the 'poor harried Bolsheviks" *alone* and not the proletariat (and the poor peasantry) as the ruling class had to 'worry and wrestle over these problems as Mukerjee asserts? His assertion of course perfectly corresponds to what the leader of the Bolsheviks had said both before and after the Great October" In a famous justification of the Bolshevik monopoly of power he had asserted, on the eve of the seizure of power that if 1,30,000 landlords had been able to govern Russia, then so could 2 40 000 Bolsheviks of course in the interest of the poor and against the rich Shortly after the event he affirmed that we the Bolshevik Party, have conquered Russia from the rich for the poor from the exploiters for the exploited (that is not the poor or the exploited themselves) and added that we must now administer Russia consolidate what we ourselves have won Lenin s perfectly true statements demolish all pretension of the regime that the seizure (and administration) of power was an act of *self emancipation* of the Russian toilers—their class victory won by themselves and flatly contradicts Marx s famous statement, enshrined in the 'General Rules of the First International that the emancipation of the working classes must be conquered by the working classes themselves

Mukerjee is again absolutely right in insisting on force as a factor in basic change But who exercises force and against whom? Did the Russian proletariat itself adopt and impose upon itself the regime s measures directly taken from the arsenal of capitalist production, to discipline workers and raise labour productivity, such as, for example piece work, Taylor system, universal labour service, 'labour books" disciplinary courts? We have no such evidence While it is absolutely true that a proletarian regime just embarking on a long, tortuous journey towards a free society cannot dispense with all coercion, it must be emphasised that whatever coercion is required against the workers is the act of the coerced themselves, and not imposed on them by a body over which they have no control In fact, contradicting the emancipatory essence of a proletarian regime, there grew, on the morrow of the "Great October", a standing "red" army, with increasing induction of officers from the once hated (ex)Tsarist army, as well as a ubiquitous police as autonomous organs of repression instead of the toilers themselves being universally armed, and a bureaucracy (appointed from "above"), instead of all functionaries being freely elected and subject to recall at any time by the immediate producers themselves (In 1920 Lenin, flatly contradicting what he had repeatedly said and written before October stressed that "all this shout against the appointees, all this old and harmful trash which (still) finds its place in different resolutions and talks must be swept aside ")

When the supposed proletarian dictatorship supposedly yielded place to socialism the latter turned out to be the exact opposite of a "society of free and associated labour' as Marx had envisaged it In this supposed "lower phase of communism" (Stalin), the state—by definition a repressive apparatus—with a huge standing army, police—open and secret—and a monstrous all-pervading bureaucracy—incompatible even with the proletarian dictatorship—continued to be strengthened and showed not the faintest sign of any tendency to 'wither away', in Engels s celebrated expression This repressive apparatus was of course presided over by the party (leadership)—standing above and completely autonomised from the soviet immediate producers—with all the effective levers of power concentrated in its hands All the important office holders in the soviet economy and polity, far from being universally elected and subject to recall by citizens were the party nominees through a system directly taken over from the Tsarist table of ranks the so-called *nomenklatura*

On the other hand, as the state was completely autonomised in relation to the immediate producers the so called public property in the means of production simply signified the *non property* of those producers over the means of production the juridical fiction to the contrary notwithstanding At the same time the immediate producers were totally excluded from all decision-making concerning what one could consider, following O Lange as the fundamental elements characterising the "planning and effective direction of the economy", namely the division of national income between consumption and accumulation, the distribution of investments among different branches of the national economy and co ordination of the activities of these branches In a word the producers had no say on what how and for whom to produce

For most of the 'socialist' period the workers non property in the means of production went hand in hand with their *separation* from the conditions of production at the level of the individual commodity producing units of production In other words, the industrial workers continued to be *wage labourers* under socialism" However in this "lower phase of communism", between the late 30s and early 50s, these workers were also subject to non-economic constraints (besides the economic constraint imposed by wage labour), such as "labour books", legal prohibition from leaving jobs, severe penalties for absenteeism, compulsory transfers for the skilled workers—leaving aside the question of 10 to 15 million prisoners, at various times, working from inside the labour camps (Precisely during this period when, according to Stalin, the "exploitation of person by person" had already been "abolished", Stalin's man L Kaganovich thundered to the labourers—lucky enough to work in factories and not in labour camps—that the "earth should tremble when the director is entering the factory ") Again, there is no evidence that these constraints were self imposed by the workers

The situation of the immediate producers in agriculture was worse The collective farm labourers were for a considerable period, subjected to compulsory corvees like road building and timber cutting—which did not apply to the city dwellers—and, in the words of an undisputed authority they were subjected to a labour system which reminded them of conditions from which the revolution seemed to have redeemed them forever"(M Lewin), and, indeed for a long time, they were legally tied to their work place The apparently co-operative and democratic principles enunciated in the collective farm charter were of course pure fiction Here too, it was the party state that exercised effective control "from above

However these predominantly extra-economic constraints on the immediate producers were limited to a particular, relatively short period of soviet 'socialism" For the greater part of the period the immediate producers basically remained *wage labourers* (in the specific Marxian sense of the term) Indeed it can be shown, rigorously employing Marx s categories and his materialist method, that this supposed 'lower phase of communism" was really a specific type of *bourgeois* regime (specific in relation to the so called classical bourgeois regimes) where, in Marx's paraphrase of Ricardo means of production employed the labourers labourers did not employ the means of production We desist from undertaking this exercise here for lack of space (We have developed the argument at length in our book *Marxian Concept of Capital and the Soviet Experience. Essays in the Critique of Political Economy*, Praeger 1994)

From the point of view of the immediate producers it seems now in retrospect, that the "Great October" instead of inaugurating a revolution to create an emancipated, completely de-alienated 'society of associated labour', rather turned out to be the starting point of a counter-revolution in the precise sense that it not only negated the revolutionary gains that the Russian workers and peasants had won *on their own*—as "heaven stormers", like the Parisian workers of 1871—during the previous eight months but also destroyed any possibility that those gains contained towards the birth of a genuine 'Republic of Labour" (Marx) in the future However, "all things are contradictory in themselves", as Hegel would say This counter revolution engendered its own contradictions which, increasingly insoluble, enmeshed the regime and ultimately engulfed it

AMERICAN EXPRESS BANK LIMITED

INDIAN BRANCHES

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

BALANCE SHEET AS ON 31ST MARCH, 1994

	Schedule	As on 31.3.94 Rs in 000's	As on 31.3.93 Rs in 000's
CAPITAL & LIABILITIES			
Capital	1	156,825	Nil
Reserves and Surplus	2	1,850,211	1,046,757
Deposits	3	21,931,476	15,692,463
Borrowings	4	2,940,346	5,257,909
Other Liabilities and Provisions	5	1,972,088	1,293,112
TOTAL		28,850,946	23,290,241
ASSETS			
Cash and balances with Reserve Bank of India	6	746,324	733,117
Balances with banks and money at call and short notice	7	795,188	2,922,772
Investments	8	15,423,157	3,854,756
Advances	9	9,344,858	14,552,179
Fixed Assets	10	359,595	182,988
Other Assets	11	2,181,824	1,044,429
TOTAL		28,850,946	23,290,241
Contingent liabilities	12	74,235,417	22,399,239
Bills for collection		1,125,616	1,067,901
Notes	17		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1994

	Schedule	Year Ended 31.3.94 Rs in 000's	Year Ended 31.3.93 Rs in 000's
I. INCOME			
Interest earned	13	3,074,714	2,801,323
Other income	14	648,537	586,121
TOTAL		3,723,251	3,387,444
II. EXPENDITURE			
Interest expended	15	1,442,149	1,491,198
Operating expenses	16	706,627	858,686
Provisions and contingencies		771,021	651,894
TOTAL		2,919,797	3,001,778
III. PROFIT/LOSS			
Net profit for the year		803,454	385,666
TOTAL		803,454	385,666
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		160,691	77,134
Balance carried over to Balance Sheet		642,763	308,532
TOTAL		803,454	385,666

Per our report of even date attached

S. R. BATLIBOI & COMPANY
Chartered Accountants
Sd/-
Per Nawshir H. Mirza
A Partner

Bombay
Dated: 25th August, 1994

For AMERICAN EXPRESS BANK LTD
Sd/-
K. Balasubramanian
Chief Executive

AMERICAN EXPRESS BANK LIMITED

INDIAN BRANCHES

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1994

	As on 31 3 94 Rs in 000's	As on 31 3 93 Rs in 000's
SCHEDULE 1—CAPITAL		
Capital		
i) Amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	340,000	280,000
ii) Amount brought in by the bank by way of capital	156,825	Nil
TOTAL	156,825	Nil

	As on 31 3 94 Rs in 000's	As on 31 3 93 Rs in 000's
SCHEDULE 2—RESERVES AND SURPLUS		
I Statutory Reserves		
Opening Balance	271,313	194,179
Additions during the year	160,691	77,134
Deductions during the year	Nil	Nil
II Capital Asset Reserve*		
Opening Balance	39,888	14,950
Additions during the year	Nil	24,938
Deductions during the year	Nil	Nil
III Property Revaluation Reserve		
Opening Balance	74,051	Nil
Additions during the year	Nil	74,051
Deductions during the year	Nil	Nil
IV Balance in Profit & loss Account	1,304,268	661,505
TOTAL (I, II, III & IV)	1,850,211	1,046,757

* This represents the profits retained in India and invested in the purchase of premises or long term leases thereof before March 31st, 1993. This reserve is not repatriable so long as the bank continues doing business in India.

	As on 31 3 94 Rs in 000's	As on 31 3 93 Rs in 000's
SCHEDULE 3—DEPOSITS		
A I. Demand Deposits		
i) From Banks	147,529	132,920
ii) From Others	3,253,413	5,639,118
II Savings Bank Deposits	738,729	543,803
III Term Deposits		
i) From Banks	83,972	89,972
ii) From Others	17,707,833	9,286,650
TOTAL (I, II & III)	21,931,476	15,692,463
B I Deposits of Branches in India	21,931,476	15,692,463
II Deposits of Branches outside India	Nil	Nil
TOTAL	21,931,476	15,692,463

	As on 31 3 94 Rs in 000's	As on 31 3 93 Rs in 000's
SCHEDULE 4—BORROWINGS		
I Borrowings in India		
i) Reserve Bank of India	789,269	4,774,458
ii) Other banks	1,850,000	260,000
iii) Other institutions and agencies	22,340	25,252
II Borrowings outside India	278,737	198,199
TOTAL (I & II)	2,940,346	5,257,909
Secured borrowings included in I & II above	Nil	Nil

	As on 31 3 94 Rs in 000's	As on 31 3 93 Rs in 000's
SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS		
I Bills payable	414,554	197,671
II Inter-office adjustments (net)	60,389	Nil
III Interest accrued	759,446	577,899
IV Others (including provisions)**	737,699	517,542
TOTAL	1,972,088	1,293,112

** Including (i) Rs 1 thousand (previous year Rs 1 thousand) due to Amexco Nominees Pvt Ltd., a subsidiary, (ii) Rs 414,100 thousand (previous year Rs 104,650 thousand) pertaining to Travel Related Services Division—Net Liabilities

AMERICAN EXPRESS BANK LIMITED

INDIAN BRANCHES

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1994

	As on 31.3.94 Rs in 000's	As on 31.3.93 Rs in 000's
SCHEDULE 6—CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I. Cash in Hand (Including foreign currency notes)	24,669	25,518
II. Balances with Reserve Bank of India		
i) In current account	721,655	707,599
ii) In other accounts	Nil	Nil
TOTAL (I & II)	746,324	733,117
SCHEDULE 7— BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
a) In current accounts	139,625	2,575,736
b) In other deposit accounts	Nil	Nil
ii) Money at call and short notice		
a) With banks	Nil	Nil
b) With other institutions	Nil	Nil
TOTAL (i & ii)	139,625	2,575,736
II. Outside India		
i) In current accounts	306,853	120,065
ii) In other deposit accounts	Nil	Nil
iii) Money at call and short notice	348,710	226,971
TOTAL (i, ii & iii)	655,563	347,036
GRAND TOTAL (I & II)	795,188	2,922,772

	As on 31.3.94 Rs in 000's	As on 31.3.93 Rs in 000's
SCHEDULE 8—INVESTMENTS		
I. Investments in India in:		
i) Government Securities**	8,429,104	2,895,091
ii) Other Approved Securities	Nil	Nil
iii) Shares	28,431	19,030
iv) Debentures & Bonds	1,664,850	577,450
v) Subsidiaries and/or joint ventures	Nil	Nil
vi) Others (to be specified) Units of Unit Trust of India	569,620	265,280
Commercial Paper	4,731,152	97,905
TOTAL	15,423,157	3,854,756
II. Investments outside India	Nil	Nil
GRAND TOTAL (I & II)	15,423,157	3,854,756
** Difference between book value and market value of Government securities (Market value higher/(lower) by)	104,551	(16,995)
SCHEDULE 9—ADVANCES		
A i) Bills purchased and discounted	1,002,782	2,460,500
ii) Cash credits, overdrafts and loans repayable on demand	7,738,124	11,950,747
iii) Term loans	603,952	140,932
TOTAL	9,344,858	14,552,179
B i) Secured by tangible assets	4,223,573	3,485,246
ii) Covered by Bank/ Government Guarantees	747,207	1,517,308
iii) Unsecured	4,374,078	9,549,625
TOTAL	9,344,858	14,552,179

AMERICAN EXPRESS BANK LIMITED

INDIAN BRANCHES

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1994

	As on 31.3.94 Rs in 000's	As on 31.3.93 Rs in 000's
C I. Advances in India		
i) Priority Sector	2,032,757	234,488
ii) Public Sector	509,597	1,961,836
iii) Banks	18,668	123,797
iv) Others	6,783,836	12,232,058
TOTAL	9,344,858	14,552,179
II. Advances outside India	Nil	Nil
TOTAL (C I & II)	9,344,858	14,552,179

SCHEDULE 10—FIXED ASSETS

	As on 31.3.94 Rs in 000's	As on 31.3.93 Rs in 000's
I Premises		
At cost as on 31st March of the preceding year	105,343	13,140
Additions during the year	74,851	20,512
Revaluation during the year	Nil	71,691
Depreciation to date	(4,879)	(992)
TOTAL	175,315	104,351
II Other Fixed Assets (including furniture & fixtures)		
At cost as on 31st March of the preceding year	138,556	82,056
Additions during the year	119,430	67,113
Deductions during the year	(23,769)	(10,613)
Depreciation to date	(49,937)	(59,919)
TOTAL	184,280	78,637
GRAND TOTAL (I & II)	359,595	182,988

SCHEDULE 11—OTHER ASSETS

	As on 31.3.94 Rs in 000's	As on 31.3.93 Rs in 000's
I. Inter-office adjustments	Nil	22,650
II. Interest accrued	497,411	322,254
III. Tax paid in advance/tax deducted at source	73,112	Nil
IV. Stationery and stamps	Nil	Nil
V. Non-banking assets acquired in satisfaction of claims	Nil	Nil
VI. Others*	1,611,301	699,525
TOTAL	2,181,824	1,044,429

* Including Rs. 940,000 thousand deposit with Small Industries Development Bank of India (previous year Rs. Nil).

* Including Rs. 346,287 thousand, (previous year Rs. 195,168 thousand) pertaining to Travel Related Service Division—Net Assets.

* Including Rs. 1 thousand, (previous year Rs. 1 thousand) in Amexco Nominees Pvt. Ltd., a subsidiary.

SCHEDULE 12—CONTINGENT LIABILITIES

	As on 31.3.94 Rs in 000's	As on 31.3.93 Rs in 000's
I. Claims against the bank not acknowledged as debts	3,439	1,847
II. Liability for partly paid investments	Nil	9,600
III. Liability on account of outstanding forward exchange contracts	67,824,993	17,764,125
IV. Guarantees given on behalf of constituents		
a) In India	3,243,882	2,554,750
b) Outside India	79,729	12,461
V. Acceptances, endorsements and other obligations	2,875,186	1,662,985
VI. Other items for which the bank is contingently liable	208,188	393,471
TOTAL	74,235,417	22,399,239

AMERICAN EXPRESS BANK LIMITED

INDIAN BRANCHES

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1994

	Year Ended 31.3.94 Rs in 000's	Year Ended 31.3.93 Rs in 000's
SCHEDULE 13—INTEREST EARNED		
I. Interest/discount on advances/bills	1,902,898	2,095,012
II. Income on investments	963,085	404,384
III. Interest on balances with the Reserve Bank of India and other inter-bank funds	105,981	201,350
IV. Others	102,750	100,577
TOTAL	3,074,714	2,801,323
SCHEDULE 14—OTHER INCOME		
I. Commission, exchange and brokerage	289,215	226,963
II. Profit/(loss) on sale of investments (Net)	5,442	(1,427)
III. Profit/(loss) on revaluation of investments (Net)	45,334	(56,178)
IV. Profit on sale of land building and other assets (Net)	947	437
V. Profit on exchange transactions (Net)	292,203	373,134
VI. Income earned by way of dividends etc from subsidiaries/companies and/or joint ventures abroad/in India	Nil	Nil
VII. Miscellaneous income	15,396	43,192
TOTAL	648,537	586,121
SCHEDULE 15—INTEREST EXPENDED		
I. Interest on deposits	1,143,750	785,396
II. Interest on Reserve Bank of India/inter-bank borrowings	224,210	634,199
III. Others	74,189	71,603
TOTAL	1,442,149	1,491,198

	Year Ended 31.3.94 Rs in 000's	Year Ended 31.3.93 Rs in 000's
SCHEDULE 16—OPERATING EXPENSES		
I. Payments to and provisions for employees	163,467	140,991
II. Rent, taxes and lighting	69,361	51,656
III. Printing and stationery	24,855	106,842
IV. Advertisement and publicity	39,647	60,227
V. Depreciation on bank's property	21,500	40,427
VI. Directors' fees, allowances and expenses	11	12
VII. Auditors' fees and other expenses (including branch auditors)	944	666
VIII. Law charges	1,217	1,825
IX. Postage, telegram, telephones etc.	92,067	88,894
X. Repairs and maintenance	27,267	21,915
XI. Insurance	7,146	17,410
XII. Interest Tax	73,688	80,327
XIII. Outside Data Processing	12,523	56,809
XIV. Travelling Expenses	46,994	42,962
XV. Other Expenditure	125,940	147,723
TOTAL	706,627	858,686

AMERICAN EXPRESS BANK LIMITED

INDIAN BRANCHES

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

SCHEDULE 17—NOTES TO ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

1.1 General

The accompanying financial statements have been prepared according to the historical cost convention, except premises of the bank which have been stated at revalued amounts. They conform to generally accepted accounting principles and to the practices prevailing within the banking industry in India.

1.2 Foreign Currency

a) Assets and liabilities in foreign currencies, except deposits from Non-Residents held under Foreign Currency Non Resident (A) and (Banks) schemes, are translated into Indian Rupees at the rates notified by FEDAI as at the balance sheet date. Resultant gains or losses are taken to the profit and loss account. Transactions during the year are converted into Indian Rupees at the rates current on the date of the transaction. The balances held under Foreign Currency Non Resident (A) Deposits scheme are valued at the rates specified by the Reserve Bank of India from time to time, whereas, balances held under Foreign Currency Non Resident (Banks) Deposits scheme are stated at the rates at which they were originally sold, with the costs of forward exchange cover for such deposits being spread over the period of the contracts.

b) Contingent liabilities in respect of Forward Exchange Contracts are included at contracted rates.

c) Outstanding Forward Exchange Contracts are revalued at the rates notified by FEDAI as at the balance sheet date in order to account for the financial effect thereof.

1.3 Investments

a) Investments in Securities approved for the purpose of maintaining Statutory Liquidity Ratio requirement:

i. Permanent Investments

These are valued at the cost of acquisition. The difference between the cost of acquisition and the maturity value of each security is amortized/accrued over the residual period to its maturity.

ii. Current Investments

These are valued at the lower of cost of acquisition and market value. Treasury bills are valued at cost of acquisition and the difference between the cost of acquisition and the maturity value is amortized/accrued over the residual period to maturity of the Treasury bills.

b) Other Investments

These are valued at lower of cost and market value. The cost for this purpose is the cost of acquisition and, in the case of Commercial Paper, includes discount which is accrued over the residual period to its maturity.

1.4 Fixed Assets

Fixed Assets are stated at historical cost less accumulated depreciation, except premises, which have been revalued on 31st March, 1993, and are stated at their market value determined by a firm of valuers. The surplus arising on revaluation has been credited to Property Revaluation Reserve Account.

1.5 Depreciation

Depreciation on the fixed assets of the Bank is provided on the straight line method and on those of Travel Related Services (TRS) division, as per the written down value method. The rates of depreciation are as prescribed by Schedule XIV to the Companies Act, 1956, except for Furniture & Fixtures in the case of the bank, and Leasehold Improvements in general, where higher rates have been adopted in accordance with their useful economic lives.

1.6 Advances

Provisions for doubtful advances have been made to the satisfaction of the auditors in respect of identified advances based on a periodic review of advances and after taking into account the portion of advance guaranteed by the Deposit Insurance and Credit Guarantee Corporation, the Export Credit and Guarantee Corporation and similar statutory bodies.

1.7 Income Recognition

Interest income is recognised on an accrual basis except in the case of non-performing advances, where it is taken to the Profit and Loss statement on collection.

1.8 Staff Benefits

Provisions for gratuity and pension benefits to staff have been fully made on the basis of actuarial assessments.

1.9 Provision for Taxation

Provision for taxation has been made based on the 'liability method' of accounting which is generally followed in India.

1.10 Net Profit

The net profit disclosed in the Profit and Loss Account is after:-

a) the effect of revaluation of "investments" (see paragraph 1.3 above)

b) provisions for doubtful advances (see paragraph 1.6 above).

c) provision for taxes on income in accordance with statutory requirements.

d) other usual and necessary provisions.

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ECONOMIC AND POLITICAL WEEKLY

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- TAMING SPECULATORS AND PUTTING THE WORLD ON COURSE TO PROSPERITY
- KASHMIR: AT THE EDGE OF THE POSSIBLE
- CALCULATING THE FISCAL DEFICIT
- UP: RESERVATION IS NOT THE ISSUE
- POLITICS OF POPULATION AND DEVELOPMENT
- CHINA'S ONE-CHILD POLICY AND POPULATION AGING
- SATYAMURTHI: THE LINK THAT SNAPPED
- FATE OF THE FOREST: CONSERVATION AND TRIBAL RIGHTS

ISSUE HIGHLIGHTS :

1 Well established profit making dividend paying company

2. Diversified product profile —
a) Electronics
b) Air Conditioning & Refrigeration
c) Auto Components
d) Food Products
e) Chemicals

3. Project
a) to manufacture FR4 Grade Glass Epoxy Copper Clad Laminates, core material for Electronic Industry
b) foray into Chemicals - manufacture of Anionic surfactants to cater to ever growing detergents and personal care products Industry
c) to improve and expand existing range of Carburettors, Water Pumps and Fuel Pumps.

4 Technical collaborations
a) with Nationwide Circuit Products Inc., U.S.A., for copper clad laminates
b) with Chemithon Corporation Inc. U.S.A for manufacture of Anionic Surfactants and
c) with Solex, France and Puralator Inc., USA for Auto Components

5 Thrust on Exports a) Copper Clad Lamination project under EHTP Scheme. Buy back arrangements with the collaborators
b) Anionic Surfactants under EPCG Scheme. Firm tie-up for exports

6. Easy liquidity - listing at Bombay, Madras and Ahmedabad Stock Exchanges

"INVESTORS MAY NOTE THAT IN CASE OF OVERSUBSCRIPTION, THE ALLOTMENT SHALL BE ON PROPORTIONATE BASIS"

RISK FACTORS :

INTERNAL

1 Statutory clearances for EHTP, EPCG Schemes yet to be obtained
2 Clearance from TNEB for power supply and from Pollution Control Board yet to be obtained
3. The proposed projects are in the early stage of implementation. Any, delay in the implementation may affect the future profitability.
4 The market acceptance of surfactant chemicals will depend on the quality of the products which is yet to be established by the company
5. The present market price per share is on cum bonus basis and the shares arising out of coversion of FCBs being issued on rights and to the public are not entitled for the already declared bonus shares

EXTERNAL

1 Exchange rate fluctuations will have an impact on profitability as the major raw material requirements are imported
2 Competition from already established manufacturers both domestic and international

PERCEPTIONS OF THE MANAGEMENT FOR THE RISK FACTORS

INTERNAL

1 Applications have already been submitted. No difficulty envisaged in obtaining approval for EHTP and EPCG Schemes
2 No difficulty envisaged in obtaining approval from TNEB and Pollution Control Board
3 Management is confident of implementing the project as per schedule and hence do not foresee any deviation in the projected profitability.

EXTERNAL

1 Export earnings will compensate adequately the effect of Exchange rate variation
2 Firm buy back arrangements for all the Projects. The technology adopted are state of the art and meets international quality requirements

If the Company does not receive the minimum subscription of 90% of the issue amount including devolvement of underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. For delay beyond 78 days, if any, in refund of such subscription, the Company shall pay interest as per Section 73 of the Companies Act 1956.

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Madras 600 001

STERLING HOLIDAY FINANCIAL SERVICES LTD
[illegible] Centre 498, Anna Salai
Madras 600 035

CO-MANAGERS TO THE ISSUE

THE LAKSHMI VILAS BANK
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476/2 Mount Road Madras-600 035

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SOBHAGYA

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Carrot and Stick

A number of important markets have today come to be dominated by speculative forces: for example, the market for foreign exchange and the stock market. Rather than attempting to reintroduce controls, say, on international capital flows, there is a lot to be said for getting some agreements on 'Pigovian' carrot and stick measures. 2490

Limited Vision

The government's lack of foresight on Kashmir must be entirely blamed for the emergence of militant organisations like Harkatul Ansar which holds the prospect of mindless violence of a kind one sees in Afghanistan. 2465

Unempowered

To those who drafted the national population policy currently under discussion, women's empowerment is a conveniently progressive-sounding phrase; for, the general thrust of the policy is to devalue women and their rights as individuals. 2470

Calculated Misreading

The current restlessness in the plains of Uttar Pradesh is centred more on the general education-employment situation though the anti-reservationists are trying their best to divert it into other channels. 2467

Fate of Forests

The state's persistent efforts to deny the adivasis of Jhabua in Madhya Pradesh rights to the forest has resulted in an ongoing conflict that today constitutes the biggest obstacles to forest conservation. Only if people's rights are respected can forests be preserved. 2493

While the current forest bill is ostensibly conservation-oriented, it does not address the needs of the people living in and around forests. 2473

Chinese Boom

How successful has China's much maligned one child policy been in curtailing the country's population growth? 2502

Despite the implementation of one of the most rigorous and compulsory population policies in the world, China's population has grown; but so has its standard of living. In fact, its population growth is the most vivid mark of the success of the government rather than its failure. 2486

Nuclear Market

With its vast army of retrenched army personnel, laxity of government controls and general chaos, Russia has become a fertile ground for illegal trade in nuclear defence materials. 2479

Celluloid Links

S Satyamurthi, the nationalist leader, played an active role in establishing a unique interaction between the theatre and film world and political life in Tamil Nadu. 2482

Integrating Immigrants

The emergence of young, second generation immigrants of Algerian origin on the French public scene since the early 1980s raises a number of issues concerning their integration into French society. 2476

Fiscal Exercise

Should any capital receipt be taken into account in the calculation of fiscal deficit? The continuing debate. 2507

Puzzling

The comparative silence of the opposition parties on the issue of the Maharashtra chief minister's misdemeanours is puzzling. 2468

Absence of Policy

Unfilled reserved posts in Osmania University sparked off dalit protest. But there is more to the issue than seems to be. 2475

Kerala Model Scrutinised

AT the recently concluded International Congress on Kerala Studies in Thiruvananthapuram, the main subject of debate and discussion was the so-called Kerala model of development. Under this model the state made marked advances in social services, advances which got reflected in the state's remarkable achievements in regard to what have commonly come to be referred to as quality of life indices. At the same time, however, the state has been lagging badly behind in terms of economic growth and its unemployment and underemployment have reached levels which would be considered unacceptable by any standard.

E M S Namboodiripad, the congress president, set the tone of the discussion when he urged: "let not the praise that scholars shower on Kerala for its achievements divert attention from the intense crisis we face—we can ignore our backwardness in respect of employment and production only at our own peril". Namboodiripad made no secret of his own feeling that "while we have spent much time and attention on 'social sector' issues of welfare and the improvement of the living standards of the people, we have not paid enough attention or shown adequate concern for pressing problems of economic growth and material production".

The debate and discussion revolved around two questions: (1) Does it mean re-ordering the priorities in Kerala's development away from social services; would not such re-ordering mean eventual loss of the gains the state had achieved in terms of the quality of life indices? (2) If however there is no re-ordering of priorities, given that the state's economy is virtually stagnant with the state material production base having to support a still increasing population and provide employment to a still multiplying labour force, will it anyway be possible for the state's economy to sustain the pursuit of its social goals?

Not that there was any unwillingness to deny the existence of the constraints which a stagnant economy imposes. In Kerala's case large-scale migration of workers almost all male, did provide some respite from these constraints. But there was certainly a strong feeling of unease at any suggestion that advances in social services already achieved may have to be forgone, even though a careful reading of the presidential address and several other addresses and papers would show that none went so far as to suggest forgoing gains already made. What was being asked was whether or not in the future development of the state, greater attention should be paid than in the past to facing the economic issues; a question that, in any case was inescapable, given the impasse that the state of Kerala had reached already.

A Reader

Thiruvananthapuram

Improving Performance

PRAJAPATI TRIVEDI on 'Improving Government Performance' (August 27) is not accurate in concluding that 'what gets measured, gets done'. One may have to write another article to point out the weakness of the Economic Administrative Reforms Commission report. The fact that nothing tangible seems to have been done to increase the accountability of government officials and departments is solid evidence that those who accepted the report very intelligently realised that the report provided an escape route and it would be useful because L K Jha commission enjoyed the support of the political authority.

What we have in the government system dominated by rigid bureaucracy is the policy of error avoidance. This kills the spirit of dynamism necessary to accomplish an important objective or mission. The government system stresses efficiency while in the developing economy the important point is effectiveness. The result one might have seen is that on many important development issues and programmes, the performance might have appeared efficient but not effective. Poverty and population have increased against all efforts to control these two issues.

The yardstick used to measure the success of any vital programme is linked to the amount spent. The result is that government departments appear in a hurry to spend before March 31 and in this process wasteful expenditure is incurred. Those who cannot spend the budget are blamed while the fact may be that they have saved public money from going to waste. One big reason for poor performance of the government is that it is not functioning as an integrated monolithic unit. Many ministries, expected to co-operate, are often seen as being at loggerheads and in their desire to establish their supremacy they inadvertently destroy the objectives of a mission.

Another reason is that the government has not succeeded in establishing confidence and credibility in those who are governed by their rules and procedure. Even when the rate of inflation is going up, one might hear an official proclamation that it is going down. Many may be killed in a train accident, but reports would give a false figure. Why? The government since 1982 has invented methods of announcing policy on every important aspects affecting the public. Unrealistic targets are fixed and powers have been concentrated in one person known as HOD/secretary/cabinet secretary. Unless decentralisation on a mass scale is carried out, I doubt if accountability can be imposed.

S K Sharma

New Delhi

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ECONOMIC AND POLITICAL WEEKLY

Monetarist Gospel

IF one has immense faith in one's own gospel, everything falls neatly into place. The Reserve Bank of India's latest *Annual Report* for 1993-94 is a classic case of being carried away by one's own logic, even though the logic is simple-minded and faulty.

What does the RBI seek? The community must grant it a clear and unambiguous mandate for the achievement of price stability and for this mandate to be carried out, there should be freedom and autonomy for the central bank to decide how much government paper it wishes to hold. Different arms of economic policy have different responsibilities, with price stability being the overriding objective of monetary policy. With the clear enunciation of such a single-minded task, the central bank of the country will then establish neat statistical relationships between output prices and money—as it has done in a clear and unequivocal articulation of the 1994-95 monetary policy, which was to bring about a 4 percentage point reduction in inflation rate consistent with a real income growth of 5 per cent—the objective being to contain M3 growth within a range of 14 to 15 per cent. And to contain M3 growth, the system of automatic monetisation had to be phased out—as the government has agreed to do in a period of three years. The entire perspective that the Reserve Bank has brought to bear on the developments in the Indian economy during the past 10 years and on the policy spheres is guided by this nakedly monetarist framework. Not surprisingly, the Bank's *Annual Report* not only presents a superficial reading of economic recovery, but lacks consistency.

The autonomy that the RBI is seeking for itself is in an extremely narrow construct of being able to conduct monetary policy as part of stabilisation policy. The *Report* argues that reform measures have begun to yield results in terms of improved economic growth, which may be true, but there is sufficient reason to believe that the quality of growth leaves much to be desired, and that public policies are not inducing higher saving propensity amongst households so that an enduring external balance can be achieved. In the growth process, the commodity-producing sectors unlike the financial and service sectors are taking a back seat. And within the commodity-producing sectors, the output structure is increasingly moving in favour of elite goods. Such developments have significant implications even for the demand for bank credit and its productive use. True autonomy for the central bank would mean that it could impart a degree of independent judgment on issues of such vital importance. Apart from an unequivocal claim of higher economic growth, the *Report* echoes the government's perception of taxation reforms and the fiscal deterioration during 1993-94. There was scope for the Reserve Bank to distance itself from the government's view in this respect and argue that surrendering of vast tax revenues through premature tax reductions was responsible for the fiscal malaise. The RBI believes that stabilisation and structural adjustment policies have the basic thrust of improving productivity and efficiency of the system and of instilling a greater degree of competitiveness. But what about their implications for employment growth and for the availability of social infrastructure for the poor, let alone for an egalitarian socio-economic development?

This decidedly narrow perspective is further evident in several interpretations and analysis of various developments presented in the report. For instance, commenting approvingly of a strong reserve build-up which is said to boost international confidence in the economy and would lead to growing internalisation and openness, the report glibly argues that the country's present reserves, though large, appear modest compared with that of many other developing countries. That these countries built up reserves after their basic balance of payments situation had improved and after they had begun to attract substantial foreign direct investment of a productive nature—and not foreign investments of a portfolio nature in share markets which are more expensive than debt—appears to have escaped the Bank's notice.

The report claims that the progressive opening up of the internal sector and the swelling of capital inflows are a result of its prudent monetary management. The Bank cites the rise in the ratio of net foreign assets (NFA) to currency during a period of increase in the NFA as being reflective of prudence in such monetary management. According to the *Report*, a rise in the ratio indicates that in the event of a reversal of the capital inflow there will be sufficient foreign exchange reserves to meet the outflow when it does take place. *Per contra*, a fall in the NFA/currency ratio in the face of rising NFA would suggest that the reserves would be insufficient to meet the eventual cycle of a drawdown of NFA, as such a drawdown would be larger if the currency of expansion is excessive. This claim of prudent monetary management is indefensible both on factual and analytical grounds. First, to an extent, the rise in the ratio of NFA to currency, particularly, that between March 1991 and March 1992 and between March 1992 and March 1993, is statistically attributable to the depreciation of the external value of the rupee. Secondly, accumulation of NFA far beyond the rate of expansion in currency may imply severe recessionary conditions in the Indian industry resulting in both reduced import and reduced credit demand. In fact, the RBI certainly cannot claim the benefit of prudence in monetary management on this count because its own policy of capital adequacy for banks and such other norms had created sufficient disincentive for banks' commercial lendings. Finally, if currency expansion was contained relative to the expansion in NFA it was also because the RBI lending to government was replaced—in a sense more than proportionately—by commercial bank lending to government. In turn this was made possible first, because the banks were flush with funds, and second, they preferred investment in government securities.

In the same vein, the RBI's other claims are also open to question. In the *Annual Report* it claims to have achieved

significant success in open market operations through the sale of government securities from its own account (Rs 9,047 crore during 1993-94) and states that not only was RBI credit to government contained at a low Rs 260 crore during 1993-94 but that in the current financial year (up to August 19, 1994) the outstanding level of *ad hoc* treasury bills declined by Rs 5,305 crore in contrast to an increase of Rs 16,290 crore in the corresponding period of the previous year. All these have, after all, been made possible because commercial and co-operative banks' credit to government galloped from Rs 13,547 crore during 1992-93 to Rs 26,697 crore during 1993-94 or from Rs 6,791 crore in the first quarter of 1993-94 to Rs 13,939 crore during the first quarter of 1994-95.

Apart from the fact that both large foreign exchange accruals following portfolio investment inflows and the reluctance on the part of the commercial banks to expand bank credit are attributable to inappropriate policies, a basic question that should be posed before the RBI, in the context of the monetary developments during the past two years— for which the Bank claims credit— is whether it is immaterial (a) how much the central government borrows from the market so long as it borrows at market rates of interest, and (b) whether the fiscal prudence adopted by the government should be determined only on the basis of the gross fiscal deficit to GDP ratio or whether the gross fiscal deficit (GFD) should be judged in relation also to aggregate expenditure of the government. The sustainability of the deficit, as also the inflationary implications of government borrowings, will depend upon not only the GFD to GDP ratio, but also the size of the deficit in relation to the government's overall expenditure size as well as the composition of total expenditure. The RBI takes great pride in having facilitated the government's borrowing of mindboggling sums of money during the last two years because, first, it has been from the market and second, it has been at market rates of interest. But the fact that this borrowing has been entirely for financing the expansion in the government's current expenditure has not dawned up on the RBI. Therein lies the rub—for, its infatuation with crude monetarist policies, has blinded the central bank of the country to ground realities.

PHARMACEUTICALS

Distorted Priorities

THE union government has announced what it chooses to call the drug policy. The document is in a way futuristic—it generously accommodates the interests of the drug industry, especially laying out the red carpet for pharmaceutical multinationals, and in its anxiety to satisfy all sections of industry, reverses every step that had been taken in the past to ensure the availability of medicines to the people. And in that sense, the government has kept its oft repeated promise to the industry that the new drug regime would be more in keeping with the rest of the liberalisation moves and the changes ensuing the signing of GATT recommendations. Almost all sections of the industry, Indian, big and small, and the multinationals are unanimous in their approval of the direction the policy is taking in reducing the price control basket. Significantly, the media, unlike the last time a drug policy was announced, appears to have universally ignored the opinion of the drug consumer movement.

As expected the policy limits price control to only 73 drugs from the current 143 and the span of control is brought down from 70 per cent to 50 per cent. In general drugs with an annual turnover of over Rs 4 crore would be under price control. The 'competition' criteria has also been included: if there are five bulk drug manufacturers and 10 formulators with no single unit having more than 40 per cent of the retail market, the drug may be out of price control, but a strict watch will be kept on the prices. All drugs under price control will enjoy the maximum allowable post-manufacturing expense (MAPE) of 100 per cent. Most importantly, industrial licensing for bulk drugs has been abolished bringing the industry on par with the other sectors. Five bulk drugs as well as those using recombinant DNA technology and specific cell/tissue targeted formulations will however, still require licensing.

While the merits and demerits of this regimen are no doubt going to be discussed in great detail, two facts stand out clearly. First, that the department is no longer paying even lip-service to the concept of essential or necessary drugs. The criteria are entirely decided by market forces. Second, in its anxiety to keep all sections happy over price control, the department may well have caught itself in a bind. For instance, while the logic of using market and industry criteria for determining the content of the price control basket has always been assumed to result in controlling the prices of essential and necessary drugs, the result of the policy, observers point out may well be the opposite—that some generally used essential drugs may fall outside price control, and inessential and irrational products like multivitamin tonics may come under it. Moreover, there is rampant confusion about the nature of the price control basket because of the several possible interpretations one may give to the policy recommendations.

The policy also announces the setting up of two independent bodies: the national drug authority (NDA) and the national pharmaceutical pricing authority (NPPA). The first will be responsible for monitoring standard practices in drug promotion and drug usage and will be responsible for the preparation of the national formulary. The NPPA will oversee the enforcement of the provisions of the Drug Price Control Order. The former, it may be recalled, was first recommended by the many committees and consumer groups have repeatedly sought to have it established. The 1987 policy did elaborate on the setting up of the NDA, but little progress has been made on that count. Moreover, given the trend of the policy, the noises being made about the importance of the NDA are obviously crumbs being thrown to the consumer lobby. While there is no disputing the fact that such a body is necessary, it has no role in a regimen where essentiality is defined in terms of the profitability of the industry. The NDA should have come into being before the price control basket had been decided upon. Moreover, how will the NDA, ill-funded and with little infrastructural support as it is bound to be because of the low priority it will be accorded, counter the drug industry's mammoth resources which it employs to ensure that even the most inessential drug has 'scientific' validity?

Then again, not so very long ago, soon after the 1987 policy, an international forum of independent experts had painstakingly formulated a graded essential drug list which the department undoubtedly has access to. It would hardly be necessary for the NDA to undertake that exercise once again unless, of course, other factors such as the industry's profitability are to be kept in focus. It is well to remember that all the might of the various technical advisory committees has not been able to make the government move to ban irrational pharmaceutical products. Curiously, the policy entirely ignores the existing drug control machinery which could have done with badly needed upgradation. How on earth does the policy seek to ensure quality drugs, especially now with delicensed production, with the existing poor infrastructure for quality control?

The policy's proposal to levy a cess on pharmaceutical products to create a fund to be utilised for strengthening the drugs standards organisation at the regional and sub-regional levels and to facilitate R and D, should be viewed in the background of the experience that the government has had in extracting anything from the industry. This cess, for instance, was introduced more than two decades ago and subsequently abandoned because it failed to yield any funds. The experience of trying to make the industry cough up under the Drug Price Equalisation Account, in the recent past, is yet another failed experiment. In truth, the pharmaceutical industry in India, which was one of the first third world countries to set up a manufacturing base in pharmaceuticals, and produced a document like the Hathi committee report which has been an inspiration to countries like Bangladesh, has grown to be so enormously influential that it has become futile to represent people's interest to the government on this issue. If essential and necessary drugs are to be made available to people, the current spawning of the pharmaceutical industry has to be checked.

UTTAR PRADESH

All Pop and Fizzle

WHILE the pressure, by the UPCC(I) headed by N D Tiwari, on the AICC(I) to withdraw support to the state government continues apace, it has lost much of its steam and may soon fizzle out The verdict of the Supreme Court on the violent incidents on the premises of the Allahabad High Court on September 13 during the bandh called by the ruling SP-BSP combine, after the CBI has investigated the case, is unlikely to come to the rescue of the PCC, for a number of senior Congress(I) members have already come out against adopting the course urged by the former Prominent among these are the chief ministers of the states going to the polls in the coming months, one of which is Andhra Pradesh, the home state of the prime minister

Opinion in certain quarters has condemned the bandh call given by the SP-BSP combine on the plea that agitational actions by the ruling parties are violative of the norms of political behaviour While these quarters need to be lauded for raising the issue of political norms in the prevailing atmosphere, agitational action by the ruling groups has already become an irreversibly entrenched norm of our political vocabulary The ground on which the ruling combine needs be criticised therefore is that it failed to ensure that the bandh went off peacefully especially when one objective of the bandh was to protest against the violent agitation of the previous weeks instigated allegedly by the opposition parties

In this context while the CBI is investigating the Allahabad High Court incident and the Supreme Court would pass its verdict on it in due course—likely to be, in all probability, nothing more than strictures against the Yadav government—the violence that occurred during the bandh, nevertheless, was still not such that a case can be made out for the dismissal of the UP government

What the bandh has actually achieved, therefore—and what was its main objective—is to show that the SP BSP combine enjoys a large measure of support in the plains of UP This means in *real politikal* terms that by withdrawing support to the Mulayam government, or by dismissing it on constitutional grounds, the Congress(I) would be jeopardising its own immediate future in the state Alternatively, what is at stake is only the political future of the current PCC(I) chief, N D Tiwari The position that leading members of the central Congress(I) leadership have already taken on the issue has made it clear that they are indifferent to the fate of the latter No wonder then, that to press his case he has now set his eyes on the expected Supreme Court judgment on the Allahabad High Court incident

CRIME

Towards Globalisation

HISTORY, pronounced dead five years ago by the Japanese American Francis Fukuyama is, it seems taking revenge by its rebirth of a sort in the US itself The vehicle of history this time, however is not class struggle, but mafia violence Another irony is that while Fukuyama's heroes had supposedly ended History by raising the banner of free market power in the nerve-centre of class ideology, that was the Soviet Union, today Russia is repaying its debt by implanting a new mafia power in the US when, thanks to the heroic efforts of some of the Italian justice officials the Sicilian mafia appears to be on the run both in its original homeland as well as its country of adoption

According to a DPA despatch from New York dated September 8 an official advertisement in a Russian language American paper recently carried this official ad Anyone with information or just rumours on the Russian mafia, please contact the New York FBI office They are dangerous and we want to prevent them from getting established like the Italian mafia before them says the New York FBI chief William A Gavin, concludes the DPA despatch The immediate cause of the official concern appears to be the gunning down of an *emigre* Russian in a Russian neighbourhood in New York which synchronised with an attack on this victim s brother in Berlin the same day This was not a pure coincidence but likely to have been a result of rivalries among mafia groups according to FBI investigators As is by now well known thanks to Hollywood the godfathers power is consolidated only by inter-mafia violence

During the last 20 years of the cold war and its immediate aftermath about 2 00 000 Russians have migrated to the US with the American authorities blessings Now the "FBI would like to have about 2 000 of them behind bars as they are hardened criminals who would shrink from no crimes'

If it was the US s exertion that had brought 'freedom to the shackled Russians, the Russian mafias are now perhaps seeking some 'freedom' to strike roots in the US Moscow perhaps is repaying some part of its debt through this export! This is also an extension of the cherished globalisation, indeed its integral part If transnational integration of business and culture is a law of globalisation, then crime which itself is a big business and interlinked with other business enterprises and politics cannot escape globalisation A further proof is provided by the fact that the US Ku Klux-Klan is reported to have been providing finance to the rising neo Nazi groups in Germany

POPULATION MEET

Poor Impact of NGOs

Ravi Duggal writes

THE International Conference on Population and Development (ICPD) turned out to be more a conference on religion and abortion While in the Bucharest and Mexico conferences there was only a South North divide—the former block supporting the thesis that development is the best contraceptive and the latter's concern mostly with the population bomb in the third world—at Cairo religious sentiments have been brought to centre stage The Vatican supported by a few predominantly Catholic (Nicaragua Guatemala Argentina etc) and Islamic countries has taken the lead in diverting the debate from the main issues as laid down in the Preamble (Article 1 7) greater investment in people and a new action agenda to make women full partners with men in the social economic and political lives of their communities It must not however be forgotten that it was the US which really started this ball game kicked by the pro life and religious groups there Subsequently the media had a field day in highlighting the Catholic and Islamic points of view which ultimately hijacked the conference

While at the official forum the progressive delegates could not be openly critical about the unnecessary involvement of religions in the population and development debate the NGO forum delegates could express themselves more freely Many NGO women delegates from Latin American countries were ashamed of their governments stands The Latin American Women s Health Network meeting emphasised that the ICPD Action Plan must respond to the reality in Latin America so that abortions are not done in risky conditions They urged ICPD to endorse safe abortion and contraception as a right as also providing sex education to adolescents

The NGO forum was only partly affected by the official forum s obsession with abortion This was largely because of the wide-ranging themes which were being discussed there The NGO Forum had slated about 600 meetings over eight days with 10 15 meetings taking place simultaneously during each time slot The largest attended and perhaps the most interesting were those of the Women s Caucus and Women's Environment and Development Organisation (WEDO) where discussions centred around women's health and reproductive rights Some efforts were also made to link up with overall development issues

A number of sessions listed on the environment and development issues did not take place because speakers/panelists failed to turn up. The Environment Caucus was poorly organised and failed to make any impact. Similar was the fate of the South-South Caucus which was to focus on development issues of the South and lobby in the official forum. Its strong appeal for discussing the unsustainable consumption in the west went unheeded.

Nevertheless the NGO forum played a useful role. On the one hand it provided opportunities for those who did not have accreditation to attend the official forum to get information on what was happening there and on the other hand, armed with this information, the NGOs could create opinion on various issues and lobby the official forum both through accredited NGOs as well as through official delegates, many of whom were even attending the NGO forum.

India was perhaps the only major country which did not have NGO representatives as part of the official delegation. This was not only taken as unkind by the Indian NGOs but many of the official delegates and NGOs from other countries were surprised. However, the Indian official delegation compensated by holding daily briefings and dialogue with Indian NGOs. It surprised many that this turned out to be one of the best open forums during the ICPD. The secretary, family welfare, Shunglu briefed the NGOs on daily happenings and carried a fruitful dialogue with NGOs on tackling various sticky issues. This became a fairly effective lobby. The consequence was that India's stand on development and women's health issues turned out to be by far the most progressive. For instance, India took the lead in emphasising that reproductive health, family planning, abortion, etc, should be the right of an individual and not necessarily delimited to married couples.

Even though in terms of members the third world countries dominated the NGO forum, NGOs based in the west were calling most of the shots. One group of NGOs from the west were the Malthusian institutions like Population Council, International Planned Parenthood Federation, Population Action International, etc, and another were the progressive ones like Physicians for Social Responsibility, Centre for Women Global Leadership, International Women Health Coalition. However, it was interesting to note that even in these institutions Asians, Africans and Latin Americans were quite active. One thing one has to learn from the west is the way they organise themselves, and it is all decided beforehand who attends what meetings and how reporting, networking, lobbying, etc, will take place. Of course, it is ultimately a question of resources and access to information which makes possible all that organisation. Viewed in the overall context the NGO forum, though a little disorganised, did make a positive contribution, especially the support it provided to progressive official delegates in countering the impact of the religious fundamentalists.

US IN AFGHANISTAN

Tragic Backlash

THE recent report of the US-based Human Rights Watch, which squarely blames Washington for the flow of arms to the terrorist groups in Punjab and Kashmir, underscores the tragic backlash of the US misadventure in Afghanistan in the 1980s, which continues to bedevil the subcontinent.

In its fanatic opposition to Soviet domination in Afghan politics in those days and taking advantage of the divisions within the Afghan communist ruling powers, Washington rushed headlong into a disastrous exercise—all in the name of making Afghanistan 'safe for democracy'. It picked up an assortment of disgruntled Afghans—feudal landlords, Islamic 'mullahs' and members of the criminal underworld, who felt threatened by the land reforms and socio-religious changes initiated by the communist regime, and were spoiling for a show-down with the new rulers who were dispossessing them of their traditional authoritarian powers. An equally militarily impetuous Moscow aggravated the situation by marching its troops into Afghanistan to quell the rebellion by the so-called 'mujahiddins'—initially a ragtag of these feudal tribal landlords and their musclemen, but later emerging into a well-organised army (of both mercenaries and nationalist-minded Afghans provoked by the atrocities of Soviet troops)—fed by a regular flow of sophisticated weaponry from Washington and military training by its satellite state in Islamabad, which sheltered the Afghan rebels in camps in the border town of Peshawar.

As happens with all short-sighted and opportunist strategies, Washington's game did lead to the exit of the Soviet military-supported regime in Kabul, but it has left the Afghans today with a tottering regime run by Washington's erstwhile proteges who are fighting among themselves with the same arms that the US provided them for use against the communists and the Soviet troops. The violence—triggered off by Washington's generous arms supply—is no longer confined to Afghanistan, and has spilled over to Pakistan and India. The Pakistan authorities are at their wits' end trying to control the drug pushing and depredations by marauding gangs of Afghan mercenaries in Peshawar, and the outflow of Kalashnikovs and other lethal weapons from their arsenal to politically explosive areas like Sindh. In India, these arms have found their way into the hands of the various militant groups in Punjab and Kashmir. Some among the Afghan veterans (along with their compatriots from other Islamic states) who had fought the Soviet troops, and now left without any similar cause for a 'jihad' in Afghanistan, appear to have discovered a richer pasture in Kashmir for investing the surplus from their arsenal, as evident from their presence in the Valley in recent months.

The Human Rights Watch report recalls the US intervention in Afghanistan (through the CIA supply of arms to its mercenaries, based in Pakistan) which aggravated the tensions in the subcontinent. As far as Afghanistan is concerned, instead of being able to 'establish democracy' there, the US intervention has led to a state of permanent warfare there, driving into exile (in India and other places) thousands of disillusioned Afghans who, during the communist regime at least enjoyed some sort of security and democratic rights—in the form of land for the landless (under Decree 8) and liberalisation of marriage rules for women (under Decree 7). While both Washington and Moscow have now washed their hands off Afghanistan (after having triggered the conflict there), the US-backed Islamic fundamentalist groups who have come to power in Kabul—who, to start with, never had any political programme for building up their society—are today dragging Afghanistan into a violent civil strife.

As for the fall-out of the CIA's Afghan misadventure in the subcontinent, the Human Rights Watch report blames Washington for ignoring the siphoning off of US weaponry (meant for the Afghan mujahiddins to fight their Soviet enemies—and sent through the Pakistan government) by Pakistan's Inter Service Intelligence to anti-Indian militant groups in Kashmir and Punjab. The report adds: "The deliberate efforts by US to evade responsibility has also been an element contributing to abuse."

Today, however much he may try, Clinton cannot absolve his administration of the responsibility (undertaken during the cold war period) of promoting a wide variety of reactionary terrorist groups—ranging from Zionists to Islamic fundamentalists, from White racists to tribal xenophobics in Africa. They are now coming home to roost. In a desperate effort to introduce and maintain the 'New World Order' in the third world countries, the Clinton administration appeals to—and if necessary enforces—their governments to come to terms with their internal enemies. Its intervention in the Palestinian dispute, in South Africa—and now in the Kashmir imbroglio—in the role of peace-maker, stands out in sharp contrast not only with its past role in instigating these conflicts, but also with its present policy of allowing its military-industrial complex to continue to supply arms to the contending forces in these countries of the third world. Before advising India and Pakistan to solve their dispute, Clinton should muster his guts to force his military advisers to stop arms sale to these countries. Once they are starved of the continuous arms flow and defence agreements (that promise them newer and newer weapons) neither New Delhi nor Islamabad can continue for long the policy of mutual belligerence by depending solely on their respective indigenous sources of conventional weapons.

Tourism Finance Corporation

PROMOTED by IFCI along with other all-India institutions and nationalised banks, the Tourism Finance Corporation of India (TFCI) was set up five years ago as a special all-India financial institution to cater to the long-term credit needs of the tourism industry. TFCI has been financing both conventional and non-conventional tourism projects like hotels, restaurants, holiday resorts, amusement parks, safari ropeways, parks, air taxi services, tourist emporia, and sports facilities which have importance for developing tourism but which are not eligible for institutional finance. Tourism being one of the major foreign exchange earner, the department of tourism, government of India, has launched a national action plan for stepping up the country's tourist arrivals from 1.8 million to 5 million by the end of the century. With this target in view necessary investment in infrastructure is being undertaken. TFCI being the uniquely placed financial institution for this purpose, is to play a crucial catalytic role and hopes to have a tremendous growth potential. To part finance the future requirements of the funds for the tourism sector and to widen the shareholders base of the company, TFCI is for the first time entering the capital market on September 26 with 170 lakh equity shares of Rs 10 each for cash at a premium of Rs 20 per share aggregating Rs 5100 lakh. TFCI enjoys the advantage of being a member of the Over-the-Counter-Exchange of India (OTCEI) and also a SEBI authorised category I merchant banker. The lead managers to the issue are Punjab Capital Services and Reliance Capital and Finance Trust.

Dolphin Offshore Enterprises

Dolphin Offshore Enterprises is engaged in providing a variety of services like diving services, marine operations, geophysical and geotechnical surveys, and ship-repair services. It operates six offshore vessels and two dynamically positioned vessels for ONGC and foreign-going cargo ships. The company has technical collaborations with Global Marine Drilling Services, USA, Oceaneering International, Switzerland, TL Geotechnics (Singapore), and Geodetic Construction and Survey, Switzerland. The company has shown rapid progress during the past five years with the turnover crossing Rs 32.82 crore and profit after tax Rs 96.54 lakh in 1993-94. As a part of its programme expansion plans the company proposes to acquire an offshore utility vessel, a ship repair unit for undertaking repairs and upgrading its self elevated barges for soil investigation. To part finance these, it is entering the capital market on September 28 with a public issue of 14 lakh equity shares of Rs 10 each for cash at a premium of Rs 30 per share aggregating Rs 560 lakh. The total cost of the project is Rs 770 lakh of which Rs 560 lakh is being raised through this public issue and the balance of Rs 210 lakh is being funded by NCDs. The issue is jointly lead managed by Creditcapital Finance Corporation and Punjab and Sind Bank.

Southern Latex

Southern Latex, a Madras-based company, promoted by S Meghanathan, G Kumaresan and Nirmal Joseph, is engaged in the manufacture of rubberised coir products. The company, to part finance its expansion plan, is entering the capital market on September 19 with a public issue of 29,19,200 equity shares of Rs 10 each for cash at par aggregating Rs 292 lakh. The capital raised will be used to double production capacity and also for the setting up of finishing facilities to enhance value addition. The company has an advantage where availability of raw materials is concerned, because rubber latex and coir fibre are not affected by climatic conditions and are available throughout the year. Moreover, since it is an agro-based company, it enjoys sales tax and excise duty concessions. The company proposes to commence commercial production of finishing facilities, as also of the enhanced capacity by the end of January 1995. The lead managers to the issue are SBI Capital Markets and Foresight Financial Services.

Mirza Tanners

Mirza Tanners, in operation for 15 years, has 50 lakh sq ft of tanning capacity and also integrated facilities for 4.5 lakh pairs each of shoe uppers as well as shoes. The company is now proposing to set up a new unit with a capacity of 6 lakh pairs of shoes; it is also planning to expand and modernise its tanning unit. The total project cost is placed at Rs 12.57 crore of which the public issue will finance Rs 10 crore and internal sources Rs 2.57 crore. The public issue will be of 10.20 lakh equity shares, at a premium of Rs 88 per share of Rs 10 each. Interestingly, the promoters will be holding 75 per cent of the post-issue equity and of this, 70 per cent is reportedly based on bonus issue.

Samtex Fashions

Promoted as a 100 per cent export-oriented unit for men's formal suits and trousers, Samtex Fashions (SFL) has a technical collaboration with Samsung conglomerate of South Korea and also a marketing tie-up for 40 per cent of annual sales with Roger Beryl Corporation of US for three years. A 100 per cent EOU has to attain a minimum export of 75 per cent of its annual production.

The total project cost, appraised by IDBI in November 1993, is placed at Rs 12.60 crore comprising Rs 3.35 crore for plant and machinery, Rs 1.67 crore for building, Rs 1.04 crore for technical know-how, Rs 1.68 crore for miscellaneous fixed asset and Rs 1.68 crore for preliminary and pre-operative expenses. The project financing patterns are as follows: Rs 6.90 crore of equity of which Rs 3.40 crore are from promoters, Rs 2.98 crore as foreign currency term loan from IDBI; and Rs 2.72 crore of rupee term loan from IDBI and other institutions. Of the total issue of 34.1 lakh equity shares at Rs 10 each for cash at par, 18.60 lakh shares are offered to the Indian public, 4.65 lakh shares are reserved for NRIs, 4.6 lakh shares for mutual fund and 6.2 lakh shares for FIIs. The project has high profile financing pattern and also hopes for diversified sources of public subscription. But though India has done well in the garment export field, considering the inadequacy of experience in the world garment trade, the promoters themselves may face stiff competition from China and Taiwan which have acquired tremendous expertise in marketing upper segment-oriented wool/blended suits and trousers which SFL would like to focus on. Also, the project cost is said to be excessively high. The issue is to open on September 22.

For the Attention of Authors

The compulsion to limit the size of issues on account of steeply rising newsprint and other costs and a sizeable backlog of material awaiting publication lead us to request that papers submitted for publication be not over 10,000 words, including tables and notes and references.

It is helpful if contributions in word-processed format are accompanied by floppy disc copies, in Wordstar preferably. The latter will be returned after use.

Burgeoning liquidity in the banking system accompanied by further high levels of equity prices has been a conspicuous aspect of the financial market developments particularly during the past one month. While bank deposits have risen by Rs 3,739 crore, commercial bank advances and investments together have risen only by Rs 509 crore, thus leaving a surplus of as much as Rs 3,230 crore (or 86 per cent of incremental deposits) for additional CRR (roughly about Rs 1,000 crore) and for the bank to play around with in treasury management. At the same time, the BSE Sensex has attained repeated peaks during the period, 4,588 on August 31and 4,618 on September 16; over the past two-month period, Sensex has risen by about 500 points or over 12 per cent. On the inflation front, the annual rate based on WPI has no doubt fallen for the eighth week in succession.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Aug 27, 1994	Variation (Per Cent): Point-to-Point Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
All Commodities	100.0	271.0	0.4	9.0	8.2	4.7	6.6	10.8	7.0	13.6	12.1
Primary Articles	32.3	279.7	–0.7	10.0	6.2	8.0	9.5	11.5	3.0	15.3	17.1
Food Articles	17.4	312.6	–1.6	7.3	6.1	11.5	8.5	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	288.5	0.6	16.9	4.0	3.0	10.0	24.9	–1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	279.1	–	9.8	18.8	0.4	3.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	264.6	1.2	8.3	7.6	4.1	5.7	9.9	7.9	12.6	8.9
Food Products	10.1	273.5	0.8	7.3	11.5	8.5	13.5	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	298.2	–0.8	7.3	7.9	10.4	10.2	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-August 27, 1994)	100.0	267.0	–	9.9	8.0	11.1	7.2	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
Industrial Workers (1982=100)	281[7]	1.4	11.1	4.5	5.2	4.1	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	224[4]	0.9	8.7	6.7	0.9	0.5	–	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1211[7]	1.9	13.4	-2.0	3.1	1.4	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Aug 19, 1994	Variation (per cent in brackets) Over Month	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92
Money Supply (M3)	461608	–358 (–0.1)	28042 (6.5)	24066 (6.6)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	88247	–742 (–0.8)	6049 (7.4)	4547 (6.7)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	370041	4239 (1.2)	21201 (6.1)	18081 (6.1)	51601 (17.4)	41471 (16.3)	43392 (20.5)
Net Bank Credit to Govt	213238	-6297 (–2.9)	9452 (4.6)	22526 (12.8)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	239605	–662 (–0.3)	2402 (1.0)	–833 (–0.4)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Net Foreign Exchange Assets	65436	1017 (1.6)	11709 (21.8)	3498 (14.0)	28775 (15.3)	3726 (17.6)	10645 (100.6)
Reserve Money	150918	760 (0.5)	12296 (8.9)	12565 (11.3)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	93075	-7496 (–7.5)	–3708 (–3.8)	16245 (16.8)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	334305	3739 (1.1)	20491 (6.5)	16759 (6.2)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	167118	–894 (–0.5)	3496 (2.1)	–786 (–0.5)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food Advances	155442	–438 (–0.3)	2727 (1.8)	–3178 (–2.2)	7476 (5.1)	24317 (20.1)	9127 (8.2)
Investments	146887	1403 (1.0)	14494 (10.9)	8290 (7.8)	26737 (25.3)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	April 1994	Average for Fiscal Year So Far 1994-95	Average for Fiscal Year So Far 1993-94	Variation (Per Cent): Fiscal Year Averages 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	225.0	225.0 (8.0)	208.3 (–0.4)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	207.2	207.2 (0.5)	206.1 (1.4)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	217.0	217.0 (9.7)	197.8 (–2.0)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	292.3	297.3 (5.7)	281.4 (6.4)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Sept 16, 1994	Month Ago	Year Ago	1994-95 So Far Trough	1994-95 So Far Peak	1993-94 Trough	1993-94 Peak	End of Fiscal Year 1993-94	1992-93	1991-92
BSE Sensitive Index	4618	4496	2746	3600	4618	2037	4286	3779	2281	4285
(1978-79=100)	(68.2)		(–19.4)					(65.7)	(–46.8)	(266.9)
National Index	2176	2130	1298	1765	2176	934	2050	1830	1021	1968
(1983-84=100)	(67.6)		(–14.4)					(79.2)	(–48.1)	(234.1)

Foreign Trade	July 1994	Cumulative for Fiscal Year So Far 1994-95	Cumulative for Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	5876	23486 (8.2)	21697 (39.4)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)
US $ mn	1873	7487 (8.3)	6916 (27.9)	22173 (20.4)	18421 (3.1)	17866 (–1.5)	18143 (9.1)
Imports: Rs crore	7120	25351 (9.9)	23070 (6.6)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)
US $ mn	2270	8082 (9.9)	7354 (–2.8)	23212 (6.8)	21726 (11.9)	19411 (–19.4)	24073 (13.2)
Non-POL US $ mn	1795	6338 (19.6)	5301 (–5.6)	17559 (14.6)	15319 (9.1)	14047 (–22.2)	18045 (3.1)
Balance of Trade: Rs crore	–1244	–1865	–1373	–3259	–9572	–3809	–10640
US $ mn	–397	–595	–438	–1039	–3305	–1545	–5930

Foreign Exchange Reserves	Sep 2, 1994	Sep 3, 1993	Mar 31, 1994	Variation Over Month Ago	Year Ago	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
Rs crore	55540	22713	47626	530	32827	7914	2517	27430	5385	10223	–1383
US $ mn	17737	7247	15176	237	10490	2561	795	8724	731	3383	–1137

Employment in the Organised Sector

(Lakh Numbers as on March 31)

	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
A Public Sector: by branch											
Central government	..	34.10	33.97	33.95	33.81	33.50	33.46	33.29	33.11	32.66	32.49
		(0.4)	(0.1)	(0.4)	(0.9)	(0.1)	(0.5)	(0.5)	(1.4)	(0.5)	(1.7)
State government	..	71.12	69.79	68.29	67.81	66.66	64.73	62.80	61.54	60.38	58.53
		(1.9)	(2.2)	(0.7)	(1.7)	(3.0)	(3.1)	(2.0)	(1.9)	(3.2)	(3.1)
Quasi-government	..	62.22	61.73	59.99	59.48	57.95	56.74	54.96	52.74	50.40	48.12
		(0.8)	(2.9)	(0.9)	(2.6)	(2.1)	(3.2)	(4.2)	(4.6)	(4.7)	(5.2)
Local bodies	..	23.13	22.23	22.38	22.11	22.14	21.90	21.64	21.30	21.11	20.33
		(4.0)	(–0.7)	(1.2)	(–0.1)	(1.1)	(1.2)	(1.6)	(0.9)	(3.8)	(–0.2)
B Public Sector: by industry											
Agriculture, hunting, etc	..	5.56	5.49	5.55	5.54	5.57	5.26	4.98	4.89	4.76	4.57
		(1.3)	(–1.1)	(0.2)	(–0.5)	(5.9)	(5.6)	(1.8)	(2.7)	(4.2)	(–1.3)
Mining and quarrying	..	9.99	9.66	9.56	9.56	9.42	9.66	9.74	9.27	8.84	8.32
		(3.4)	(1.0)	(0.0)	(1.5)	(–2.5)	(–0.8)	(5.1)	(4.9)	(6.3)	(1.7)
Manufacturing	..	18.52	18.70	18.63	18.67	18.62	18.15	17.61	17.17	16.34	15.92
		(–1.0)	(0.4)	(–0.2)	(0.3)	(2.6)	(3.1)	(2.6)	(5.1)	(2.6)	(6.0)
Electricity, gas and water	..	9.05	8.97	8.69	8.49	7.89	7.85	7.60	7.33	7.21	6.98
		(0.9)	(3.2)	(2.4)	(7.6)	(0.5)	(3.3)	(3.7)	(1.7)	(3.3)	(2.2)
Construction	..	11.49	11.34	11.46	12.14	11.85	11.81	11.46	11.20	11.20	11.12
		(1.3)	(–1.0)	(–5.6)	(2.4)	(0.3)	(3.1)	(2.3)	(0.0)	(0.7)	(2.1)
Wholesale and retail trade	..	1.50	1.50	1.50	1.39	1.34	1.31	1.31	1.24	1.18	1.13
		(0.0)	(0.0)	(7.9)	(3.7)	(2.3)	(0.0)	(5.6)	(5.1)	(4.4)	(–3.4)
Transport, storage and communications	..	30.26	30.23	29.74	30.11	29.70	29.29	28.94	28.64	28.26	27.81
		(0.1)	(1.6)	(–1.2)	(1.4)	(1.4)	(1.2)	(1.0)	(1.3)	(1.6)	(2.7)
Finance, insurance, real estate, etc	..	11.94	11.54	11.23	10.95	10.56	10.30	9.83	9.14	8.72	8.15
		(3.5)	(2.8)	(2.6)	(3.7)	(2.5)	(4.8)	(7.5)	(4.8)	(7.0)	(9.0)
Community, social and personal services	..	92.27	90.19	88.11	86.35	85.29	83.21	81.23	79.81	78.06	75.47
		(2.3)	(2.4)	(2.0)	(1.2)	(2.5)	(2.4)	(1.8)	(2.2)	(3.4)	(2.6)
I Total public sector	192.10	190.57	187.72	184.47	183.20	180.24	176.84	172.70	168.69	164.57	159.46
	(0.8)	(1.5)	(1.8)	(0.7)	(1.6)	(1.9)	(2.4)	(2.4)	(2.5)	(3.2)	(3.0)
Private Sector: by industry											
Agriculture, hunting, etc	..	8.91	8.76	8.68	8.44	8.48	8.22	8.07	8.19	8.47	8.51
		(1.7)	(0.9)	(2.8)	(–0.5)	(3.2)	(1.9)	(–1.5)	(–3.3)	(–0.5)	(–0.8)
Mining and quarrying	..	1.00	0.90	0.96	0.93	0.91	1.11	1.13	1.13	1.20	1.29
		(11.1)	(–6.2)	(3.2)	(2.2)	(–18.0)	(–1.8)	(0.0)	(–5.8)	(–7.0)	(–0.8)
Manufacturing	..	44.81	44.57	43.83	43.95	44.10	44.48	44.21	44.73	46.56	46.61
		(0.5)	(1.7)	(–0.3)	(–0.3)	(–0.9)	(0.6)	(–1.2)	(–3.9)	(–0.1)	(2.6)
Electricity, gas and water	..	0.40	0.40	0.39	0.41	0.40	0.40	0.39	0.39	0.37	0.36
		(0.0)	(2.6)	(–4.9)	(2.5)	(0.0)	(2.5)	(0.0)	(5.4)	(2.8)	(2.9)
Construction	..	0.73	0.68	0.69	0.50	0.58	0.69	0.70	0.66	0.68	0.71
		(7.4)	(–1.4)	(38.0)	(–13.8)	(–15.9)	(–1.4)	(6.1)	(–2.9)	(–4.2)	(–1.4)
Wholesale and retail trade	..	3.00	2.91	2.86	2.83	2.77	2.77	2.77	2.76	2.75	2.77
		(3.1)	(1.7)	(1.1)	(2.2)	(0.0)	(0.0)	(0.4)	(0.4)	(–0.7)	(0.0)
Transport, storage and communication	..	0.53	0.52	0.51	0.51	0.52	0.54	0.54	0.57	0.59	0.60
		(1.9)	(2.0)	(0.0)	(–1.9)	(–3.7)	(0.0)	(–5.3)	(–3.4)	(–1.7)	(0.0)
Finance, insurance, real estate, etc	..	2.54	2.39	2.34	2.38	2.29	2.21	2.19	2.14	2.07	2.04
		(6.3)	(0.1)	(–1.7)	(3.9)	(3.6)	(0.9)	(2.3)	(3.4)	(1.5)	(4.1)
Community, social and personal service	..	14.85	14.60	14.29	13.97	13.59	13.32	13.09	12.89	12.83	12.59
		(1.7)	(2.2)	(2.3)	(2.8)	(2.0)	(1.8)	(1.6)	(0.5)	(1.9)	(3.0)
II Total private sector	78.46	76.76	75.82	74.53	73.92	73.64	73.74	73.09	73.46	75.52	75.47
	(2.2)	(1.2)	(1.7)	(0.8)	(0.4)	(–0.1)	(0.9)	(–0.5)	(–2.7)	(0.1)	(2.1)
Total Employment (I+II)	270.56	267.33	263.53	259.00	257.12	253.88	250.58	245.79	242.15	240.09	234.93
	(1.2)	(1.4)	(1.7)	(0.7)	(1.3)	(1.3)	(1.9)	(1.5)	(0.9)	(2.2)	(2.7)

Employment Exchange	April-May		April-March								
Statistics in '000	1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Number of persons on the live register as at end of	35875	36034	36039	36306	36552	34890	33249	30305	29568	30475	27034
	(–0.4)	(–1.7)	(–0.7)	(–0.7)	(4.8)	(4.9)	(9.7)	(2.5)	(–2.0)	(12.7)	
Number of registrations	627	647	5715	5100	6079	6404	6823	6010	5881	5556	5730
	(–3.1)	(11.6)	(12.1)	(–16.1)	(–5.1)	(–6.1)	(13.5)	(2.2)	(5.8)	(–3.0)	
Number of vacancies notified	70	70	384	404	451	497	581	538	591	621	650
	(0.0)	(–2.8)	(–5.0)	(–10.4)	(–9.3)	(–14.5)	(8.0)	(–9.0)	(–4.8)	(–4.5)	
Number of placements	34	37	222	229	259	253	294	312	349	339	373
	(–8.1)	(2.8)	(–3.1)	(–11.6)	(2.4)	(–13.9)	(–5.8)	(–10.7)	(2.9)	(–9.1)	
Vacancies as per cent of registration	11.2	10.8	6.7	7.9	7.4	7.8	8.5	9.0	10.0	11.2	11.3

Employment and other data for a sample of 56 large cos in private sector @	Employment (Nos)				Net Sales		Fixed Assets	
	1993	1992	1991	1990	1992-93	1991-92	1992-93	1991-92
Total workers	215,745(–1.5)	219,108(2.0)	214,867(2.7)	209,193	(In crores of rupees)			
Regular employees	177,039(–1.7)	180,066 (0.5)	179,155(3.2)	179,570	13,171(15.6)	11,391	15,058(34.2)	11,219
Others (contract, piece-rated and part-time)	38,706(–0.9)	39,042 (9.3)	35,712(0.2)	35,623				

@ Obtained by the *EPW* Research Foundation

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript 7 stands for July. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year; .. means not available.

GREAVES

New Product Lines

GREAVES, a 135-year old engineering company, formerly known as Greaves Cotton and Co, of the Thapar Group, has shown good performance for the year 1993-94. Its net sales have increased by 14 per cent due to rapid increase in selling commission, etc (from Rs 29.10 crore in 1992-93 to Rs 38.15 crore in 1993-94). In a competitive environment the company has faced a reduction in operating profit by 5 per cent. This has, however, not affected its net profit which went by 24 per cent because the company's non-operating profit has shown a 49 per cent rise. The company has done well on the export front though the global market remained sluggish and uncertain. The company's exports have gone up by 44 per cent to Rs 30.18 crore. Though imports of merchandise were Rs 14.04 crore in 1993-94, the total foreign exchange outgo was of the order of Rs 48.15 crore. The company's debt-equity ratio has come down by more than 50 per cent in the past two years (from 55 per cent in 1991-92 to 25 per cent in 1993-94). The company has announced a dividend of 28 per cent which is 2 percentage points higher than that declared in 1992-93.

The company has added two major product lines to its operations, viz, three-wheeler autorickshaws and ABS/HIPS resins. The powertransmission unit at Falta, West Bengal, has done well. The company acquired 70 per cent of assets from Enfield India (Thoraipakkam and Ranipet, Tamil Nadu) as part of its expansion programme. It had originally planned to manufacture light diesel engines at Aurangabad, but has now shifted the manufacturing venue to Ranipet and accordingly investments are being made there. The company has acquired controlling interest in SIDVIM, AG, an internationally recognised trading company situated at Vaduz, Liechtenstein and having offices in Moscow and Alma Aty, Kazakistan. The company has entered into a joint venture agreement with a few parties in Singapore for trading in Vietnam and other countries. The company is also registered in Singapore as Pacific Greaves. During the year the company disinvested its 50 per cent holding in Greaves Foseco, a company dealing in metallurgical chemicals. The three-wheeler-diesel autorickshaw is a successful innovation by the company's research and development department.

INDIA PHOTOGRAPHIC COMPANY

Non-Operating Profit

India Photographic, a subsidiary of Kodak, manufactures cameras and trades in photographic and allied products like films, paper and plates, chemicals, photographic instruments and apparatus. With the passing on of the benefit of the reduced customs duty to customers, the company has adopted an aggressive marketing strategy to increase its market share in some of its speciality products. Net sales went up by 34 per cent in 1993-94 but, as a result of more than 40 per cent rise in the cost of materials used, operating profits declined by 56 per cent. But this has been more than offset by the rise in non-operating profit as a result of sale of land and building at Prabhadevi in Bombay for Rs 11.75 crore. The company has also received an earnest money deposit of Rs 10 crore for the agreement to sell its Kodak House situated in Fort, Bombay, for Rs 40 crore. Tax provision has also been lower at Rs 60 lakh against Rs 96 lakh in the previous year. As a result, net profits rose from Rs 8.9 lakh to Rs 379 lakh for 1993-94. The company has announced a dividend of 30 per cent. It has not been exporting any goods, but has been earning foreign exchange (Rs 1.48 crore during 1993-94) through commissions and other earnings. The company's foreign exchange outgo has galloped from Rs 39.27 crore in 1992-93 to Rs 72.14 crore in 1993-94.

Amongst its new projects, the company is implementing its finishing project at Goa, which when completed, will have the benefits of sales tax exemption for 12 years and income tax exemption for five years. The company's plant at Malanpur for manufacturing photochemicals commenced commercial production in August 1993 for which also the company will enjoy sales tax exemption for seven to nine years

BHARAT FORGE

Financial Services and Real Estate

Bharat Forge, a leading manufacturer of forgings and crankshafts, has faced severe recessionary conditions after 1990-91 and experienced a steady decline in its sales turnover for the past three years. To an extent this has been compensated by larger earnings from the company's financial services, which are reflected in a significant rise in the other income (from Rs 8.59 crore to Rs 13.33 crore, and also non-operating surplus from Rs 11.15 crore to Rs 12.16 crore). The rise in other income has helped to improve its overall operating profit by 37 per cent for the year 1993-94. Likewise, the company's net profit has also increased by 58 per cent, despite increases in interest burden and depreciation by 28 per cent and 18 per cent, respectively. The company has announced a dividend of 30 per cent as against 20 per cent in 1992-93 and 33 per cent in 1991-92. The company's debt-equity ratio has risen from 125 per cent to 132 per cent. Exports declined by 17 per cent for the year, attributable to letters of credit not being opened in Ukraine against an agreed contract of Rs 159 crore and the continuing recessionary trends in western and Japanese markets.

The company has obtained the ISO 9002 certification. Its project at Kuruli in Pune district for the manufacture of wheel rims for heavy and light vehicles under technical collaboration with the German Lemmerzewerke is likely to commence commercial production by the end of June 1995. The second area into which the company has diversified its financial services where it claims to have done exceedingly well. It now plans to start merchant banking services. It has as many as seven subsidiaries all of which are in the finance area: Bhalchandra Investments, Mundhawa Investments, Forge Investments, Chakrapushpa Investments and Finance, Starflower Investments and Finance, Jalakamal Investments and Finance and Jalakumbhi Investments and Finance. The company has also diversified into real-estate development.

KIRLOSKAR OIL ENGINES

Higher Sales and Profit

Kirloskar Oil Engines (KOEL) of the Kirloskar group, the largest bimetal manufacturer in the country, has shown good performance for the year 1993-94 with sales going up by 29 per cent. The company's operating profit and net profit have gone up by 28 per cent and 84 per cent, respectively. There has been a drastic cut in tax provision by 95 per cent, and dividend has been maintained at 25 per cent. The company's profit margin measured by gross profit on sales, though generally low at about 7 per cent, has shown a steady improvement. The debt-equity ratio has come down from 136 per cent in 1992-93 to 94 per cent in 1993-94. Exports slipped from Rs 15.43 crore to Rs 11.00 crore. Last year the company had the distinction of bagging the Export Excellence certificate.

The company is setting up a power house for electricity generation at the site of Kirloskar Ferrous Industries at Munirabad in Raichur district of Karnataka. Kirloskar Pielstick diesel generating sets would be used to generate power and the plant capacity would be 9 MW. The company has set up a private limited company, Kirloskar Deutz Sales and Services, as a

(Rs lakh)

Financial Indicators	Greaves March 1994	Greaves March 1993	Bharat Forge March 1994	Bharat Forge March 1993	Kirloskar Oil Engines March 1994	Kirloskar Oil Engines March 1993	India Photographic March 1994	India Photographic March 1993	Union Carbide India March 1994	Union Carbide India March 1993
Income/appropriations										
1 Net sales	35399	31055	20843	22168	29100	22559	14234	10605	27794	25034
2 Value of production	35286	31103	21440	22297	29803	22952	14249	10582	27233	25201
3 Other Income	483	430	1333	859	898	870	71	137	371	285
4 *Total income*	35769	31533	22773	23156	30701	23822	14320	10719	27604	25486
5 Raw materials/stores and spares consumed	24562	21379	10290	11139	18408	13813	12455	9057	12479	13250
6 Other manufacturing expenses	443	380	3159	4191	3002	2330	47	39	2871	2178
7 Remuneration to employees	3786	3698	2261	2125	2669	2428	396	335	4577	4089
8 Other expenses	4376	3319	2386	2302	3333	2697	1205	792	3959	3361
9 *Operating profit*	2602	2757	4677	3399	3289	2554	217	496	3718	2608
10 Interest	1399	1905	3252	2536	1655	1303	420	244	128	218
11 *Gross profit*	2846	1950	2641	1978	2048	1475	486	225	3258	2395
12 Depreciation	599	462	1467	1238	978	604	47	40	417	350
13 *Profit before tax*	2247	1488	1169	737	1057	740	439	185	2841	2045
14 Tax provision	400	0	0	0	7	170	60	96	1700	1100
15 *Profit after tax*	1847	1488	1169	737	1050	570	379	89	1141	945
16 Dividends	729	406	565	314	292	159	74	52	815	652
17 Retained profit	1118	1082	604	423	758	411	305	37	326	283
Liabilities/assets										
18 Paid-up capital	2957	2104	1975	1821	1252	961	245	245	3258	3258
19 Reserves and surplus	17103	10034	15079	12348	5998	4083	1452	1645	5123	5046
20 Long term loans	5014	3208	22601	17666	6843	6863	1852	1293	222	97
21 Short term loans	9575	5271	5168	6568	3957	2447	73	76	856	1484
22 Of which bank borrowings	5524	2508	803	2977	3018	1969	0	0	680	1403
23 Gross fixed assets	12933	7311	25593	23015	13106	10403	1237	1617	7746	7047
24 Accumulated depreciation	2625	2020	7942	6530	5107	4356	360	328	4335	3985
25 Inventories	8039	7444	6786	6083	5153	4405	3913	1906	3391	4324
26 Total assets/liabilities	44714	28935	52926	43820	26936	21883	8866	5580	16007	14591
Miscellaneous items										
27 Excise duty	3839	3354	80	60	2520	1964	295	271	5634	6800
28 Gross value added	9636	8595	9016	7538	6563	5081	2025	760	7446	6643
29 Total foreign exchange income	3423	2539	2834	3934	1123	1572	148	79	709	778
30 Total foreign exchange outgo	4815	3745	1249	995	4675	4115	7214	3927	244	365
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	79.2	107.3	39.4	50.6	108.0	103.1	160.5	190.1	173.6	171.6
32 Sales to total net assets (%)	102.2	150.6	46.5	57.7	161.2	157.2	393.0	325.4	293.8	253.3
33 Gross value added to gross fixed assets (%)	74.5	117.6	35.2	32.8	50.1	48.8	163.7	47.0	96.1	94.3
34 Return on investment (gross profit to total assets) (%)	6.4	6.7	5.0	4.5	7.6	6.7	5.5	4.0	20.4	16.4
35 Gross profit to sales (gross margin) (%)	8.0	6.3	12.7	8.9	7.0	6.5	3.4	2.1	11.7	9.6
36 Operating profit to sales (%)	7.4	8.9	22.4	15.3	11.3	11.3	1.5	4.7	13.4	10.4
37 Profit before tax to sales (%)	6.3	4.8	5.6	3.3	3.6	3.3	3.1	1.7	10.2	8.2
38 Tax provision to profit before tax (%)	17.8	0.0	0.0	0.0	0.7	23.0	13.7	51.9	59.8	53.8
39 Profit after tax to net worth (return on equity) (%)	9.2	12.3	6.9	5.2	14.5	11.3	22.3	4.7	13.6	11.4
40 Dividend (%)	28.0	26.0	30.0	20.0	25.0	25.0	30.0	25.0	25.0	20.0
41 Earning per share (Rs)	6.28	7.13	5.92	4.05	8.99	6.46	15.47	3.63	3.50	2.90
42 Book value per share (Rs)	65.27	53.87	86.35	77.81	61.89	57.20	66.24	53.80	25.72	25.49
43 P/E ratio (based on latest and corresponding last year's price)	19.1	17.7	38.0	45.7	20.0	19.3	32.3	77.1	285.5	301.7
44 Debt-equity ratio (adjusted for revaluation) (%)	26.1	28.5	132.5	124.7	94.4	136.1	114.1	98.1	2.6	1.2
45 Short term bank borrowings to inventories (%)	68.7	33.7	11.8	48.9	58.6	44.7	0.0	0.0	20.1	32.4
46 Sundry creditors to sundry debtors (%)	72.9	85.9	66.0	45.6	61.3	75.9	151.0	125.9	286.7	155.0
47 Total remuneration to employees to gross value added (%)	39.3	43.0	25.1	28.2	40.7	47.8	19.6	44.1	61.5	61.6
48 Total remuneration to employees to value of production (%)	10.7	11.9	10.5	9.5	9.0	10.6	2.8	3.2	16.8	16.2
49 Gross fixed assets formation (%)	88.5	169.6	11.2	13.2	26.0	40.0	−13.8	5.0	9.9	8.5
50 Growth in inventories (%)	8.0	62.2	11.6	3.5	17.0	17.7	105.1	15.2	−21.6	3.6

joint venture project with equal participation by Deutz Motor Industriemotoren GmbH (DMI) of Germany; it has begun co-ordinating engine export activities. Kirloskar Kisan Equipment (KKE) is a wholly-owned subsidiary of the company, which is now being revived. KKE has ventured into consultation in, and erection of, post-harvesting agricultural equipment. KOEL has also taken over the management of the Prashant Khosla Pneumatics, a sick company having facilities for manufacture of diesel engine components. The company has incurred an expenditure of Rs 99 lakh for research and development which is low compared to last year's figure of Rs 135 lakh. Because of its own R and D the company claims to have fully absorbed the foreign technologies it has imported during the past five years for diesel engines and noise and emission control.

UNION CARBIDE INDIA

Living Down Bhopal

Union Carbide India (UCIL), a subsidiary of Union Carbide, (UCC) US, is trying to live down the history of Bhopal gas tragedy and achieving expanded business activities. It registered a rise in net sales by 11 per cent in 1993-94, while operating profits and net profits increased by 42 per cent and 20 per cent, respectively. The increase in net profits has occurred after provisioning for increases in taxation and depreciation. The company has raised its dividend by 5 per cent, from 20 per cent in 1992-93 to 25 per cent in 1993-94.

The company is a major producer of dry batteries, and now with the liberalisation policy permitting import of the product at reduced customs duties, it will have to face stiff competition. However, the recessionary phase for dry batteries seems to be over and demand has picked up. The company's two plants are facing problems due to ongoing wage negotiations, though at the battery plant at Cossipore, Calcutta, a productivity-oriented wage settlement has been signed. Operations at the plant in Srinagar could not be resumed due to the prevailing political unrest.

Apart from dry batteries, the company produces flashlights, photoengraver plates and electrolytic manganese dioxide. While sale of carbon was the same as in the previous year, that of industrial electrodes was 23 per cent lower. The company, in a joint venture with Germany's Henkel Products, has been marketing the premium detergent Henko.

On government petition, the Supreme Court has directed that a fund of Rs 65 crore be earmarked for a hospital to be established at Bhopal for the gas tragedy victims and UCIL's contribution has been fixed at Rs 7.5 crore. Incidentally, the Rs 120 crore worth equity shares held by the Union Carbide, US, and attached by a Bhopal magistrate can now be sold by the escrow-agents (SBI and Credit-Capital Finance) appointed by the Supreme Court subject to approval by government of India. The company with the consultancy of National Environmental Engineering Research Institute is cleaning up the equipment and plant site at Bhopal.

The company is now planning to expand its activities in the dry battery and flashlight areas with products of advanced technologies. A loan of Rs 3.45 crore was obtained from the IDBI for under its equipment finance scheme for modernisation of one of the company's battery manufacturing facilities. Natex Marketing is a wholly owned subsidiary of the company and Nepalese Nationals a joint venture with Nepal Battery Company. The company invested Rs 151 lakh in research and development in 1993-94.

NDA SECURITIES

NSE Membership

An existing profit-making company and a category III merchant banker registered under SEBI, NDA Securities has applied for upgradation of its status to category I. The company was recently granted membership of the National Stock Exchange in the capital market segment which is expected to give a fillip to the groups' share broking and investment activities. The company has been active in the areas of underwriting and investment business since getting SEBI registration in this January, in addition to being associated with a few public issues as advisors to the issue. The company declared a maiden dividend of 6 per cent in the very first year of operations and for the 11 months ended February earned a net profit of Rs 25.8 lakh on a gross income of Rs 69 lakh.

Kashmir: At the Edge of the Possible

Gautam Navlakha

The emergence of the militant organisation Harkatul Ansar holds the prospect of mindless violence of a kind one sees in Afghanistan, but the blame for this must rest squarely on the government, on its total lack of foresight. The only ray of light in Kashmir has been the manner in which the people were able to force the government to back down on the Hazratbal shrine issue. It is as though in their political mission, the Kashmiri people are beginning to push at the edge of the possible.

FRENCH journalist and diplomat Eric Rouleau once disclosed that when Charles de Gaulle's advisors suggested that he negotiate with an Algerian moderate and not the FLN he replied that to forge lasting peace you had to negotiate with those who were firing on your soldiers; you did not negotiate with those with no blood on their hands because they were irrelevant. Five years down the road with the full might of the Indian security forces unable to effect the capitulation of the militants, the chances of peace returning to Jammu and Kashmir appear remote. True, the militants cannot defeat the Indian army and a war of attrition has ensued with each side trying to wear out the other. However, the fact that the militants have been successful in thwarting the mighty Indian forces and in bringing about a stalemate reveals the government's weakness. In such a situation for the government to refuse to negotiate with those demanding the right of self-determination is merely the flip side of its policy of trying to batter a whole people into submission. The blame for the absence of any political moves has been laid at the door of the Kashmiris, with a section in the government insisting that crushing the people is the only way out, another saying that partners for a dialogue are not available, and yet others urging that the government should have nothing to do with those described as fundamentalists or pro-Pakistanis.

Indian commentators have highlighted the internecine conflicts among the militant groups. JKLF leader Yasin Malik, after his release on bail, had gone on a hunger strike in May last demanding an investigation into the killing of innocents, merger of the 70-odd militant groups into three major groups, an immediate end to extortion and return of Kashmiri pandits to the valley. There were allegedly two attempts on his life by Hizbul Mujahideen militants. Again, there was the allegation by Ikhwan ul Musalmeen against Hizbul Mujahideen of having killed its leader Qazi Nissar Ahmed, the Mirwaiz of southern Kashmir, on June 19 for having publicly criticised Harkatul Ansar, a militant outfit comprising foreigners, for abducting two Britons on June 7 from Pahalgam. There is also growing concern among the people at the presence of foreigners over whom no one but Pakistan's ISI appears to exercise any control. For instance, until July all militant organisations opposed the lifting of the ban on the Amarnath pilgrimage unless the government removed the bunkers around the Hazratbal shrine. But when the government was finally compelled to remove the bunkers, Harkatul Ansar remained adamant in its opposition to the Hindu pilgrims going to Amarnath. And the appeal of Hizbul Mujahideen and Hurriyet Conference to Harkatul Ansar to give up its opposition was turned down. In fact Harkatul Ansar disregarded the plea of even Abdul Qayoom Khan, prime minister of so-called Azad Kashmir. All this does give the impression that with no one in control, the possibility of a dialogue is dim.

There was some short-lived euphoria at the release of Yasin Malik in May and the expectation that the JKLF would now be able to reassert itself, that the Hurriyet Conference could be split, and that it might be possible to force a Mizoram-type solution eventually. In Delhi's political circles there was talk of elections in which JKLF would be allowed to win and come to power and then be compelled to crack down on the other militants. This, it was further claimed, would make the JKLF lose popularity and pave the way for the re-emergence of a National Conference government, with or without the Congress. What fed the rumour mills was also the statement of a Hurriyet leader, Moulvi Abbas Ansari, at the so-called Nimrana initiative, a non-official Indo-Pakistan Conference sponsored by the Ford Foundation on May 27-28, while that the people of Kashmir would not settle for anything less than self-determination, they did not want to accede to Pakistan. Ansari added that 'Azaadi' could mean complete independence or independence within India. This was wrongly seen as an admission of weakness, whereas Moulvi Ansari was only re-stating the principled stand of the Hurriyet.

That the government did expect some political advantage from releasing Yasin Malik was clear from the fact that the prosecution did not oppose his bail plea before the TADA court in Delhi. But in the byzantine world of Indian politics and the confusing mix of agencies involved in Kashmir, the release of Yasin Malik was followed by the arrest of Moazzan Ali, leader of Al Barq, JKLF leader Javed Mir Nalqa and Ahsan Dar of Muslim Mujahideen, a breakaway faction of Hizbul Mujahideen, nullifying any benefit the government may have been hoping for by releasing Yasin Malik. In fact the systematic decimation of the JKLF and militants espousing 'Azaadi' never stopped. In a little noticed incident on August 19, JKLF lost out to Hizbul Mujahideen in its endeavour to regain control over Hazratbal. With Hizbul establishing its hold over the shrine, the ideological battle also seems to have gone against the JKLF. Speaking before an 80,000 strong congregation, Hizbul condemned the JKLF for its "Gandhian policies and for bargaining over martyr's blood" and reiterated its determination to bring about an "Islamic order in Kashmir". Indicative of the changing ground reality, JKLF was forced to appeal to Pakistan to help its ailing leader, Yasin Mailik, get treatment in England for his serious kidney ailment.

But the over 10-month-long stand-off between the government and the Kashmiri people has also added a new dimension to the political articulation by the people. People of the valley do not any more pay taxes and the local authorities have stopped collecting bills for electricity and municipal services. The combination of militant action with civil disobedience, public demonstrations and hunger strikes is truly significant. Notwithstanding the internal contradictions, this variety of action has put the Indian forces in a quandary. They may be adept at dealing with people wielding guns, but are at a loss when confronted with peaceful forms of protest. The people's victory over Hazratbal also points to the political relevance of the Hurriyet Conference, a representative body of more than two score militant and political organisations, including the JKLF and Jamaat-i-Islami.

Hurriyet's Consolidation

The recent developments surrounding the Hazratbal shrine have helped the Hurriyet Conference to consolidate its role as a representative body of the people and the divergent militant and ideological groups. While the government conceded the popular demand for removing the bunkers around the shrine when JKLF leader Yasin Malik went on an indefinite fast, it botched up things by first talking of 'relocation' and even this was passed off as a concession to the government's current favourite. Hurriyet stuck to its stand that bunkers had to be 'removed' and that the modalities for handing over the shrine

to the Muslim Auqaf Trust could be worked out only with its support. The state administration was compelled to accept the demand and appointed a new chairman of the Auqat Trust, G G Draboo. Hurriyet played a central role in the restoration of the shrine, especially in assuring the public that the relic was intact. Having done that, it was the appeal by Hurriyet calling off opposition to the Amarnath Yatra—and not the JKLF which, unlike in previous years, could not offer any guarantee of the safety of the pilgrims—which carried weight. What also added to the Hurriyet's credibility is that it did not allow the government to drive a wedge between it and the JKLF by carrying the latter along in the restoration work and later by stepping in when it appeared that Hizbul and JKLF may fight it out within the shrine precincts for control and insisting that they leave their weapons behind. This is not to imply that the battle to control Hurriyet has ended. On the contrary, it may become more intense. But a lot depends on the government's response. If the approach is to discredit and destroy Hurriyet, then we must be prepared for a step-up in violence.

It is true that unabated violence has already dislocated Kashmiri society and for this the militants, especially Harkatul Ansar, cannot escape blame. But the major factor in the induction of violence into every home and family in Kashmir has been the operation of the Indian security forces. The manner in which militancy reached the Jammu region once again provides evidence of how the government allows a situation to deteriorate with total unconcern for the people. Trouble in Doda in the Jammu region began on April 23, 1993 when two Muslim young men were shot dead by the BSF during Ramzan. BSF officers admitted that the jawans were at fault, but refused to initiate any action. Two months later, on June 26, 1993, three Muslim government employees, all junior engineers, were picked up by the BSF and tortured to death in custody. Once again the guilty men escaped punishment. During this period the BJP stepped up its agitation for arming its cadres and handing over Doda to the army. In the ensuing vacuum Harkatul Ansar was able to step in. On August 14, 1993 they intercepted a bus, singled out Hindus and killed all 14 of them. On December 17, 1993 six Hindus were killed and beheaded. Such incidents were repeated on May 21 and 30 and June 6 this year when militants attacked and killed, among others, local BJP leaders in Doda. This triggered off the first direct confrontation between the two communities in which 44 houses and a mosque and a temple were burnt down with neighbours exchanging gunfire. In other words, what could have been nipped in the bud was allowed to simmer and be used by Harkatul Ansar for its own ends, setting off a chain of events which finally saw the migration of people from Doda into Chamba with the prospect of violence now reaching Himachal Pradesh.

Multiplicity of Agencies

To a certain extent the multiplicity of agencies involved and the problems of co-ordination among the various security forces queers the pitch for the government. Apart from the number of security agencies and intelligence outfits and special task forces, many other agencies exist in the union home ministry. For instance, an eight-member team of secretaries headed by K R Venugopal, secretary in the prime minister's office, was set up a few months ago with the intention of enabling the prime minister to have an independent source of information and therefore decision-making on Kashmir. The effectiveness of the body remains to be established. There is, within the home ministry too, a special consultative body comprising non-officials. Apart from this the joint army, paramilitary and civilian 'screening committees' set up to identify and separate militants from the innocents in detention has been unable to function due to the 'big brotherly attitude' of the men in uniform towards the civilian members. And in Doda, army-BSF co-ordination suffered because the BSF was piqued at its senior officer having to report to an army officer ranked below him.

An instance of how problems get complicated was seen in the delay in decision-making to remove the bunkers from around the Hazratbal shrine. A decision on the bunkers could have been taken way back in October last year when the siege was lifted. It was evident that the bunkers only antagonised the public and got linked to the Amarnath pilgrimage, thus feeding communal hostility. What the government has done now, by unconditionally removing the bunkers, is what the people had been demanding for the past 10 months. The delay only fuelled popular alienation and brought no benefit to the government. Finally, the prime minister had to intervene and lean on a reluctant governor who even faked a tooth ailment to delay arriving in Delhi before the decision could be announced. Against this background, the setting up of a new force called the India Security Force to tackle insurgency in Jammu and Kashmir with 40 battalions makes little sense. A touch of farce is added when it is declared in all seriousness that this force will ease the pressure on the army and go some way in solving the unemployment problem in Kashmir.

In a bid to project transparency in its handling of Kashmir, the government thought of allowing foreign teams access to Kashmir. It was felt that this would enable it to manage the flow of information. Thus the International Commission of Jurists was given red carpet treatment when it arrived in India. But now it is being accused of deviating from its 'brief' when it questions the accession of Jammu and Kashmir to India. The experience with three ambassadorial teams did not similarly prove successful. Whereas the envoys from the European Union were favourably impressed, considering their own governments' preoccupation with Islamic fundamentalism, those from the OIC were vocal in questioning the propriety of an Indian government spokesperson briefing the media on their behalf. And the ambassador of Iran to India pointed out that the promises made by the Indian government had not been fulfilled.

Hope and Despair

The emergence of Harkatul Ansar, beholden to none in the valley, holds the prospect of mindless violence of a kind one today sees in Afghanistan. As it is, normal life in Kashmir has been disrupted beyond recognition and violence is all-pervasive. Indian observers are fond of attributing all this to the involvement of Pakistan and the ISI. But just as the Russian invasion of Afghanistan paved the way for the emergence eventually of leaders such as Gulbuddin Hekmatyar in Afghanistan, the militaristic approach of the Indian government in Kashmir may result in the proliferation of Hekmatyar clones there. For this state of affairs the responsibility rests squarely on the government. A total lack of political foresight and even enlightened appreciation of self-interest has guided Indian policy in Kashmir. Consider, for instance, that even many less dogmatic elements in the government support a policy of extending support to the JKLF because it is considered the lesser evil and it is held that an independent Kashmir is better than one which accedes to Pakistan. This is justified in the name of some higher political morality of opposition to fundamentalism. In this scenario, where the Kashmiris are sought to be saved from themselves lest they fall prey to the forces of fundamentalism, the people become invisible even as the government 'sincerely' searches for dialogue partners.

In sum, then, since the Indian army cannot defeat militancy and because the government is not trying hard enough for a political solution, not even when political openings come its way, and with involvement of international agencies being increasingly perceived as the only way in which the Indian government can be dissuaded from persisting with its militaristic response to what has been and remains a political problem, the prospect of peace without the association of Hurriyet to work out the framework and modality of a referendum remains remote. The one ray of light has been the manner in which the Kashmiris forced the government to back down on the issue of the Hazratbal shrine. It is as though in their political mission the people are beginning to push at the edge of the possible.

Reservation Is Not the Issue

Amaresh Misra

Despite the strenuous attempts of the Congress and the BJP to make repeal of the 27 per cent reservation for backward castes into a general issue in the state and thus unleash widespread caste conflict, the movement has not caught on in the plains.

EVEN before completing one full year in office the SP-BSP government is facing a severe test. Its move to implement 27 per cent reservations in education and employment has backfired in the hill districts of Uttarakhand where the situation is very different from that in the plains. Backward castes there comprise only 2 per cent of the population and the reservation policy holds out the threat of dominance from the plains. In a region already marked by a history of movements on the issue of separate statehood (centring on the real grievances of regional backwardness and identity) this could only add fuel to fire. As it is, right after the assembly elections there were signs of growing restiveness in the hills and all political parties, from the SP to the BJP, had stressed the hills' demands in their political agenda.

Anti-reservationism *per se* does not constitute the real essence of the movement. This is highlighted by the poor response the movement has evoked elsewhere. Despite the strenuous attempts of the Congress and the BJP, backed by a section of the press, to make repeal of the 27 per cent reservation for backward castes a general issue in the state and thus unleash widespread caste conflict, the movement has not caught on in the plains. In fact, in the hills the movement has been on the demand for separate statehood and for a reservation policy which takes into account the peculiarities of different regions. It has been argued by democratic opinion that if in states like Tamil Nadu and Karnataka the reservation quota can be raised to suit their social specificities, the same logic can be applied in reverse to Uttarakhand. Since all the parties, including the SP, are agreed on the demand of a separate statehood, policy matters such as reservations can be kept in abeyance till Uttarakhand state comes into being or some special status is granted to the region.

But what the movement has also revealed is the real face of leaders like Mulayam Singh who shed their democratic veneer the moment they encounter a mass movement of any variety. A couple of months back when employees in the state power sector looked all set to go on a massive strike against privatisation, the chief minister had answered with the extreme threat of clamping TADA on the employees. He did not also hesitate to try to divide the workers on caste lines. The same techniques are in evidence in his handling of the Uttarakhand agitation. At one level, the chief minister began by granting 2 per cent reservation to people from the hills, by passing a resolution for a separate state in the state assembly and by promising to fill class 3 and 4 jobs in the region from within the area itself. On the other hand, he issued a warning to the agitators that he was not dependent on the people of Uttarakhand for support; this was followed by a massive crackdown and by manoeuvres to split the movement.

The result was police brutality and the killing of agitators in Nainital and Mussoorie on the one hand and on the other stage-managed events like the meeting of SP student leaders from Uttarakhand with the chief minister and the 'calling off' of the agitation. The killings themselves were no simple result of a clash between the police and the agitators. According to an investigation team of the CPI-ML (Liberation) which toured the area from September 1 to 7, the movement was also directed against some local liquor manufacturers who are SP supporters. Even earlier the Uttarakhand movement has targeted liquor contractors who are associated in the region with outside attempts to despoil the area. The coming to power of Mulayam Singh has seen a spurt in the award of contracts to the liquor mafia, reversing the success of a series of anti-liquor movements in the late 80s and early 90s. In addition, a new element has entered the picture in the form of builders as part of the state government's so-called efforts, to boost tourism in the area. This has been seen as a threat to Uttarakhandi identity and culture. The forest mafia too has started baring its fangs. Of late crimes linked to these elements have increased in the region and armed liquor contractors roaming about freely have become a common sight.

During the current movement, the growing police-mafia-SP-BSP nexus has come directly under attack. The police inspector who masterminded the firing in Khatima is known to be closely linked with a liquor manufacturer, Kulwant Singh Chaddha, who is an SP supporter. Reports about the crowd turning violent were all fabricated. The state intelligence department has confirmed that the PAC personnel manning the area had not received any bullet injuries. The three wounded personnel were all members of the UP police under the direct charge of the above inspector who is said to have deliberately engineered the whole episode in order to justify the police firing on unarmed and peaceful protesters. Till date there has not been a single incident of violence by the demonstrators. In the Mussoorie incident too a major role was played by a mafia figure, Garibdas, who is close to D P Yadav, the notorious west UP don and SP leader. On September 2, the day of the firing, only a handful of protesters were squatting at a place called Jhoolaghar as most of the inhabitants of the town had left for Pauri to attend a rally. On September 1, Garibdas had arranged for the transfer of inspector Prakash Talan, who was close to him, to Mussoorie. The Deputy Superintendent of Police, Uma Kant Tripathi, had opposed the transfer. Tripathi was gunned down by police bullets. He lay wounded for half an hour at the spot but was not attended to. The Mussoorie incident has been reported in all its gory detail in the Hindi daily *Jansatta*. It appears more and more as part of a cynical game of the chief minister to justify repression in the name of a conflict between hills and plains on the issues of reservation and a separate state, even as his party continues to pay lip-service to the latter cause.

But all these efforts have not succeeded in subduing the movement. Despite occasional lulls, the movement shows no signs of abating, but has in fact acquired a spontaneous dimension, bordering on a 'people's upsurge' with nearly all sections of the population—employees, traders, students, professionals and so on—throwing in their lot. A major element has been the participation of women on a scale not seen since the days of the independence struggle. Gatherings of a 20,000-30,000 are taking place at short notice and, contrary to all reports about the preponderance of the Congress and BJP, the movement is almost totally in the hands of non-party forces. These forces have a broad democratic orientation and, in marked contrast to the anti-reservation movement of 1990, there have been no attacks on the dalits and backwards. The latter too have not exhibited any animosity towards the movement. The Congress, BJP and even the UKD have failed so far in taking the movement in their grip. In many places BJP leaders and MPs were greeted with garlands of shoes and the students have made it a point to distance themselves from forces like the UKD. The main directing body, the Uttarakhand Sangharsh Samiti, includes many individuals of democratic credentials from grass roots organisations and parties like the CPI-ML. The movement contains many reactionary elements as well and, as is the case with such events, can tilt in any direction. But there is a strong possibility of left-democratic-grass roots trends gaining the upper hand. After all, left

and democratic forces have always enjoyed a substantial presence in the area known for its liberal ethos.

Mulayam Singh's attempt seems to be to let the issue drag on and acquire the dimensions of a caste war in the plains which then could work to his advantage. With this in mind he, along with the BSP, has called for a pro-reservation bandh on September 13. Through such moves the chief minister is hoping to regain the ground he has lost in recent months. After the Rashid Masood episode in June-July the chief minister's popularity has suffered due to the continuing row with the BSP. The possibilities presented by defections from other parties have also been more or less exhausted. The latest in such defections was the crossing over of the CPI MLA, following which the CPI withdrew its support to the government. The party also published a lengthy letter accusing Mulayam Singh of violating democratic norms and going back on his political commitments.

The chief minister's credibility among left-socialist forces has suffered as a result of his policy of indiscriminate privatisation. Already 18 concerns in the power and sugar sectors have been handed over to private hands and more are to follow. These moves have evoked the hostility of pro-socialists forces like JD(G) which has threatened to launch an agitation against the privatisation of sugar mills. The distinct turn away from socialist populism to what can be described as a kind of regional version of the Congress has been accompanied by a steep rise in bus fares, the extension of trade tax to life-saving drugs and petroleum products, the final goodbye to all forms of land reform, the stifling of democratic norms and the extension of Section 144 to nearly all parts of the state on a more or less permanent basis. The only achievements which the government can boast of are repealing of the anti-copying act, implementation of the reservation policy and introduction of a trade tax in place of sales tax. All other poll promises, including opposition to GATT, supply of high quality seed and fertilisers at cheap rates, expansion of irrigation, land reforms, state assistance to poor patients suffering from serious ailments, proper balance between the prices of industrial and agricultural products, 2 per cent reservation to women in services, full development of Urdu and grant of equal status to Arabi-Persian madrasas on par with Sanskrit colleges have faded away.

It remains to be seen whether the chief minister's attempts to twist the present crisis will work. Even if it does, the results will be temporary. The restlessness in the plains is centred more on the general education-employment situation though the anti-reservationists are trying their best to divert it into other channels. The Mulayam Singh government is implementing the reservation policy with one hand while reducing the prospects of education by reducing the allocation for education, asking bodies of higher education to find their own funds and privatising educational institutions. All of this is creating a situation in which educational opportunities are not growing while the number of aspirants is going up. Subjects such as free education for dalits and women are disappearing from the agenda of the ruling parties while no initiative on the employment front has been forthcoming. Against this background, left-democratic organisations like the All-India Students Organisation (AISO) are planning to turn the focus of the current unrest in the plains to the demand for education and employment for all. The AISO has intervened in places like Allahabad and has been able partially to turn the student unrest towards basic issues affecting students, besides the issue of human rights abuse in Uttarakhand. AISO processions have been lathi-charged and many of its activists have been arrested. AISO is supporting the demand for a special reservation policy for Uttarakhand and has urged that the anti-reservation movement of the hills be differentiated from that of the plains. It has called a statewide convention on September 30, which will finalise plans for a 'gherao' of the chief minister in November on the issue of education and employment, including the grant of free education to dalits and girl students. Such efforts are being seen as part of the efforts to build an alternative left-democratic platform which can fill the slot of political opposition in the state. The Congress and the BJP are finding it hard to play this role even though they have not lacked opportunities.

MAHARASHTRA

A Way of Political Life?

A Special Correspondent

One can understand the response of the chief minister and his party to the mounting allegations of wrong-doing, but what is less easy to accept is the subdued reaction of opposition parties, the press, intellectuals and other opinion-makers in the state.

ONLY a few weeks back, the union finance minister showered public praise on Sharad Pawar, Maharashtra's much-accused chief minister. The finance minister asserted that continuance of Sharad Pawar at the helm in Maharashtra was essential for the success of the new economic policy—presumably, however grave the charges against him. The Pawar lobby must have been elated.

There is no doubt that Pawar can as easily get good character certificates from many others in his party, such as K Rai, Shankaranand and others. Many worthies in the opposition will be equally obliging. Pawar himself was part of the opposition till not so long ago and continues his excellent rapport with opposition politicians. (The much promised prosecution of Bal Thackeray of Shiv Sena is still to come about.) A BJP MP has already joined hands with Pawar in questioning the propriety of a retired official making official documents public.

Despite good words from many, serious charges continue to be levelled publicly against Sharad Pawar, mainly regarding his connections with criminal elements. Just when it looked as if the campaign started by G R Khairnar, deputy commissioner (since suspended) of Bombay municipal corporation, for a clean government, free of mafia control and aimed directly at Pawar was getting nowhere, graver charges have come in a court of law from a serving DIG of Maharashtra police. These include pressurising police officials to going easy on investigations against many individuals accused of serious offences—ranging from land-grabbing and smuggling to sheltering Punjab terrorists or even murderers.

Large-scale land-grab scandals have doggedly kept pace with Sharad Pawar ever since he transferred his loyalty to the Congress Party and soon came to power in Maharashtra in the late 80s. Earlier, it was the forcible urbanisation of the Vasai-Virar region near Bombay at the cost of tribals and other locals. While he was briefly the union defence minister, his ministry had proposed passing on vacant cantonment land to builders, a proposal suddenly withdrawn after he ceased to be defence minister. At present, it is the proposal for selling prime land in Bombay city belonging to textile mills to the builders at the cost of mill workers which is actively being promoted, not to mention other side-shows such as transferring forest land near Alibaug to builders for developing into a hill station, again at the cost of locals, or easing out the original allottees of a building society for accommodating one's own cronies.

In Bombay city and its suburbs, the truly astronomical prices of land and the super-abundance of black money together have made it quite easy for the underworld bosses to muscle their way into building activities. With a conniving administration, this passage can turn into a cake-walk. Many in Bombay fear that this has already come about, the

evidence of which is the several gruesome murders in broad daylight and on busy roads in the past couple of years. Officially, the police are still clueless about them. The sensational assassinations of a textile mill-owner about two months back and of the city BJP chief two weeks back are only the latest in the series.

Whether it was the case of carrying in his air force plane (as defence minister) persons who were later charged with involvement in the J J Hospital killings or of allowing the Congress MLA Thakur to escape to Nepal even as he was actually held at Calcutta airport; whether it was the case of phone calls to Dubai from Mantralaya or instructing police officials to go easy with investigating Thakur and Kalani (another Congress MLA), as attested by the DIG in an affidavit, or the charge of selective inactivity or communal partnership in the wake of the Bombay bomb blasts, it is clear by now that there are enough charges against the chief minister which need to be probed by an impartial agency with investigative powers. Indeed, several persons in the country, including in Maharashtra have been put behind bars under TADA or other acts on hearsay charges much less serious.

Of course, serious charges of misdemeanour are by now old hat in the Congress Party. Apart from stray statements by a couple of state leaders known for their anti-Pawar stance, the party as a whole has taken no official note of the open allegations of the criminal associations of one of its most senior leaders, let alone institute any inquiry either at party or government level. Given the general level of rectitude now prevalent in the party, this should cause no surprise to anyone.

What about Sharad Pawar himself? Today, one does not realistically expect him to step down till his name is cleared by an impartial inquiry. But what is noteworthy is that he has not chosen even to go to a court of law to try to stop the libellous attacks on him. Even Rajiv Gandhi had felt compelled to get a clean chit from a parliamentary committee in the Bofors matter. A sure sign of the changing times is that neither Pawar nor the government he heads finds it necessary to go through even such an exercise. Instead, an inquiry is started for breach of discipline against Khairnar.

Instead, supporters of Pawar have adopted the tactics used earlier by the enthusiastic supporters of Sanjay-Indira Gandhi. With a pliable official machinery, it has been no problem to them to prevent Khairnar meetings or to disrupt them. On many occasions, Khairnar has been prevented by the police officials from addressing a meeting or even from entering a city. The theme of the few rallies organised by Pawar supporters have been that the attacks on him are politically motivated, that an attack on him is an attack on rural Maharashtra, on non-advanced community leadership. Presumably, rural leadership or backward class leadership should not be measured by the law of the land. Evidently, the calculation seems to be that whatever the charges against a political leader, in the final analysis, a vast majority of the public will vote according to their casteist, communal and regional biases. After all, recent history does bear this out.

Interestingly, rallies in favour of Pawar are led mostly by persons like him, who have turned Congressmen only recently. Even more interestingly, a huge rally was organised in Bombay in Pawar's support by the newly installed leadership of the INTUC-promoted textile workers' union, itself accused of having been taken over by underworld dons to force workers to accept the sale of mill-owned prime real estate in Bombay.

One may understand the calculations of Pawar and his party. Less easy to understand is the very subdued reaction of the opposition parties, of newspapers, intellectuals or other opinion-makers in Maharashtra. Persons clamouring for 'proof' of Pawar's alleged misdeeds conveniently overlook the fact that enough evidence has emerged to justify a formal and honest inquiry precisely to collect evidence, if any, from official records and from persons under oath. There was much less evidence to start with in the Bofors pay-off case. But so far, no party or newspaper or MLA have asked for such an inquiry.

There seems to be a reluctance even to raise pertinent questions. Pawar has admitted that it was a mistake to have chosen Thakur and Kalani as party candidates. But he has not clarified as to who pushed their candidatures. If politics is to be rid of criminal elements, it is not enough to keep out Thakurs and Kalanis but also the party stalwarts who bring such specimens into the party. Is Pawar or his party (or any other party for that matter) ready for such steps? No one has raised questions such as these.

One must remember that 10 MLAs and municipal corporators in Bomby-Pune alone have been killed by rival underworld gangs in the last couple of years. Scores of municipal councillors or their near relatives have been found to be involved in sordid sex-and-blackmail rackets in different parts of Maharashtra. This is the kind of grass roots set-up that has come to dominate the political structure in Maharashtra. To control it, if not to cleanse it, a beginning has to be made as near the top as possible. To constitute a proper inquiry commission to investigate the issues raised by Khairnar and others would be the first correct step in this direction.

It may be that the opposition parties and personalities have been thoroughly disillusioned by the history of other recent inquiries. Or it may be that even opposition parties do not really wish for a thorough investigation in the murky wheelings and dealings of one of their own, whatever his party label. Or it may be that many of our leading opinion-makers are so sold on the charms of the present political establishment that they do not wish to rock the boat. After all, it was only a couple of years ago that 100 leading lights of Maharashtra's cultural and intellectual society were found willing to accept Rs 1 lakh each to celebrate Pawar's 50th birthday. Whatever the reasons, the brutal fact is that few eminent individuals or organised groups have come out to battle for a clean government in Maharashtra. No one is ready even to come out openly in support of a poorly paid, poorly-educated, inarticulate municipal official who has dared to rock the boat and has since been suspended.

There is not much chance that the opposition parties or their leaders will move very energetically in the matter of cleansing the government. For the moment, Pawar's position as chief minister seems unassailable. But there is yet another factor. One fine day, Pawar may be replaced as suddenly by his own partymen as his predecessor was over a year back. Palace revolutions, the standard method of changing governments in the 18th century, have again came into vogue in today's India. We may once again see the right conclusion arrived at by wrong methods.

A large section of Congressmen in Maharashtra have been eloquently silent in the whole Pawar imbroglio and the possibility of a palace *coup* is not as far-fetched as it may seem. But only one cheer will be called for if it comes about. Changing one person may stop his questionable activities, it does not reform the system. But in the present circumstances, that is the best that can be hoped for.

Politics of Population and Development

The Draft National Population Policy, while it continuously refers to the empowerment of women, is virtually silent on the growing feminisation of poverty in India, on the problems of women's status within the family, the domination and violence which characterise the working of the family and women's lack of access to independent incomes. Its reference to gender equity and to free and informed choice for women merely reflect its uncritical and deliberate assimilation of the vocabulary of women's groups.

THE debate on what has come to be characterised (unfortunately) as the 'population problem' in this country has now taken two distinct lines depending on the ideological proclivities of the debators. The Draft National Population Policy and its supporters have posed the problem of an unimpeded population growth in terms of its implications for growth with development and equity. The report assumes that uncontrolled population growth is the chief obstacle to development and that it comes in the way of ensuring a better standard of living and better health care for the people of this country. It assumes that the land-people ratio and the optimum carrying capacity of our planet ought to be discussed in the context of ever growing numbers of the poor.

The critics of the Draft National Population Policy, particularly most of the women's groups, reject the above understanding of our current situation. It seems to us that the attention given to population growth as a major cause of India's economic problem has ignored the extent to which India's development model adopted since independence is responsible for its severe economic crisis. This model can be characterised as growth with inequality and the decade of the 80s has been really high growth with high inequality. While the report lays great stress on north-south inequality, it is reluctant to address the problem of growing economic disparity within the country and the long-term ill effects of the new and evolving economic policy which is certainly not pro-poor, pro-environment or pro-women. It is also important to recognise that the "ever teeming millions" pose a problem not in terms of their numbers but because they constitute an expanding constituency of the poor, the malnourished, the diseased and the deprived. Unless the deprivations of these evergrowing millions are addressed in terms of a better quality of life for them, concerns about population growth will remain a malthusian horror. In this context it is worth reproducing the statement made by groups around the world at the PrepCom II (reproduced in *Legal Perspectives*, Document File No 31, 1994, Chengalpattu):

> The population issue cannot be considered in isolation, but should be related to the issue of resource use and wastage as a whole. The north, with 20 per cent of the world's population, uses up to 80 per cent of global resources and is responsible for 80 per cent of pollution that causes the Greenhouse Effect, ozone loss etc. The north with one billion people consumes 16 units of global resources (since northern per capita GNP is 16 times more than the south's). The south with 4 billion people consume only 4 units of global resources. Thus, the important equation is not so much that "4 out of every 5 people live in the South" but that "4 out of every 5 units of resources consumed are consumed in the north". Even if population growth went to zero in the south, only 20 per cent of the environment problem would be solved because the north (and the southern elite) would still be using up 80 per cent of the global resources.

India's development model has failed to create social and economic conditions that favour fertility decline. Skewed and unequal land distribution patterns uneven industrial growth, growing unemployment and under-employment, in short the structural inequality that underpins our economic system and the social inequality that marks our society are factors that have made for a high fertility rate. The report does not take cognisance of these factors and does not seem to think they are important in evolving holistic solutions to development and fertility control. It is tragic that the authors of the Draft National Policy should fail to explicitly integrate population into economic and development strategies; it is worse when they ridicule those calling for such integration by passing remarks such as the following: "There is often a widespread urge to "integrate" population policies with development policies, often with an implied presumption that the success of the former is inextricably linked with the success of the latter. In recent years the concept of integration has acquired a certain amount of halo or sanctity, similar to motherhood" (Pravin Visaria, 'Population Policy for India 1990s and Beyond', 7th K S Sanjivi Endowment Lecture, August 15, 1994).

While the report refers continually to a holistic and 'comprehensive' approach to health, this approach does not go beyond conventional maternal and child health care. While it adds to the list of health services for women it is [illegible] of a total health programme. The report's integrated approach is manifest only at the level of bureaucratic reconstitution and scant attention is given to expanding primary health care and to training a more professional, sensitive and accountable health work force. Further the current renewed emphasis on population control, given past experiences, suggests renewed external pressure, and recent happenings confirm this. "For instance, despite cuts in most areas of public expenditure, including health, the government's budget for family planning has increased from Rs 3,200 crore for the five-year period 1985-1990 to Rs 1,000 crore for the one-year period 1992-1993. The UNFPA has increased its assistance from US $ 52 million for 1985-90 to US $ 90 million for 1991-95. By 1995, the population growth rate is to be reduced from 2.1 per cent to 1.76 per cent, and the crude birth rates from 30.5 to 26.7 per 1,000 population. The use of contraceptives is to be increased from 43.3 per cent to 53 per cent. US AID has given financial assistance of US$ 325 million for decreasing the total fertility rate in Uttar Pradesh, the state with the largest population and highest fertility and mortality levels, from 5.4 to less than 4, and increasing couple protection rates from about 35 per cent to 50 per cent by the year 2000. This is the largest programme of foreign assistance for reducing population growth rates that the country has ever embarked upon" (T K Sundarai, 'Women and the Politics of Population and Development in India', *Legal Perspectives*, Document File No 36, 1994).

The report refers continuously to the empowerment of women. How is this empowerment to be brought about? Much noise has been made about the doing away with targets. While the abominable practice of setting targets for the administration of particular fertility control measures certainly needs to be done away with, there is need to lay down quantitative goals particularly in three areas that are mutually supporting and of critical importance to the achievement of other important population and development objectives. These areas are: education, especially for girls; infant, child and maternal mortality reduction; and the provision of universal access to family planning and reproductive health services. The authors of the Draft could have displayed their political commitment to the empowerment of women by, for example, accepting the goals set by the World Summit for children, held in 1990, namely, a reduction in infant and under-5 child mortality rates by one-third, or to 50 and 70 per 1,000 live births, respectively, whichever is less. We do not need to labour the point that "child survival is closely linked to the timing, spacing and number of births and the reproductive health of mothers. Early, late,

numerous and closely spaced pregnancies are major contributors to high infant and child mortality and morbidity rates, especially where health-care facilities are scarce. Where infant mortality remains high, couples often have more children than they otherwise would to ensure that a desired number survive."[1]

The report is virtually silent on the growing feminisation of poverty in India. Its reference to gender equity and to free and informed choice for women merely reflect the report's uncritical and deliberate assimilation of the vocabulary of women's groups and women activists. Apart from stating that the new policy will work to check the shifting of the burden of family planning on to women and aim to foster a "culture of joint responsibility of the couple", the report no where alludes to the problem of women's status as such in the family, the dynamics of control, domination and violence against women which characterise the working of the family and the lack of access to an independent income, that most women suffer. The report is also silent on the use of coercion and consent, of economic power, and cultural authority within the family to secure and perpetuate the subordination of women. It is clear that unless a working model of the various types of families and their dynamics is posited, notions of 'joint responsibility' cannot simply be realised in practice, nor can policies and programmes be sufficiently sensitive to the needs and rights of women and children.

The report envisages a major role for panchayati raj institutions in the implementation of the proposed population control programme but its conception of these institutions and their viability is severely limited. Panchayati Acts, as amended in the various states, have been examined, analysed and criticised by political observers, scientists and other concerned citizens. Questions have been raised about the financial viability and the administrative and political powers of even amended panchayats, and, studies have been carried out on existing panchayati raj institutions in particular states. But the report has not taken into account these debates and seems to be unduly euphoric about the possibilities of panchayati raj institutions. Neither has the report taken into consideration factors such as caste and economic status that are bound to influence the composition of panchayats. The report is also not clear as to the exact linkages that ought to obtain between panchayati and nagarpalika institutions, state governments and the proposed new commission.

The report is equally silent on the impact of the new economic policy—with its centralising tendencies, particularly in terms of transfer of resources to the states—on the proposed process of decentralisation. It is clear that unless the possibilities of a decentralised mode of working are considered in the context of the changes wrought by the new economic policy, decentralisation will remain merely a formal (and fashionable) proposition than a substantive one. The report contradicts its own attempts to privilege panchayati raj by announcing that ultimate responsibility for implementing policy and making decisions will rest with a centrally constituted committee, namely, the Population and Social Development Committee (PSDC). Not only has the report not drawn out any broad, concrete guidelines as to the functioning of the PSDC with respect to the various decentralised levels of the polity but it has also not recommended any means/methods through which the PSDC may realistically assess local needs and resources. Neither has the report specified as to how panchayat level representatives will be heard, heeded and made part of the decision-making team at different levels of government.

Certain details contained in the report are truly shocking: (a) The report envisages measures such as consideration of age of marriage, adoption of small family norm, to be enforced in matters of recruitment to and promotion in government jobs. Besides, following the example of panchayat acts as amended in Haryana and Rajasthan it proposes to debar persons with more than two children from contesting elections to panchayats. These seem to be punitive measures that no democratic-minded person can approve of. Besides, the example of these two states is unfortunate since lowered fertility rates there co-exist with adverse sex-ratio. It is also extremely unfortunate that, its democratic intentions notwithstanding, the report should thus imply that women of child-bearing age—often the younger and more eloquent and politically alert of the village female population—should be disallowed from contesting elections. This not only discriminates against women but more realistically will put younger women in a double bind: if they have mothered only daughters, the family pressure to produce a son will work on them; at the same time the proposed disincentive through debarment will exert its own pressure. In such a context they may not be in a position to make use of the 30 per cent reservation allowed under the new panchayat dispensation.

It is difficult to understand how the report with its ostensibly pro-people image could endorse the freezing of the number of seats in the parliament and legislatures. Not only is this patently undemocratic but it grants a lie to the report's insistence on 'participatory' politics. The use of the term 'political commitment' to describe the motivating factor behind the apparent success of the above mentioned and clearly primitive measures in Haryana and Rajasthan is ironic. The representatives of the Indian state need no special commitment to discipline and punish since these constitute tacit but unacknowledged premises of their working ethos. If the authors of the report had stressed on the importance of displaying political (and not merely administrative) will in matters such as ensuring that every child goes to school, that no child or adult labours in inhuman conditions, that women are not unfairly and routinely discriminated against, their intentions would have been laudable.

(b) The suggestion that military and paramilitary forces be used in promoting population control options is truly deplorable. In another context, Ashish Bose (a member of the present drafting committee) while lauding Tamil Nadu's 'successful' demographic transition, referred incidentally to the Indonesian experience and concluded thus: "The main reason for the success of Indonesia model is the excellent military-style logistics in running the programme. In India we have an overdose of democracy" ('TN's Successful Demographic Transition', *Financial Express*, January 4, 1994). What Bose did not reveal was how the military abused human rights in implementing family planning programmes in Indonesia. To quote Zeidenstein, who headed the Population Council for a number of years and who in an essay describes the Indonesian family planning programme thus: "Norplant has been administered in part by means of 'safaris'—operations in which family planning personnel, accompanied by soldiers, enter a village, gather the populace together, and expound upon the advantages of family planning often with an implied threat that the village will be punished if family planning methods are not adopted. These safaris have historically played an important part in Indonesia's family planning programme, typically resulting in village women's mass acceptance of contraception—often of the one method being promoted at that particular moment by the government" (quoted by T N Krishnan, 'Population Policies: Some Issues', book review in *Economic and Political Weekly*, August 6, 1994, p 2076). While we are all for efficient and accountable procedures being evolved and implemented, we urge Ashish Bose and Co, to concretely explicate how abuse of human rights such as the above will be dealt with and prevented in India.

(C) We are pained at the utter insensitivity with regard to women's health as evident in the report's comment on contraceptive use. Given the adverse side-effects and long-term effects on a woman's body of existing contraceptives and, given the gender-blindedness of the scientific community, it is shocking the report should casually comment that no contraceptive is without risk. Even a quick documentation of the

existing material on the functioning of institutes such as the Indian Council of Medical Research and the Family Planning Association of India will bring out the callous and contemptuous manner in which these bodies deal with humans, particularly, women. For example, "Although an Indian vaccine, developed by G P Talwar with support from the Population Council, the Canadian IDRC and the Indian government, has been tested on only 180 women, it is being billed by the Family Planning Association of India as "safe, devoid of any side effects and completely reversible". Even the scientific community knows that such assertions are patently false—for instance, many questions still remain about the vaccine's long-term impact on the immune system and menstrual cycle. There is also documentary footage of women being denied information about the vaccine in clinical trials. Nevertheless, the Indian vaccine is being prepared for large-scale use" (quoted in *Medico Friend Circle Bulletin*, May-October, 1993, p 10).

The problem instead is being posed as one of informed choice. However such a choice ought to be made in a context where mechanisms exist to ensure that women (and men) in search of contraceptives do not end up choosing drugs and implants that are positively harmful. Given the fact that women's groups have consistently campaigned against the use of injectable contraceptives that are likely to cause unknown immunological disorders, surely the report should have recommended that the state take a clear stand on banning the production and marketing of these contraceptives? A policy that attempts to give individuals the right to choose contraceptives and plan their family without providing an enabling environment that would render the choice to be automatically 'safe' and 'risk-free' cannot, for obvious reasons, go very far.

In the face-to-face discussion that representatives of women's groups had with M S Swaminathan and T V Anthony (the latter is also the former chief secretary to the government of Tamil Nadu), it became clear that such criticisms and misgivings as those listed above would not be heard at length. Swaminathan, for instance, in his response to these, skirted the issues and insisted on referring to the draft policy report to clarify matters. He refused to grant that the report had not sought to consider population policy in the context of our extant model of development. Arguing that the report could not be expected to furnish an economic essay on development he rejected the criticism that it lacked a cogent perspective on the economy, on questions of land and labour. Likewise, he refused to accept the fact that the report had avoided talking about the new economic policy and its impact on population problems. He was merely content to reaffirm the faded rhetoric as regards the logic of north-south economic relationship that already exists in the report. Arguing that one has to take the prime minister's word in good faith (*sic*) when in his independence day speech the prime minister explained his decision to disinvest in profit-making public sector enterprises to enable a passage of funds gained from cuts in subsidy into social welfare activities, Swaminathan dismissed the criticism as to the lowering of state spending on social issues, lightly.

His responses on other points of criticism were, to say the least, routine and displayed an unwillingness to accept seriously differing and alternate points of view. At one point, though, he was forced to admit that there could be different points of view and he referred to (mysterious) internal discussion papers that recorded the commission's debates. However, one is forced to doubt the existence of these papers, since this was the first time they had been referred to by the authors of the draft; besides, precious little evidence of that ostensibly nuanced inner debate was reflected in the policy statement itself.

This brings us to the entirely different problem of the way such commissions function. It seems unfair to release the policy for discussion and then when criticisms are made, revert to unspecified arguments that are recorded in reports one is yet to see. Also to maintain as Swaminathan and Anthony did, that criticisms have to be forwarded to the health ministry since the commission is officially disbanded, not only betrays a poor sense of responsibility and accountability but also a certain unmistakable arrogance and disrespect for criticism and debate. It would be pertinent to record in this context the different strategies adopted by such commissions to confuse and confound various sections of the population. One strategy consists in involving affected groups at various levels ostensibly to open up a dialogue. However, as women's groups particularly have realised, the main purpose of such dialogue sessions is basically to "divine (women's) arguments, appropriate their language and finally exhaust them". Another strategy is to challenge, in this case the women's groups, to produce an alternative document. Our poser to this criticism (the latter) is very simple: without a similar mandate, without similar facilities enjoyed by the Swaminathan committee by virtue of this official mandate, the women's groups are not prepared to fall into this neatly laid out trap in the form of a counter criticism. Further and more important it is not as though alternative proposals do not exist. If only the commission had looked around it would have spotted any number of well-argued out, informed documents both national and international, which have discussed the issue of population in a holistic, more humane framework.

Lastly it has become habitual for commissions to claim that they are concerned above all with policy and operationalisation is not one of their concerns. The question that needs to be raised here is this: of what use is a policy document whose operational principles are not inherent to its arguments? Especially since policies such as this concern people's (particularly women's) lives, bodies and their very right to life.

Note

[A substantive part of this note by V Geeta and Padmini Swaminathan is based on presentations made at two meetings (August 6, 1994 and August 29, 1994) held at Madras to discuss the Draft National Population Policy. While acknowledging in particular the contributions made by the principal discussants, namely, K Nagaraj, Manabi Majumdar, V R Muraleedharan and Mythili Shivaram, the authors would like to thank all the participants at both the meetings. Responsibility for the above interpretation of the discussions however rests solely with the authors.]

1 For comprehensive details see the *Draft Programme of Action of the International Conference on Population and Development*, Note approved by the Preparatory Committee for the International Conference on Population and Development, 13th May 1994 (mimeo).

Draft Forest Legislation

Missing the Wood as Well as the Trees

Ashwini Chhatre

The draft forest bill circulated in 1982 was industry-oriented and the present bill is ostensibly conservation-oriented. It is time to press for a law that respects the legitimate needs of people living in and around forests for their subsistence requirements, while at the same time addressing the task of environmental regeneration.

WHILE much attention has been paid to the issue of forest use and the problems faced by the forest dwelling communities in recent years, the issue has been formulated in political-economic terms only lately. Analysis of forest legislation has hogged most of this attention. In this context, a debate has started on the new draft forest bill right now, being circulated to the states ('Proposed Forest Act: An Assessment', Sharad Kulkarni, *EPW*, July 1994). This article is an attempt to look at the proposed bill and then go beyond it to argue for a concerted campaign for a new forest legislation. It is also an attempt to respond to some points made in Sharad Kulkarni's article.

A brief glance at developments in the forestry sector in the last 23 years provides a confusing array of options exercised or proposed by the state or other interest groups. Wildlife conservation, biodiversity, people's participation and giving over lands to industry have figured prominently in this. It is important to look at the proposed bill in the context of these issues. Besides, the structure of the bill and its wording are themselves quite illustrative of its intent.

Old Wine in New Bottles

The proposed bill retains all but one of the 86 sections of the Indian Forest Act 1927, which it proposes to replace, and adds about 70 more. Surprisingly, Kulkarni has chosen to welcome the bill in its present form and only recommended a few changes. If one agrees that the IFA '27 is anti-people, how can addition of 70 more sections make it people-friendly? In his article, Kulkarni has missed some major implications of the bill that will have far-reaching implications for the lives of millions of people dependent on forests.

The most controversial insertion in the bill is the concept of *carrying capacity* as it will be applied to reserved and protected forests, which Kulkarni has chosen to ignore. The forest settlement officer is expected to accept or reject any claim to rights over forest produce only after taking into consideration the 'carrying capacity' of the respective forest, in consultation with the presenting officer who will be a forest department official (section 12). Moreover, if the carrying capacity of the said forest is being exceeded, the state government can stop the exercise of any or all rights in that forest at any time (section 22A). *Nowhere in the bill has the concept been defined or explained.* It has been left completely to the discretion of the FSO. Obviously, the bill proposes to deny rights to people under the garb of conservation.

The second major omission in Kulkarni's article pertains to the increasing centralisation of decision-making power at the centre that the bill proposes. The last two decades have witnessed an acrimonious struggle between the centre and the states for control over forest resources. The 42nd amendment which shifted forests from the State to the Concurrent List, the 1980 Forest Conservation Act and its amendment in 1988 are a testimony to that. *The proposed bill takes the process even further by granting the central government almost decisive powers in matters relating to forests.* As mentioned by Kulkarni, the centre can direct the state governments to constitute either reserved or protected forests wherever it deems it necessary (sections 3 (2), 29 (2)). The centre has also taken over the power of the state government to levy a duty on timber and other forest produce and also to monopolise or nationalise the same (sections 39, 40A).

Most importantly the centre will take over the power to make rules on almost every aspect of forest management (section 76a). "*Where rules framed by the central government and the state government are in conflict, the former shall prevail*" (section 76 (3)). This in turn means that in situations of local conflict, the state government can plead helplessness before the central rules, and the bargaining power of local communities *vis-a-vis* the state government will be adversely affected. While it is true that state governments are not driven by the considerations of the people in general, greater centralisation will mean that local organisations or localised movements will no longer be able to pressurise the state governments to make rules according to local needs and circumstances.

Such pressure has been crucial for many community forestry and participatory forest management programmes. The bill even goes back on all these recent attempts by the state governments to change policies according to local circumstances and to accommodate the growing pressure to involve people in the protection and management of forests. It was first included in the national forest policy resolution in 1988 and was followed by the central and state government resolutions on Joint Forest Management (JFM). The bill not only does not mention any such thing, but also further reduces the space available to state governments in implementing the JFM resolutions. Strangely, Kulkarni seems to be of the opinion that defining 'usufructs' in the first chapter of the bill is all that is required to acknowledge JFM in the new bill. The closest that the bill gets to the concept of JFM is in the chapter on the Village Forests where it lists the functions of the 'local body' (defined as "panchayat or any other local body representing the village") to whom the management of the village forests will be entrusted.

The JFM experiment has been very successful in West Bengal in regenerating degraded forests. Over the last six years it has spread to many other states. The ministry of environment and forests (MOEF) and 15 state governments have promulgated resolutions encouraging the involvement of local populations in a manner similar to West Bengal, to protect and manage forests. The proposed bill has provisions that will act as disincentives to constituting village forests as a modified form of JFM. Some of these have been mentioned by Kulkarni. But again he has missed what to this author are the most obvious implications.

Most of the forest land in India is constituted as reserved forests. The bill does not allow reserved forests to be converted to village forests. This provision rules out JFM as a viable alternative for a majority of forest areas in India. Whatever little fraction is under village forests presently, is heavily encroached upon by all kinds of interests and they will resist any attempt at eviction. Finally, the provision that makes a farce of the chapter on village forests (chapter 3) is surreptitiously introduced in Power to Make Rules (chapter 12). Under this, the state government has the power to make rules for the "protection, development, management and regulation of access of individuals and communities to a village forest and distribution of usufructs and fuelwood from such forests" and "may prescribe the manner in which the management plans for such forests shall be prepared and executed", how the village forest development fund shall be utilised and loans advanced shall be recovered, and also "how duties and responsibilities of individuals and (local) body shall be discharged" (section 76(2)e). After making a pretense of giving over forests to village

bodies, the bill gives the state government sweeping powers to make rules regarding them.

Kulkarni has chosen to cursorily dismiss the sections relating to shifting cultivation. However, it is still the major source of livelihood of a large number of people in the north-eastern states and the provisions of the bill on shifting cultivation seem to be designed solely for application in the north-east. A detailed procedure has been worked out with a view to eradicate shifting cultivation completely. This epidemiological approach to the phenomenon is neither new nor recent. Dislike for the practice of shifting cultivation dates back to the British period. The colonial administration came down heavily on it and many communities were forcibly settled. This dislike has continued into post-British India and even more undemocratic methods have been used to restrict it. In the north-eastern states, where state terrorism has already wrought havoc with the lives of the inhabitants, a crackdown on shifting cultivation might just be the last straw.

Everything that is wrong with the bill cannot be outlined here. But to summarise, a few things require mentioning. The classification of forests in the bill is still on the same old lines—in terms of degree of control. Reserved and protected classes of forests do not denote either the quality or the envisaged use of that forest. Secondly, the bill does not recognise the growing population that has claims on the forests for their daily needs. The system of record of rights in reserved or protected forests is frozen at the time of the settlement. Any such settlement of rights two or more decades ago must be reviewed periodically. The bill ignores the issue entirely. Finally, there is the so-called problem of 'encroachment' on forest land and its encouragement by 'politicians'. Many of these 'encroachers' have been cultivating these lands for a long time now. This phenomenon has been summarily dismissed in the bill by preventing diversion of forest land for "regularisation of unauthorised occupation". In all these respects the bill is an amazing document, in that it refuses to acknowledge the phenomenal changes in the ground reality.

Need for a New Law

The last 25 years have seen a spate of legislative measures concerning the environment in general and forests in particular. As mentioned earlier, some of these were a result of the tussle between the centre and the states for control over forest resources. In addition, the growing global pressure and an increasingly environmentally sensitive middle class has also forced the state to look more and more eco-friendly, at least in letter if not in spirit. There has been a consistent pressure also from the [illegible] millions who are most adversely affected by environmental degradation. Unfortunately, they have had the least say in policy or law-making. This major interest group in the forestry drama has mostly been kept busy with livelihood struggles and whenever it has spoken, it has been in response to some undemocratic move of the state.

The case for a new forest law is impeccable. The present law is totally antiquated and out of context. It was enacted in its present form in 1878, with major additions and some changes in 1927. Since then the act has remained more or less the same. It was originally designed to accelerate the 'scientific' exploitation of forests in India, which it did with a remarkable degree of efficiency. In fact it was so good that it was used as a model for similar laws in other British colonies. In post-colonial India, the powers that be found it convenient to continue with the same law as the end-use of forests did not change much in character and increased greatly in intensity, although it was now justified in nationalist terms. Surprisingly, the performance of the forest department was never the object of any debates or close scrutiny till the early 70s. Focus on forest legislation came with the widespread agitation against the proposed forest bill in 1982. The anti-people character of forest laws was exposed and discussed perhaps for the first time at the national level. Now it is recognised that a new law [illegible] regarding forests.

The 1982 bill was industry-oriented and the present bill is conservation-oriented. It is time to press for a law that respects the legitimate requirements of people living in and around forests for their subsistence needs, while at the same time addressing the task of environmental regeneration. This seemingly impossible task has been tried successfully in parts of West Bengal under the name of Joint Forest Management. JFM has subsequently been accepted and adopted by the central and state governments, although they have gone about the job of adpating JFM to the peculiar circumstances in respective states in a most unimaginative manner. The space for JFM has been created by the continued struggle of the people against the forest laws. It is, however, only a small step towards establishing people's control over natural resources that critically affect their lives.

The proposed bill should be used as an opportunity to generate a wide-ranging debate on various aspects of forest-use and its representation in a law and pressurise the central government to draft a new bill in consultation with people's organisations. A process already seems to have started to this end. The final form and content of this law might have many undesirable elements, but there will definitely be some aspects that have been absent from forest laws till now.

Unfilled Posts Spark Dalit Protest

M Shatrugna

The absence of a rational recruitment policy, and a lack of commitment on the part of the university administration in filling the reserved quota of teaching and non-teaching posts has led to disgruntlement among dalit employees.

THE 75-year-old Osmania University, the oldest in the state is beset with problems: administrative ineptitude, a teaching community not socially sensitive and the growing lumpenisation of the student community. The chinks in the university administrative set-up came out into the open recently when a section of the teaching and non-teaching community belonging to the weaker sections formed a joint action committee (JAC) and presented a charter of demands, seeking the filling-up of reserved category posts in various teaching and non-teaching departments and reinstatement of the registrar Hanumanulu Polasa, a BC, sacked on grounds of 'inefficiency'. When the rally organised by the JAC wanted to present the memorandum of demands to the board of management of the university on June 24, the rallyists were bashed up by the police, a number of them arrested and show-cause notices issued to the 'erring' rallyists. Inept handling of the situation coupled with administrative arrogance egged on by an obliging local police has come in for sharp criticism not only by the teaching community but also citizens of Hyderabad.

Like in many other departments, quota posts are not totally filled in the university since 1982. The successive vic-chancellors and obliging boards of management have failed to evolve a rational, scientific recruitment policy for teachers. Despite several government directives, the university administration has failed to fill the quota posts. Last month the JAC drew up a set of demands seeking the relaxation of eligibility conditions for entry into the lecturer's category and of promotional conditions at the readers' level. But as per the UGC guidelines, those seeking lecturer's grade should pass the eligibility test (the national eligibility test (NET)) conducted by the UGC or a body accredited to the UGC like the Andhra Pradesh College Service Commission. The JAC wanted relaxation of the NET qualification for the OBCs and SCs as relaxation was already granted to the scheduled tribes. It should be recalled that the NET was conceived during the implementation of 1986 UGC pay scales as a method to 'systematise the academic standards' in the universities. There is nothing wrong with such a scheme. But the NET has turned out to be a nightmare not only for a number of candidates in general but also several bright scholars holding Ph D degrees. A balanced stand ought to have been for a redesigning of the NET system instead of abolishing or ignoring it altogether. As expected, the JAC plea was not found favourable even among those teachers who have been championing reservations for weaker sections.

A section of the teaching community has launched disinformation campaigns about the local NET examination suggesting that the test is conducted only in English, which is contrary to facts. Enquiries reveal that Telugu is also offered as an alternate medium for the local NET examination. While it is true that the percentage of pass at the NET in some subjects is less than 10 per cent, the teaching community instead of improving their own standards of teaching and the examination system has blamed NET for the poor performance of the candidates at the test.

Further the teaching community has not been able to explain the low pass percentage at the intermediate and undergraduate degree level and unusually high percentage (sometimes 100 per cent) of students who pass the postgraduate examinations. Interestingly almost 90 per cent of those getting through the postgraduate examinations have been securing first classes which can only be because the university admits either the 'most intelligent' or due to 'non-academic' factors contributing to the 'high performance'. Well-respected and senior teachers admit in private that the PG exam is only a formality for various non-academic reasons and they are forced to pass all the candidates with the majority getting first classes. NET unintentionally questions such fraudulent degrees. Needless to say, NET can also be improved and bettered. The second demand of the JAC, that the qualification for a reader's post should be pegged down to a Ph D degree with five years' experience instead of eight years' teaching was agreed to by the university after a protracted struggle. As a wag put it, if a Ph D degree-holder with five years' teaching experience cannot reach the minimum standards required, he or she is not likely to improve even after eight years of experience.

An unexpected outcome of the university decision has been that the competition for the limited/advertised posts has increased not to the linking of the 'eight-year' category of teachers. The present recruitment policy has also raised a number of other issues. For instance, the list of eligible candidates for the recently held interviews has quite a few 'non-locals'. Interestingly, even the five-point formula evolved two decades ago in Andhra Pradesh to protect the interests of the local candidates is limited in its scope only to student admissions in the educational institutions. It does not cover job recruitment in the universities. But a section of the teachers took it upon themselves to misinterpret the five-point formula to serve their vested interests. Also this problem is not limited to Osmania. An apex body like the State Council for Higher Education should have taken the lead in calling a meeting of the vice-chancellors to thrash out the issue by arriving at a uniform policy of teacher recruitment in all the state universities. But one cannot expect such an initiative from the Council now as has remained 'headless' for the last two months. Meanwhile the so-called locals have had a field day in demanding that 'non-locals' should not be considered for recruitment. By overstressing the issue of 'locals' vs 'non-locals', the champions of localism are riding a tiger at the moment.

Thirdly, in support of its stand the JAC had put out a pamphlet listing the positions occupied by the 'upper castes' in various administrative jobs. To begin with, most of the administrative posts are useless and wasteful. They can be dispensed with especially when there is a tremendous resource crunch in the university. The teaching community instead of asking for streamlining the administrative system, wants the 'rule of reservation' to be followed in such wasteful posts as well.

To meet some of the allegations made by the JAC, the university in a welcome move has come out with a detailed list of the backlog posts in all categories, rules of recruitment at the lecturer's stage and ground rules for promotion at the reader's level following the UGC stipulations. According to the list (published in *Indian Express*, July 15), for the 203 posts advertised (65 for SC, 66 for ST, 25 for BC and 46 for OC), there are adequate number of qualified candidates satisfying the UGC guidelines. For instance for 12 posts of lecturers in the BC category, there are 464 eligible candidates. For the 22 SC lecturers' quota, there are 143 qualified candidates. But for the 32 ST quota, there are only nine candidates. As per the UGC guidelines and the AP government's stipulations of 1991, relaxation of qualifications are to be made only in case of non-availability of qualified candidates. As such the university was quite within its jurisdiction to relax the qualifications for ST candidates.

But the whole issue has become twisted by asking for 'relaxation' for other categories also. Needless to say, the demand is quite unjustified.

The JAC further wanted the arrest and prosecution of the killers of Arun Kumar, an ST student who was done to death by a group owing allegiance to the ABVP two months ago. Though it is a genuine demand, the JAC itself has done precious little to register its protest effectively barring a routine paper protest. To press for the acceptance of its other demands, the JAC pitched a tent near the state secretariat on July 11, and went on an indefinite hunger strike much to the surprise of many teachers and sympathisers who were not prepared for such a sudden development. Interestingly the hunger strike coincided with the commencement of the state assembly session. After three days the police pulled down the hunger strike camp and shifted the strikers to the hospital. Questions about the strike were raised in the assembly by the opposition the following day. On the last day of the assembly on July 15, Nara Chandrababu Naidu and leaders of the CPI and CPI(M) visited the hospital and offered fruit juice to the four strikers, formally calling off the hunger strike.

To conclude, though the university of late has shown some courage in tackling the 'NET' issue effectively, it should show more guts in cleansing the university of administrative cobwebs, publish a White Paper on the quota posts and a policy paper on teacher recruitment and promotions to refurbish its tainted image among the dalit sections.

Beurs and Beurettes of France

Crisis of Identity

Lata Murugkar

The emergence of 'beurs' and 'beurettes' on the French public scene since the early 80s has raised issues of integration and religious and cultural identity of these French-born, north African, second generation children, confined to the bottom strata of the French society.

TODAY in France immigration and integration are two of the most frequently discussed issues in the political, social, cultural and economic spheres. When the French speak of immigration, they refer almost exclusively to the 1.5 million Muslem immigrants from three north African countries who have settled in France in the last generation. The immigrants from these three countries, Algeria, Morocco and Tunisia, are called Maghrebins. In 1989 there were approximately four million residents, of which 43 per cent were of north African ancestry. Among these Algerians count the highest, i e, 8,20,000; Moroccans are 5,17,000, and Tunisians 2,03,000, to which one might add all the Franco-Algerian youths who have French citizenship.[1] Of the four million resident foreigners, one-third are under-twenty year old. The highest youth proportions are to be found among the north Africans: 43 per cent of the Moroccans, 40 per cent of the Tunisians and 41 per cent of the Algerians are under twenty. The Maghrebin population is characterised by an increasing number of women and young people.[2] It is mainly the young Algerians who have been called 'les beurs' and young females 'les beurettes' since the early 1980.[3] They are also called 'young immigrants' or 'second generation immigrants', although most of them are born in France and are not in a literal sense immigrants at all. The emergence of the 'beurs' as a new reality on the French public scene since the early 80s raises a number of questions: Could these French born north African children be integrated when they are confined to the bottom strata? Would they turn to Muslim religion to rebuild an identity? Could they maintain their separate cultural identity?

Immigrants from Algeria

From the very earliest stages, at the beginning of the 20th century, Algerians left the poorest parts of Algeria—most notably Kabylia, a mountainous region to the east of Algeria—to work for a few years in France as labourers in agriculture and industry under the rotation system. All immigrant workers were expected to return home in due course. In the last 15 years the perception of immigrants as temporary workers has changed; they are now regarded as permanent residents. Since the late 1970s France has been stuck with high unemployment, a problem that has consistently worsened over the past 10 years. The increased population of north Africans was considered as the chief reason of unemployment. The bitter experience of Algerian war also strained the relations between the French and north Africans. Since racially motivated attacks by French people on migrants (especially north Africans) were on the increase, the Algerian government eventually called a halt to further immigration in 1973.[4] France also decided to halt all further immigration from third world countries in 1974.

The French institutional system weighs more heavily on immigrants from north Africa, and of all the national groups it is the Algerians who bear the brunt of this system and indeed of French animosity towards immigrants.[5] The main reason is the continuing reverberations of the Algerian war. The scars of the period remain in the memories of both sides.

The general rise in unemployment seen in France was of course a consequence of the world economic recession, which gathered speed after the first oil crisis of 1973. Most of the north African immigrants were illiterate when they emigrated and many remained so in France. Their concentration in the least skilled areas of production is partly a reflection of their low levels of education. Algerians have suffered from discrimination in the labour market because of their nationality. Unemployment was far higher among north Africans between the 1975 and 1982 censuses and highest of all among Algerians.[6] With the highest rates of unemployment, the lowest paid jobs and bigger than average families, living standards per head have been generally much lower among members of the north African community than among the French, a fact which is clearly reflected in their poor housing conditions. Crime is particularly prevalent among the most materially disadvantaged in society and a much higher proportion of immigrants, particularly north Africans, falls into this category. 'Beurs' came increasingly to the attention of the public partly as a consequence of the publicity given to high crime rates among north Africans.

Algeria was officially regarded as an integral part of French territory during colonial period. As all Algerians are considered to have been French until Algeria's independence in 1962, children born to them in France since then are automatically deemed to be French from birth.[7] Algeria refuses recognise these claims, so they are regarded as citizens of both France and Algeria. The certificating claims of the French and Algerian governments parallel the divided emotions and loyalties which the beurs themselves often experience.

Secular vs Islamic

From their earliest years the children (second generation) of immigrants learn their mother tongue Arabic or Kabyle along with the Islamic beliefs and customs of their parents. But at school French is the sole language of instruction and religious practices are excluded by law. As the children spend

more and more of their time outside the family home, French gradually takes over as their principal language (in many cases they forget almost all the Arabic or Kabyle that they once knew) and, at the same time, secular values challenge and often displace Islamic beliefs. Despite Algeria's efforts to compensate for some of these deficiencies by a number of educational initiatives aimed at the children of emigrants, there is ample evidence to show that Islam has a much weaker hold on second generation members of the immigrant community.[8] Most beurs seem attached to Islam by little more than sentimental bonds derived from feelings of loyalty to their parents. However, French perceptions of racial difference and national identity of the beurs are based on images of the Arab world and the world of Islam. There is a fear that the beurs share a supra-national Islamic identity. However, most of the second generation educated population is secular. It has sometimes been suggested that the racist attitudes to which the beurs are often subjected in France may stimulate among them a more militant attachment to Islam, possibly with political overtones.

Pressure Groups

Those born since 1963 began to come of age during the 1980s. The 1981 socialist victory was an opening for substantial improvements for the rights of immigrants in French society. In Autumn 1983, a march initiated by young descendants of north African immigrants from the neighbourhood of 'les Minguettes' in the suburbs of Lyon was led to president Mitterrand's office in Paris. Organised under the banner 'pour l'egalite et contre le racisme' (for equality and against racism), the march was the starting point of the 'beur movement'. The objective of this demonstration was mainly to sensitise the public to the beurs' critical social position (their socio-economic marginalisation). Some of the founders of this movement joined SOS Racisme, a powerful youth association formed to combat racism, supported by left wing political parties (essentially the socialist party) and led by Harlem Desir, a member of the French Caribbean community.

SOS Racisme rapidly became France's best known pressure group on immigration after its creation in 1984. Within six months it sold half a million badges bearing the catch-phrase 'touche pas a mon pote' (hands off my friend). SOS Racisme prospered on a mixture of televised pop concerts and the left government's subsidies. It began to insist on the right to be different, to have a non-French cultural identity, while at the same time claiming political rights within France. In the heyday of SOS Racisme some people seriously proposed that France should become a multicultural society, complete with bilingual education and all that it would imply.[9]

The shift from the single male worker before 1974 to family immigration after that date produced greater number of imigrants not available for work[10] (the youths and women at home). Their visibility in French cities—mainly within and around the cities of Paris, Lyon and Marceille—during the 1970s contributed to the sense of a threat to Frenchness and the subsequent move towards a more xenophobic and racist perspective. The failure of the left to resolve the economic and political crisis that it inherited from the preceding decade, the presence of immigrants in general and Maghrebins and Algerians in particular, high criminality, general traumas of urban life and rising unemployment, intensified the racist attacks and rightward move of right parties and the extreme right wing Front National, a neo-fascist political party in 1980s. Since the early 1980s immigration has been held high on the political agenda in France by the electoral success of Jean-Marie Le Pen's Front National, which advocates racist solutions.

SOS Racisme is today the principal enemy of the Front National because it symbolises the fight for a French multicultural society and separate ethnic identity, i e, integration without sacrificing one's own identity.

The 80s have also witnessed a struggle by second generation immigrants to find a voice and space within French society. The October 1981 lifting of all restrictions on freedom of association for foreigners permitted the creation of numerous associations among immigrants and their children and thereby increasing the awareness of militant and collective action as a means to achieve equal rights and opportunities. the newspaper *Sans Frontieres*, the radio station Radio-Beurs, the rock group Carte de S'ejour and the magazine *Baraka* reflect the emergence of a beur culture in the 1980s. The main objectives have been to combat racism, preserve and stimulate the socio-cultural scene in residential areas, secure the educational advancement of youth, maintain civil rights and increase political participation. Thus the children of north African immigrants have become an active part of French society and can now command new respect.

In 1985 a new association called France Plus was launched under the leadership of Arezki Dahmani, an economics lecturer of Algerian origin, with powerful backing from the Party Socialist (PS). It entered electoral politics with the specific aim of promoting beur candidates and politically mobilising young men and women from the immigrant community who already had political rights being French nationals. In the municipal election of March 1989, out of 572 candidates of north African origin of France Plus about 390 won the elections. Although France Plus failed to repeat the formula in the European elections held a few months later, two young women of Algerian origin were elected on French lists. Nora Zaidi, a regional leader of SOS Racisme in eastern France won a seat on the PS list while Djida Tazdait, president of Jeuns Arabes de Lyonet sa Barlieue (JALB-Young Arabs of Lyons and Suburbs) won hers with the ecologists. France Plus works as a civil rights organisation, encouraging naturalisation and registering people to vote and bringing anti-discrimination law suits.[11] France Plus has emerged as the most effective association throughout the French territory. Undoubtedly this marks the beginning of a new era and the emergence of a new political force.

Thus a decisive and tangible step towards political participation has been achieved. The beurs have begun to be officially integrated. What remains to be demonstrated now is the extent to which this political integration is likely to deal with the socio-economic marginalisation of thousands of the north African immigrants' children in French society

France Plus opposes the idea of multiculturalism. It supports French national attempts of integration through assimilation. It asserts the right to be the same, whereas SOS demands separate ethnic identity, i e, right to be different, and multiculturalism. There is an apparent difference in thinking between the children of the 'harkis' (those Algerians who fought with the French army against Algerians during 1952-62 war) and the children of the actual Algerian immigrants.[12]

Role of Beurettes

The most adamant about their Frenchness are the young beur women, the 'beurettes'.

The spatial mobility of the females, especially that of young girls, is still often controlled within north African families although they are not requested to wear the traditional veil when they go out of the home.[13] It is a means of avoiding contact with western society and ensuring a certain impermeability symbolic of purity of the inherited culture and a means of preserving identity. Brothers (beurs) treat their own sisters in a more conservative way than would their fathers, especially where it concerns the issue of going out. Today those beurettes who were born in French cities are not allowed to go out freely and without any kind of control. There is a compulsion to get married at an early age of 17-18 and also within the community, which in some cases results in a 20 or more years' age difference between husband and wife. Such constraints sometimes result in runaways, suicides, drugs and prostitution.

If France's secular education system has enabled individuals to better themselves socially, it has also been a major factor in the cultural tensions experienced by youths from immigrant backgrounds in relation to their Muslim parents, especially pronounced in the case of teenage girls. For the beurettes education is the ticket to the freedom and equality their mothers could not dream of while in the rural Maghreb.

Beurettes participated in the autumn 1983 march to the president's office. However, when they realised that their problems are not considered significant, they formed their separate associations. There are many associations of immigrant women, prominent among them are Les Namas Beurs, Expression Maghrebin au Feminin in Paris. The studies show that beurettes could be characterised by a greater left wing radicalism and political activism than is found among their brothers, and that they display less attachment to their cultural and family background.

It is also worth noting that in the 1989 municipal election out of the 50 female candidates of France Plus, 42 were elected. Now many cities have a beurette as deputy mayor.[14]

Despite the election of some candidates of north African origin at local, national and European levels, in the coming years there will be thousands and thousands left out and marginalised. For the majority of children of north African immigrants in France, equality of opportunity in education, vocational training, housing and employment will not be achieved for a long time. In this situation many of them could turn to Islam to rebuild an identity. The beurs' representatives face a major problem in the absence of an organised north African community in France.

However beurs have become effective pressure group in the form of identity politics, as political intermediaries or as a forum for ethnic lobbies.

Notes

[The article is based on the data collected during my short stay at Paris in September/October 1993 under the Indo-French Fellowship sponsored by University Grants Commission and Maison Dessciences De L'Home, Paris.]

1 Azouz-Begag, 'The 'Beurs': An Issue of Integration', *Journal of Ethnic Studies*, 18:1, Spring 1990, p 3. For figures, see documents in *Observateur L'Europe Multiraciale*, No 4, January-February 1989.

2 The proportion of women in the Maghrebin population is more than 38 per cent and one Maghrebin out of two is less than 25 years old. For details see, J Cesari, 'The Populations of Maghrebin Origin in France', *Journal of Arab Affairs*, Vol 11, No 2, 1992, pp 155-75.

3 The word 'beur' comes from the word Arab (rebeu) said in a reverse slang called 'verlan'. 'Beurettes' is the feminine term. It appeared in the early 1980s in the immigrant neighbourhood in the suburbs of Paris. Eventually, it replaced the word Arab, which still has a negative connotation in France.

4 A G Hargreaves, 'Algerians in France', *Contemporary French Civilisation*, Vol 14, No 2, 1990.

5 R D Grillo, *Ideologies and Institutions in Urban France*, Cambridge University Press, 1985, p 287.

6 A G Hargreaves, *Immigration in Post-War France*, 1987, p 5.

7 Under the provisions of Code de la Nationalite Francaise (CNF), most of the children born since 1963, are now French. See A G Hargreaves, 'Algerians in France', op cit, p 299.

8 Hargreaves, ibid, p 298.

9 Roger Kaplan, 'Through Kofi's Eyes', *The Atlantic*, Vol 269, No 4, April 1992, p 42

10 The ban on primary immigration had the effect of accelerating the process of family reunification, whereby families which had hitherto remained in the country of origin would come to France to rejoin their spouse/parent already resident in the country. This phenomenon took place in spite of the suppression of family reunification in 1974 (a measure which was declared unconstitutional by the Conseil d'Etat) and its reintroduction in April 1976 under extremely severe conditions.

11 Roger Kaplan, op cit, p 42.

12 S Alder, International Migration and Dependence, Saxon House, 1977.

13 Azouz Begag, op cit, p 7.

14 *Le Monde*, March 25, 1989.

Nuclear Pilferage in Russia

R G Gidadhubli

Russia has become a fertile source for the illegal trade in nuclear materials given its large numbers of retrenched army personnel, inadequate defence budgets and underpaid or unpaid staff.

REPORTS about Pakistan's latest clandestine act to smuggle out plutonium, allegedly of Russian origin which was exposed in Germany in the third week of August 1994, has created legitimate concern for India. In fact, besides Germany several western countries including the US have expressed deep concern over this incident which will cause a threat to international security. Notwithstanding the fact that Russia has entered into an agreement with Germany against the smuggling of nuclear materials, the present episode once again uncovers the plight of Russia's defence sector in general and the phenomenon of theft and pilferage of defence-related materials in the ex-Soviet Union.

There are several dimensions to this sensitive issue. Perhaps one of the major factors contributing to this situation is the inability of the Russian government—and this may apply to other republics of the former Soviet Union (FSU)—to exercise full control over their own defence industrial enterprises. In contrast to the total control in the past in terms of production, sale and funding of defence enterprises, under changing conditions such enterprises are expected to manage themselves. Several enterprises categorised as defence units in the past produce many civilian products under the defence conversion programme which has further complicated the task of control by ministries.

Equally important is the fact that there are deep cuts in defence budget after the Soviet disintegration involving retrenchment of defence personnel many of whom are unemployed and are in poor material condition. Defence enterprises are unable to get funds even to pay wages for workers. The defence ministry in Russia is reported to be in huge debt amounting to billions of roubles to enterprises which produce defence goods and for which they have not been paid. Vasiliy Vorobyov, the head of the defence ministry's chief budget and finance board has stated (ITAR-TASS, May 12, 1994) that the Russian military budget of 37 trillion roubles for 1994 did not guarantee even the survival of the Russian army. According to him with this meagre budget, defence personnel may be paid salaries at intervals of two-three months. The situation is even more alarming for financing allocation for the production of armaments, military hardware, etc. Not getting their wages for months, workers of several defence industrial units and nuclear power plants have threatened to go on strike in contravention of the law. In order to run their own units, several enterprises have resorted to mobilising resources by exporting defence equipment and parts. While this may be legitimate, part of such sales may go to final destinations on which neither the enterprise nor the Russian government may have ultimate control. There were recent reports about Pakistan trying to obtain defence equipment from Russia including the most sophisticated SS-30 fighter planes which are comparable or even superior to American F-16 fighter planes.

But far more threatening and dangerous are illegal acts including theft and pilferage from defence enterprises in Russia and possibly in other CIS countries. While theft did exist in the Soviet era, they were few and far between by virtue of strict vigil and control exercised by all concerned agencies including the defence ministry organisations, the Communist Party, the KGB and above all the threat of severe punishment. At any rate they were not reported. With relaxation under Gorbachev's policy of perestroika, the situation was undergoing a change for the worse and that included frequent illegal trade in arms. There were occasional reports about easy availability of small arms including pistols, rifles, etc. Over time a class of 'unorganised' traders, a Russian phrase for mafia groups, started emerging having links with unscrupulous elements in defence industries for easy money. How serious a dimension this had assumed in the FSU became known with the exposure of the scandal involving the sale for export of new 20 T-72 tanks as scrap in 1989-90.

After the Soviet disintegration, in Russia things have been going on from bad to worse. As quoted by a Russian paper, reports of arrests of Russian citizens attempting to earn foreign currency from trading in radioactive materials from Germany, Hungary or Poland are not uncommon. At times they are caught in Russia itself. One such event was known on June 7, 1994 when Interfax Moscow reported confiscation of 3.05 kg of uranium dioxide (the share of uranium-235 isotopes is 90 per cent) valued at $ 1 million in St Petersburg by the Russian Federal Counter Intelligence Service (FCIS). Subsequently, a Moscow daily paper *Novoya Yezhednevnaya Gazeta (New Daily Paper)* elaborating on this issue reported on June 9, 1994 that this was a highly enriched weapon grade raw material destined for foreign buyers and that it was stolen from an enterprise near Moscow about which the Russian president Boris Yeltsin had been informed. FCIS arrested a butcher and a plumber who had managed to steal this material from the factory but the real culprits of the network may be different.

One thing is certain. This is not an isolated incident. The Russian press—*Argumenti i Fakti*, *Komsomolskaya Pravda*, *Moscow News*, *New Daily Paper*, etc, to name a few—should be credited with exposure of such incidents. An incident worth mentioning in the present context is the investigative reporting by the *New Daily Paper* of Moscow in the Fall of 1993. The paper exposed illegal trade prevailing in Russia of weapon grade highly enriched uranium and plutonium. Notwithstanding denials by the Russian minister of atomic energy V Mikhaylov of theft and illegal trade, correspondents of this Moscow paper posing as buyers of fissionable materials were able to acquire these materials in Moscow which was subsequently confirmed by the experts of the ministry of security of Russia. The same paper also reported about SS-20 warheads being found in private hands (*New Daily Paper* in Russia of June 1994).

It is not uncommon in Russia that 'unorganised' traders sell radioactive materials as strategic raw materials waste. Under this pretext not only minimally enriched but real uranium is also sold by these traders who know very well that one gram of uranium which is used in the atomic industry is worth US $ 300. This shows that big money is involved in this trade the network of which may be operating not only in Russia but also in other republics of the former Soviet Union.

Thus Russia has possibly become a fertile ground for 'illegal' trade in nuclear defence materials with all prerequisites—an army of retrenched and unemployed defence personnel struggling for survival; laxity in government control; chaos encompassing political, economic and social spheres; growing disparity between the rich and the poor; inadequate defence budget; and above all attraction of big money motivating individuals to take risk. Though the task of tackling this is quite formidable, the latest event of the detection of smuggling of plutonium in Germany has put pressure on Russian authorities to take serious steps against illegal trade in fissionable materials in Russia, failing which Russia may lose generous western economic assistance for transforming its market economy besides its credibility among nuclear powers.

Throughout India, each of the 583 strong branch network, is daily establishing new relationships with customers, winning their confidence and appreciation.

Long before the new wave of liberalization, which in its wake has ushered in competitiveness in every field of business, the Oriental Bank of Commerce had planned and focussed energies towards customer satisfaction.

CUSTOMER - ORIENTATION: THE FOUNTAINHEAD

We believe that customer - orientation is the first step towards customer satisfaction. More than just the physical action, customer-orientation is an attitude of the mind, born out of a strong sense of conviction and commitment to the organization. Which is a two-way relationship, hence the corporation has to be equally committed to the individual. And this is exactly what we at the bank have aspired and achieved. All the result of an 'Open-Door-Policy' of the managers.

UNDERSTANDING CUSTOMER BUSINESS

Teaching by example has been the backbone of the 'HRD-revolution' at the bank, where all the top managers were encouraged to take initiative, meet customers and cut down red-tapism. This necessitated our managers to first thoroughly understand the client's business, his special circumstances, the SWOT of the business and only then to arrive at the financial needs of the client—the amount required. After all money costs money.

CARING FOR THE CUSTOMER

This customer-orientation has pervaded all levels of the bank. Today, customer care is everyone's responsibility. Each individual perceives this, accepts it and acts on it. People in the bank realize that there is only one way to have a successful bank and that is to have a lot of happy and satisfied customers.

REACHING OUT TO CUSTOMERS

Ever sensitive to the changing economic environment and the new competitiveness in banking, the Oriental Bank of Commerce is responsive to the new challenges. In this new spirit the Bank has started a dynamic programme of reaching out to customers.

OPERATING FROM A POSITION OF STRENGTH

It's not corporations who create excellence but the individuals, who have transcended independence in work culture and who are matured for 'interdependent' relationships where professionals in the team cooperate with each other, rather than compete. Building further on each other's strengths. Taking the bank to new horizons of excellence.

Individuals operate from a position of strength, appreciative of the trust and confidence of the bank in them. The executives at the Oriental Bank of Commerce take initiative and 'walk the extra mile' to ensure customers' satisfaction.

WHEN LOSSES OCCUR

We realize that in the fluctuations of business, sometimes, losses also occur. If the loss is 'genuine' and if the entrepreneur exhibits the willingness and determination to convert failure into success, then we are willing to discuss strategies. Willing to be pragmatic in our approach. It is this approach of 'business-partnership' that has led to a mutually beneficial relationship. Ensuring the profitability of the bank and its customers.

SPECIALIZED SERVICES

To cater to the specialized needs of the customers, specialist-branches have been strategically located needwise for the following: Industrial Finance, Small Scale Industries, Agriculture, NRI, Foreign Exchange etc. Specialists who are steeped in the various facets of the concerned area of activity interact with customers like 'virtual-business partners'. Giving the customers an extra dimension for their success.

GLOBAL NETWORKING

For customers with eyes on the global markets, we are on the international wave length in telecommunications through 'SWIFT', Brussels, the satellite communication systems to which leading global organizations are hooked for instant information. Besides, the Oriental Bank of Commerce has arrangements with 118 foreign banks and operates the NOSTRO account in 17 leading currencies of the World.

GROWTH OVER THE INDUSTRY

With such dynamism and vision of its people, no wonder the Oriental Bank of Commerce is achieving a growth rate of 23.4% which is much higher than the average growth rate of the banking industry of 16.8%. Importantly, the bank ever since its inception, has made profits, year after year, every year

Moreover, we at the Oriental Bank of Commerce have achieved the norms of RBI for Capital Adequacy much before the scheduled date of 31st March 1996! Very clearly reflecting the speed and commitment of the individuals in the bank.

GOING PUBLIC

The Oriental Bank of Commerce will be the first of the nationalised banks to go public. Once again establishing that speed and dynamism is the hallmark of the bank.

YOUR PROSPERITY—OUR AIM

The sum essence of the corporate philosophy, mission and performance has been embodied in our corporate slogan—'Your prosperity—Our aim'.

Satyamurthi: The Link that Snapped

S Theodore Baskaran

S Satyamurthi, the nationalist leader, played an active role in establishing the unique interaction between the entertainment media and political life in Tamil Nadu which continues to this day. Had later Congress leaders sustained this association and not allowed the Dravidian movement to appropriate it, the political history of Tamil Nadu might well have been very different.

THE interaction between entertainment media and political life in Tamil Nadu continues to intrigue observers. Since 1967, all the five chief ministers in this state have been associated with the film world, the first two as script-writers and the other three as actors. This association has a long history, going back to the early days of the freedom movement in this part of the country. S Satyamurthi, the nationalist leader, played an active role in establishing this interaction, a role that has not been studied. Had this association between the Congress and the entertainers been continued, even after Satyamurthi, the history of Dravidian movement and of Tamil Nadu could well have been different.

Born in 1887 at Tirumayam near Pudukottai as a son of a lawyer, Satyamurthi graduated from Madras Christian College. After his law degree, he joined the bar at Madras but was soon drawn to politics. In 1919, at a Congress conference in Kanchipuram, he made his political debut. His spirited attack on the ideas of Annie Besant attracted the attention of Sarojini Naidu and other leaders who spotted him as a potential publicist for the party. Soon he came to lead a Madras-based faction of the Congress, the Nationalists. His fluency in both English and Tamil, coupled with his oratorical ability, came in handy as he played this role with confidence. The speeches he made in England during his 1925 tour helped in projecting the Congress point of view. From 1923 to 1930 he was a member of the Madras Legislative Council. He was very active in the Civil Disobedience Movement and it was at this time that he got closer to the artistes of the entertainment world and brought many of them into political activism.[1]

Satyamurthi was elected to the Indian Legislative Assembly, Delhi, in 1935, where he left a memorable record as a debater and as the deputy leader of the Congress Party. When the Congress contested the elections in 1937, he led the election campaign, for which he harnessed the support of stage and screen artistes. He then became the Mayor of Madras. Till he died in 1943, he kept up his active association with entertainers.[2]

He got interested in the world of entertainment when he started his legal practice in Madras. The amateur drama club, Suguna Vilas Sabha, founded by a Madras-based judge, P Sambanda Mudaliyar in 1891, was by that time active and was offering a forum for those interested in theatre. This was an elitist forum, in which bureaucrats, lawyers and other professionals took part, as distinct from the commercial drama companies that were very popular at that time. Satyamurthi joined this troupe and acted in a number of their productions; his performance as the jester in the Sanskrit play 'Mrichakati' and as Manoharan in 'Manohara', within a week after taking over as the president of the Tamil Nadu Congress Committee, were memorable.[3] After watching 'As You Like It' at the Memorial theatre at Stratford-on-Avon in England he said "I visited the place as a pilgrim from Suguna Vilas Sabha".[4] He was elected as the vice-president of the Sabha and later held the office of 'Tamil conductor', which meant that he was entrusted with the work of directing Tamil dramas.[5] When he got active in politics, he realised that to build up a popular political basis for the Congress he needed a different connection and the world of commercial drama was there to be tapped. In fact, as early as 1992 Motilal Nehru had written to Satyamurthi about gathering support for his faction in the Congress "yours is truly a benighted province in this matter... I doubt very much that we shall have any appreciable number to support us unless an intensive propaganda is at once started."[6]

Popular Entertainment and Politics

The itinerant commercial drama companies provided the most popular entertainment during this period. These troupes had appeared by the last decade of the 19th century and in two decades had emerged as a major entertainment form; soon many companies came to be established and were touring around the presidency. There were companies and that had only boys and some only women. Their repertoire was quite limited, mostly episodes from mythologies; the plays were mere vehicles of songs, like an opera, and so the actors has to be singers. There was a corpus of songs that had been popular on the stage and often the stage actors gave independent concerts featuring these songs. The gramophone records industry, coupled with the import of inexpensive gramophones from Japan, widened the appeal of these songs. In spite of such popularity, the company dramas were looked down upon by the upper classes and the artistes of these drama companies were treated like outcasts.

The surge of anger that erupted in the wake of the Jallianwala Bagh massacre of 1919 drew these entertainers into the vortex of political activity. With the print media under severely restrictive censorship, the stage became a convenient forum to attack the policies of the British government. The songs from these plays spread the message of nationalism aurally. Off stage, the actors participated in demonstrations and picketings. Satyamurthi, recognising this tremendous potential which could be used for propaganda purposes in nationalistic struggle, began to associate himself with this group. They, in turn, responded positively. One of Satyamurthi's favourite statements from the platforms was "we shall win our way to freedom, singing".[7] The stage artistes found themselves in active political life, acquiring in the process a new respectability which they had hitherto lacked. They could appear along with leaders on political platforms, a possibility they could not have dreamt of earlier. This was an added incentive to be politically active. It must be remembered here that the political leaders so far had been totally ignoring these artistes as of no consequence. It was Satyamurthi who first established a nexus between political leadership and the world of popular entertainment.

One of the earliest links Satyamurthi forged with entertainers was M M Chidambaranathan, an actor of the company drama, who had been trained and inspired by nationalist poet Udumalai Sarabam Muthusamy Kavirayar. In 1921 when Satyamurthi led picketing in Madras as part of the Non-Cooperation movement, Chidambaranathan organised many performances of patriotic plays and, in addition to the propaganda, gave the gate collections to finance the demonstrations.[8] There were also other troupes staging patriotic plays and when the British government banned some of them, Satyamurthi, who had by this time been

elected to the Madras legislative council, raised the matter on the floor of the house. When neither the press nor the political leadership was prepared even to acknowledge the existence of these artistes, Satyamurthi, by advocating their cause, won their loyalty and they looked upon him as their spokesman and leader. From then on he involved these artistes in all his political programmes. When in 1928, Satyamurthi was appointed the president of the Simon Boycott Propaganda Committee of Tamil Nadu Congress Committee to carry on an intensive campaign, his contact with the entertainers came in handy.[9]

Potential of Cinema

Tamil talkies emerged as a popular entertainment form, in the early 1930s and artistes from the stage—playwrights, actors, song-writers and musicians—moved *en masse* into the glittering world of cinema where the advent of sound had created a demand for them. Many well known stage names quickly gained screen fame. With them they took their repertoire of nationalistic dramas and songs. The very first Tamil film 'Kalidas' had a song totally unconnected with the story of poet Kalidas, extolling the charkha. Soon films began to be infused with nationalistic propaganda. Satyamurthi recognised the potential of cinema as an instrument of change and showed keen interest in its development. He began writing about it. He said that cinema was to play a major role in the coming years and that in a country with so much of illiteracy, its influence was bound to be strong. In an article in a daily he wrote "I hope there will be a synthesis established between the film producers in India, the directors and the leaders of the nation. The film should be made to comprise a purposeful part in Indian Renaissance."[10] When the film 'Nandanar' (1935) was released, he wrote about its implications for the non-brahmin movement, the protagonists of which he was bitterly fighting in the political arena.[11]

Among the political leaders of India of that period, Satyamurthi had established a reputation as being fiercely independent. His association with film artistes, disregarding the breath of scandal that floated around, was only one such act that gave rise to such an image. He openly opposed Gandhi in the All-India Congress Committee meeting at Ahmedabad on March 1, 1930. He did not think that prohibition was an important cause or that it should be given priority over other issues. He confessed in public, his disillusionment with non-violence as a political weapon.[12] Speaking at a meeting of the European Association in Madras on May 20, 1936, he criticised socialism.[13] When the Congress decided to resign from power in 1939, protesting against the war, Satyamurthi opposed the idea.

At a time when the educated elite despised cinema as a plebian preoccupation and refused to consider it seriously, Satyamurthi pointed out its importance. In 1939, in the senate of the Madras University, he pleaded for the introduction of cinema as a subject, but the idea was rejected, much to his anger and disappointment.[14] He hoped that Indian film industry would be able to bring in cultural swaraj and pleaded that educated women should join films and improve it. He was often invited to preside over the premiere of a film or to inaugurate the shooting. When the film 'Iru Sahodharargal' was released in the Elphistone cinema house at Madras, Satyamurthi persuaded Rajaji to attend. The proceeds of this show went to the Patel Purse fund.[15] He also took note of the charisma these film actors were acquiring and used it effectively.

Influence over Film Stars

Satyamurthi exercised considerable influence over film stars. Though cinema was looked down upon as a low class entertainment, he could persuade classical musician Maharajapuram Viswanatha Ayyer to act in the film 'Nandanar'.[16] While honouring the artistes of the film 'Tirunilakantar' (1939), Satyamurthi requested M K Thyagaraja Bhagavathar, the leading stars of the 1940s, to give up silk and wear only khadi to which he agreed.[17] When a felicitation was organised for the actor director Raja Sandow, it was Satyamurthi who presided over the function. He won over film actor Nagaiya to the nationalistic cause and sent him as a delegate to the Congress session at Gauhati. All these artistes, in turn, lent their charisma to support the party.[18] However, Satyamurthi's fascination with film stars at times went beyond their usefulness, in propaganda. He wrote to Gohar of Bombay, the star of the Silent era, to send an autographed photo, which she did, with a note, "I will be greatly delighted to meet you whenever you come to Bombay".[19] They did meet later, when Satyamurthi went to Bombay to participate in the silver jubilee celebrations of Indian cinema in Bombay in 1939.

During the Civil Disobedience Movement, with all the other leaders in jail, Satyamurthi found himself the president of the Council of Action.[20] Many celebrities from the screen and the stage took part in direct political action. Dramatist Akkur Ananthachari was in charge of the movement in North Arcot district. Famous film artistes of the period, K S Ananthanarayanan ('Alli Arjuna', 1935), K S Devudu Ayyer ('Radha Kalyanam', 1935), M V Mani, ('Sathi Leelavathi', 19 and M G Nataraja Pillai (Dhakshayag 1935), participated in picketing and cou arrest.[21] Film-maker and founder of first sound studio in south India Narayanan, a friend of Satyamurthi, his support to the movement and organ a bonfire, of foreign cloth.[22] K S Go krishnan, actor ('Jalaja', 1938) and dir ('Madanakamarajan', 1941) organis All-India Swadeshi Exhibition in Ma to subsidise the Salt Satyagraha camp in Madras and also conducted a m festival in which Semmangudi Srini Ayyer sang and Balasaraswathi danc By identifying themselves with s popular causes these artistes amplified t own popularity.

Satyamurthi's concern and interest w the world of cinema culminated in election as the first president of the So Indian Film Chamber of Commerce in 19 for a term of three years. It was he w drafted the memorandum of articles gave the organisation the initial momentu In the same year he led a contingent to silver jubilee celebrations of Indian cine and the Motion Picture Congress at Bomb over which he presided. In his talk he s "The propaganda value, the techni and the appeal of the films will thus the very best possible. It can in fact made into a nation-building force in true sense of those words. With popu governments and Congress governme functioning in the various provinces, th is unlimited scope."[25] He believed cine could be used to drum up mass support the Congress and to tackle social probl like illiteracy.

Penchant for Election Campaigns

Satyamurthi had always shown a pench for election campaigns. From 1921 onw he had insisted that the Congress sho enter the legislatures. This was the plan Swarajists, a faction of nationalists which Satyamurthi identified himself, he was able to get financial assistance f C R Das and Motilal Nehru which ena him to start a newspaper and to build a c of publicists.[26]

One of the principal aims of Satyamu in contesting the elections was to disp the Justice Party, the political ancesto the Dravidian parties, from the legisla When the 1935 constitution brough provincial autonomy and liberally expa franchise, the need for mass medi electoral campaigns arose. He realised in this changed scenario, the film stage artistes, with their unpreceden popularity, could be an effective tool campaigns. Many well known figures the world of entertainment extended support to the Congress in its camp

When the party decided to contest the elections in 1937, T K Shanmugam, the leadman from one of the most successful troupes of the period, TKS Drama Company and a film actor ('Menaka', 1935), campaigned for Congress in the villages around Coimbatore. Their method of campaigning was to sing or make a political speech. Their popularity as actors ensured that their very presence drew large crowds.[27]

The film artiste who played the most high profile political role was K B Sundarambal, star of the film 'Nandanar'. Influenced by her uncle, Malaikozhundhu Gounder, a Congress worker, Sundarambal joined the nationalist movement and became a close associate of Satyamurthi. Earlier, when she was reluctant to enter the world of cinema and was still mourning the death of her husband stage-star S G Kittappa, it was Satyamurthi who persuaded her to sign the contract for the film 'Nandanar'.[28] Similarly, to persuade her to campaign for Congress, Satyamurthi accompanied Gandhi, during one of his visits to Madras, to Sundarambal's house.[29] She campaigned hard for the Congress in the 1937 elections. The pattern was for her to sing patriotic songs first and this would be followed by a speech by Satyamurthi. A gramophone record was also released with a song of Sundarambal on one side appealing to voters to support Congress and a speech by Satyamurthi on the other. Throughout her life she wore only khadi and remained a loyal supporter of Congress.

Pioneer film-maker A Narayanan made a short film supporting the candidature of Satyamurthi in Madras. The film, of just a few minutes, featured Bhulabhai Desai and Satyamurthi appealing to voters.[30] Thus Satyamurthi harnessed all popular entertainment forms—cinema, drama and gramophone—in widening and deepening political activism in the nationalistic cause. In this process, he brought the entertainers under one flag and gave them a cause to work for. Thus Satyamurthi pressed into service the most widely used, contemporary media artefacts, songs, discs and film. These unorthodox methods of election campaigning proved quite successful. Congress came out victorious with a phenomenal majority compared to the other provinces in which it had won. Out of the 215 seats, Congress got 159.

CONGRESS LEADERSHIP'S DISDAIN

In the Congress Satyamurthi acted as a bridge between the lowly field worker and the top leadership. With remarkable foresight he was able to observe the cultural experience of a vast majority of people and realise that popular culture was emerging as a force that could transform the political scene. The Congress leadership, on the other hand, refused to take cognisance of this development and treated it contemptuously as being purveyors of cheap entertainment. It was one dimension of elitist apathy to popular culture.

In spite of the support from the drama and cinema artistes extended to the Congress, the other leaders in the party failed to appreciate the role they were playing in building up a strong, populist base for their party. Nor were they able to foresee the dimensions cinema was to assume. Gandhi, with whose arrival on the scene the politicisation of the masses began, failed to take cognisance of the work of these artistes. His attitude to the entertainment media was typical of that of the Congress leaders. In 1938, for the 25th anniversary of cinema, a Bombay film journal asked Gandhi for a message and received the following reply from his secretary: "As a rule Gandhi gives messages only on rare occasions and these only for causes whose virtue is undoubted. As for the cinema, he has the least interest in it and one may not expect a word of appreciation from him."[31] Satyamurthi's political rival in the Congress, Rajaji, who was seen as undermining his power base in Tamil Nadu, did not take kindly to the entertainment world which was so supportive to Satyamurthi.[32] While the British government at the centre and the Justice Party at the provincial level were Satyamurthi's targets of attack, his rival within the Congress was Rajaji. Even in the early 1920s, when Satyamurthi led a faction known as the Nationalists, Rajaji headed the other faction. Satyamurthi hoped to get the prime ministership of Madras province and was disappointed when he lost it to Rajaji. In their approach to the world of entertainment also, their opinions were diametrically opposed. Rajaji's views on cinema were puritanical and he had asked people to refrain from watching films. In

1955, as chief minister presiding over a meeting of film celebrities, he described cinema as "poison" and said that if it could terminate itself, it would be an extraordinary service.[33] Even Kamaraj, a protege of Satyamurthi, who succeeded Rajaji as the chief minister of Tamil Nadu, was quite disdainful of this group and contemptuously referred to them as 'Koothadigal' (mountebanks).[34] Satyamurthi died in 1943 and the Congress leadership in Madras province passed on to Rajaji.

Legacy Passes to Dravidian Movement

While fighting the British government at the national level, at the provincial level Satyamurthi was constantly trying to outmanoeuvre the Justice Party, the ideological forerunner of the Dravidian parties, and kept it at bay. As long as he was in the field, they could not make much headway against his campaign skills. His principal object in persuading the Congress to enter the legislature was to evict the Justicites. He fought the Justice Party in the 1926 elections for the provincial council and defeated it, bringing to an end the first six years of that party's rule in Madras. The Justice Party opposed the Congress, voicing the fear that if the British handed over power to that party, it would only perpetuate the dominance of brahmins in the province. [35]

Satyamurthi had consistently opposed all that the Justice Party and the later Self-Respect movement stood for. He, who had studied Tamil only up to his fourth standard in school, believed that Sanskrit should be accorded a prime place and declared that he looked forward to the day when Hindi would be the national language. He was orthodoxically religious; professed belief in astrology and horoscope. He advocated early marriage for women—about 15 years as the ideal age—and opposed inter-caste marriage.[36] He took a position against the efforts that were on in the province to establish the Dravidian identity.[37] After he died, the artistes from the world of entertainment, leaderless and directionless, gravitated towards the Dravidian movements, whose leaders offered them recognition and patronage. In fact many of the leading lights of the movement, C N Annadurai and M Karunanidhi, were themselves playwrights and often acted in plays. It was they, the Dravidian leaders, bitter political enemies of Satyamurthi, who eventually inherited the force that he had assiduously nurtured and used it in their ride to power, creating the phenomenon of star-politicians.

The Dravidian movement, which was widening its mass base, first began using the stage for its propaganda and many artistes joined the movement. Later when Dravida Munnetra Kazhagam was formed in 1949, stage and film artists also came in as handy tools for propaganda; the party's first organising committee included K R Ramasamy, a film star, and T V Narayanasamy, a drama actor. Film star N S Krishnan was one of the main supporters of the party.[38]

In fact the career of N S Krishnan, who dominated the Tamil film scene for more than two decades as a comedian and acted in more than 100 films, epitomises the fortunes of the stage and screen artistes on the political scene. From the time of the Civil Disobedience Movement, Krishnan had been active, carrying on political propaganda for the Congress. He wrote the story of Gandhi's salt satyagraha as a 'villu pattu', a traditional form of musical narration and performed it as a part of Swaminatha Sarma's famous play 'Desabakthi' and later as separate shows. After independence, during the first election 1952 Durgabai Deshmukh persuaded him to contest as a Congress candidate from Madras. When Krishnan was in Delhi finalising this, some Congress leaders of Madras ridiculed the idea saying that a 'komali' (clown) should not enter the legislature. Piqued, Krishnan refused to contest.[39] Later, he lent his charisma to the Dravidian movement and was of valuable assistance in building up the Dravida Munnetra Kazhagam, though he was never a member of the party. S S Rajendran, a lead player of the nationalistic TKS Drama Company, joined the DMK and became the first film star to be elected to a legislature when he won from Theni constituency for the Tamil Nadu assembly in 1962. Later he became a member of parliament also. M G Ramachandran, the best known star-politician of the Dravidian movement, as a company drama artiste had acted in the nationalistic play 'Kadarin Vetri' and was a khadi-wearing Congress sympathiser before he joined the DMK.

Notes

1 The building housing the headquarters of the Tamil Nadu Congress Committee in Madras is called Satyamurthi Bhavan, largely due to the efforts of K Kamaraj.

2 R Parthasarathy, *S Sathyamurti* (Builders of Modern India series), Publication Division, 1979, pp 193-201.

3 See S Satyamurthi, 'Mrichakati: A Sanskrit Drama' in *Indhunesan*, Annual 1923.

4 Parthasarathi, op cit, p 62.

5 Sathyamurthi Papers, Nehru Memorial Museum and Library (NMML), New Delhi.

6 Anthony Copley, *C Rajagopalachari: Gandhi's Southern Commander*, 1986, Madras, p 74.

7 Parthasarathy, op cit, p 196.

8 M M Chidambaranathan, 'Sudhanthira Poratathil Kalaignargal', *Nadigan Kural* (Tamil magazine), August 1937, Madra

9 E Sa Viswanathan, *The Political Ca of E V Ramasamy Naicker: A Study in Politics of Tamil Nadu, 1920-1949*, Mad 1983, p 118.

10 *The Mail* (Daily, Madras), 26.12.36.

11 *Cinema Ulagam* (Tamil magazine), 11.

12 Copley, op cit, pp 99 and 143.

13 Parthasarathy, op cit, pp 181-82.

14 *Film Gazette*, Vol I, No 2, December 19 Madras.

15 *The Hindu* (daily, Madras), 8.1.37.

16 *Cinema Ulagam*, 21.4.35.

17 *Dinamani Kadir* (Tamil weekly), 27.5 Madras.

18 *Dinamani Kadir*, 9.2.73.

19 Letter dated 26.12.28 from Gohar Satyamurthi. Satyamurthi Papers, NM New Delhi.

20 Parthasarathy, op cit, p 94.

21 Known as 'Salt Satyagrahi Nataraja Pill a street has been named after him in his ho town Mannargudi. *Adal Padal* (Ta magazine), 3.6. 1939.

22 Interview with N Kalavathy, daughter A Narayanan, Madras, 25.4.76.

23 Interview with K S Gopalakrishnan, 19.1. Madras.

24 Interview with Lakshmi Krishnamurt daughter of Satyamurthi, 27.3.86, New De

25 *Indian Motion Picture Congress*, presiden address, 7.5.1939, Pamphlet.

26 Christopher Baker, *The Politics of So India, 1920-1937*, Cambridge Univer Press, 1976, p 158.

27 T K S Shanmugam, *Enadhu Nataka Vazh* Madras, 1972, p 315.

28 Interview with K B Sundarambal, 9.4. 19 Madras.

29 Kumari Anandan in *Kumudam* (Ta weekly), 9.5.91.

30 Interview with P G Sundararajan *alias* Ch Tamil writer and associate of Satyamu 28.4.1975, Madras.

31 B Bharat Dogra, 'When the Censors Trie Block Out the Congress', *Filmfare*, 27.7.

32 Copley, op cit, p 147. For a detailed acco of Rajaji-Satyamurthi rivalry, see Copley's bo

33 Erik Barnouw and S Krishnaswamy, *Ind Cinema*, 1963, p 176.

34 M S S Pandian, *The Image Trap*, Mad 1992, p 38.

35 A N Sattanathan, *The Dravidian Movemen Tamil Nadu and Its Legacy*, 1982, Madras, p

36 *Satyamurthi Pesugirar* (Tamil, collec of speeches), Madras, 1945. See chap 'Namadhu Latchiyam' (Our Ideal) 'Indhu Vivaham' (Hindu Marriage).

37 F Eugene Irschick, *Politics and So Conflict in South India: The Non-Brah Movement and Tamil Separatism, 19 1929*, Berkley, 1969, p 249.

38 In his last public function as chief minis in 1969, C N Annadurai unveiled a st of N S Krishnan at an important road jun in Thyagaraya Nagar in Madras.

39 K Subramanyam, 'Viruppum Veruppum Kalaivanar' in *Kalaivanar Malar* (Souv marking the 13th death anniversary Krishnan), 1968, Madras.

Forms of Compulsion

Nigel Harris

Riding the Tiger: The Politics of Economic Reform in Post-Mao China by Gordon White; Macmillan, London, 1993.

Slaughter of the Innocents: Coercive Birth Control in China by John S Aird; AEI Press, Washington, DC, 1990.

SINCE the late 1970s, economic growth in China has been breathtaking. Indeed, never in the history of the world have so many people been affected by radical economic transformation. Gordon White's book is directed to reconstructing the political process which unleashed and facilitated this remarkable pattern of development. The structure of the book covers some theoretical preoccupations which underlie his account and a historical reconstruction of why the old model of development, associated with Mao Tse-tung, failed. He provides an overview of the reforms, in-depth examinations of the reform package in agriculture and in industry, and then an examination of the implications of these for the ideology of the regime, for the Communist Party, and for the development of Chinese civil society. He concludes with a critical examination of the idea of 'market socialism'.

In general, the book is excellent, well argued and written, supported by a wealth of documentation and data, in sum an admirable overview of an immensely complex and, in many respects, opaque process. If one has disagreements, they arise over a degree of uncertainty of touch in the historical account, a kind of residual Maoism, which seems to overestimate the capacity of the Chinese leadership—and in particular, those around Mao—to freely make choices about what sorts of economic model to pursue, as opposed to being pushed into reactive behaviour whether of domestic or foreign origin, behaviour which in turn imposed a new logic on the regime and its policies. In fact, as White's argument develops, this is precisely the direction in which he proceeds, excellently showing how, having introduced economic reforms on a limited basis as a reaction to one set of problems, the 'tiger' of the title takes its own direction—and the flimsy rationalisation of 'market socialism' fades into a 'social market' and the 'social', like the smile on the Cheshire cat's face, gets pretty faded in the sweatshops of Guangdong):

> To the extent that the reforms do in fact achieve their economic aims, however, they set in train basic social and political changes which undermine the legitimacy and effectiveness of the previous state-socialist policy. Thus, economic reforms not only fail to restore the legitimacy of Marxist-Leninist socialism; they accelerate its political breakdown (p 12).

There is a different kind of problem in detecting how interests relate to the broad policy options as well as to events. Most accounts of China deal in a division of 'conservatives' and 'reformers', and while some of the leaders are apparent here, it is not clear how these positions—with their variations—relate to the structure of China's establishment and the different kinds of places each occupies. Mao himself was never one or the other in general, but famous—or notorious in the old Comintern—for his 'pragmatism' and, in that sense, Deng Xiaoping is his natural heir. Flexibility of reaction was always a mark of the Chinese leadership, shifting relative to the omnipresent threats from abroad and home, but always adhering to the central aim, through conservatism or reform, of a strong China under their direction. This raises an even stronger criticism of 'market socialism'. For the reforms subject China's economy to world markets, rather than simply introducing carefully controlled elements of domestic competition.

This is relevant to the book's discussion of the demise of planning. In the old ideology, planning was fundamental as supposedly an instrument of class power over society, the imposition of 'democratic' decisions upon the economy so that it could be shaped to achieve the will of the class alliance alias the Communist Party. Without planning, there is no instrument, so the whole project of 'socialism' is abandoned. With the opening up of the economy, the central directions derive from global patterns of specialisation, themselves determined by the form of accumulation of world capital, not the Chinese state.

However, this somewhat esoteric preoccupation is perhaps remote from the preoccupations of the Chinese leadership (White excellently shows the ideological slither taking place, one which suggests that provided China becomes a strong power, the phraseology can be adjusted as events unfold). However, White shows that the reform programme radically changes the context facing the Chinese leaders, creating powerful interests that resist any attempt to reverse the process. Indeed, the country now seems well beyond the point of no return, and Beijing's capacity to impose any new direction upon the country has grown increasingly feeble. Here more discussion would have been welcome on how far the old nexus of power, the complex of central bureaucracy, state industry, banks, military and police any longer constitute a coherent entity, how far has China become, willy-nilly, a *de facto* federation of provincial powers and autonomous national fiefdoms. The discussion of centre-local relationships is relatively slight, even though this determines the capacity of the centre to act. How far do the more powerful provinces regard Beijing with impatience or contempt?

However, these points are the result of the excitement generated by the book, rather than meant as negative comments. We are much in the author's debt.

* * *

During the Emergency period of Indira Gandhi's government between 1975 and 1977, the administration sought to follow forcefully the remedies for India's problems which derived from the conventional wisdom of international agencies and some domestic opinion—that is, that the growth of India's population constituted a profound threat to the future of the country, and that the growth of the world's population threatened to destroy humanity. While not condoning the countless careless savageries of Sanjay Gandhi's campaign of sterilisation in Uttar Pradesh, it needs to be said that if the diagnosis is correct, it would be irresponsible not to seek by all possible means to *enforce* birth control by whatever means was most effective or acceptable. To permit scruples concerning human rights to stand in the way of a process which supposedly threatens to destroy us all would clearly be irrational; as in war, extreme measures would be required.

The Chinese leadership has also come to be committed to the same diagnosis, and given the powers attached to a centralised and authoritarian government at national and provincial level, has been able to pursue the resulting policy implications with much greater thoroughness and persistence than was ever possible in India. This is the sombre theme of the study by Aird, formerly the leading China specialist in the US Bureau of the Census. In 89 pages of tight analysis, backed as is absolutely required by 71 pages of detailed references to the Chinese sources, he outlines the historical development of Chinese population policy—through the phases of optimism when the more people China possessed, the more hopeful it should be (in the years up to 1953,[1] or during the

(Great Leap Forward), those of growing doubts, and those of increasing ferocity of enforcement (in the early 1980s and from 1985). It is, as one would expect, a very careful and exhaustively documented account of what has become the most rigorous—and in effect, compulsory—programme of birth control in the world, directed to achieve a one-child family for all and a limit to the population of China of 1.2 billion by the year 2,000.

Aird is particularly concerned to show that this coercive policy is supported by the United Nations and other population agencies, even though all are supposedly obliged to support only voluntary birth control programmes. The UNFPA has given financial assistance to the Chinese government since 1980, and in 1983, the first two UN Population Awards were made to China's ministry in charge of the Family Planning Commission and to prime minister Indira Gandhi.

The forms of compulsion employed are elaborate, change over time and vary between localities—from a case of denying food, drinking water and electricity to non-complaint families in the 1970s to 'mass mobilisation' sessions, special study classes from which pregnant women are not released until they agree to an abortion, heavy fines (monthly fines for unauthorised pregnancies which continue until the woman agrees to a termination), loss of employment for urban families and revocation of land contracts for rural, collective punishments for work units or localities,[2] fines for the illegal removal of IUDs or for refusing to have one inserted (with the ultimate sanction of sterilisation for persistent offenders).

The aims of the campaigns have become increasingly precise—the sterilisation of one partner in every couple with more than one child, abortion for unauthorised pregnancies, enforcement of late marriage and late authorised births, the elimination of illegitimate births. Aird cites a set of Yunnan targets for implementation by the party cadres: 90 per cent of child-bearing women with one child to have an IUD insertion; 90 per cent of those with two children or more to have tubal litigations; 90 per cent of unplanned pregnancies to have abortions. Aird examines the evidence for the rumours that hospital doctors routinely induce abortions without permission of the woman concerned and dispose of those newly born but unauthorised: all in pursuit of the administration meeting its targets.

Understandably, the policy is immensely unpopular, and the party acknowledges "the contradiction between birth policies and the masses' wishes about having children" (Party Central Committee document 13, May 1986, cited here, p 63) in urging the cadres to move the masses away from the 'old ideology'. A 1988 survey showed that 72 per cent of sampled couples and 90 per cent of rural ones wanted more than one child. Indeed, the economic reform programme has exacerbated the problem: the return, in effect, to the family farm under the household responsibility system has put a premium on increasing the loyal hands available for cultivation which means sons. Increasing incomes of urban and rural families outside the state sector has also given the means to pay stiff fines for non-compliance or bribe party cadres to overlook an unauthorised birth. Other couples move out of the area to escape party supervision to join what the Chinese call 'the floating population' (Aird argues that this could be as large as 50 million), although energetic attempts are made by the party network to track them down and enforce compliance.

The party is severely damaged at a local level. The luckless cadres, as the press reports, are liable to acts of vengeance, destruction of their crops or property. Those that collude are corrupted by bribes to overlook births and falsify the local statistical returns. A 1987 national sample survey revealed, to the horror of the party leaders, that the undercount of births was just under 10 per cent. It is clear by now that the party will not meet its target. A Chinese Academy of Social Sciences report (*Policy Choices of China's Economic Development*) which was just been published accepts that the country's population will not stabilise in the immediate future; it calculates that the country's population will increase from 1.17 billion now to 1.3 billion in the year 2,000, 1.4 billion in 2010 and 1.6 billion in 2050.

Aird presents the evidence, but does not reflect much on why the Chinese government—and many others—has become so committed to such an extraordinary diagnosis, even though he notes that "the coercion issue prompts a re-examination of the 'population crisis' belief, the relationship between population growth and human welfare in general". He recounts the thesis that poverty, hunger, health problems, housing shortages, transport problems, illiteracy, lack of education, unemployment, overcrowding, resources depletion, soil erosion and environmental degradation all are supposed to flow from the single cause of population growth, and all are remedied by ending population growth (the case is equally popular—and no less implausible—when applied to urbanisation and the growth of large cities). As he notes, the sheer simplicity of the thesis, linked to a global humanitarianism, gives it great strength, and it has "the added virtue of putting the blame for socio-economic problems on the reproductive habits of the people rather than defective political leadership or misconceived policies" (p 7)—or, we might add, the gross maldistribution of resources both nationally and internationally.

Yet the population thesis, if taken seriously (as with Indira Gandhi and the Chinese leadership) is one of the crassest and cruellest fantasies to grip the minds of governments, especially because it is usually directed most rigorously at the poorest majority. It is also inherently implausible—as the Chinese population has grown, so the standard of living of the Chinese has made extraordinary advances (reflected in improved infant mortality figures, in the average expectation of life, etc): the growth of population is the most vivid mark of the *success* of the Chinese government rather than its failures. The argument is unbelievably naive—that increasing population divides the national product in smaller and smaller portions; not only is maldistribution far more important (the national product is never divided in equal portions), but a growing population can increase the output faster than its grows (and so far seems to have done so, particularly in China).

Yet on the basis of this inherently implausible thesis, governments are prepared to risk immense unpopularity, shown most clearly in the devastating defeat of Indira Gandhi's Congress in UP in 1977. It seems that, contrary to what one assumes, governments do not necessarily pursue popularity, but rather self-destruction.

There is a broader question. Should governments seek to determine the size, composition or distribution of population? Can they know what an optimum size might look like, whether in terms of national interest or human welfare? And if they can decide on an optimum, do they have the power—or political right—to pursue it? With all the power at their disposal, it is clear the Chinese government is going to fail. Should it even have tried? One of the unexpected implications of the policy is now emerging—the premature aging of the urban population, the contraction of the active age groups, and a rapidly growing problem of meeting a much higher dependency rate. The developed countries may be able to cope with aging, but can a still poor country like China?

The strength of the population thesis also derives, I suspect, from a Puritan ethic, associated with early stages of industrialisation, but of general appeal to authoritarian regimes. The Singapore government also used to have a rigorous family planning programme to limit families (stressing sterilisation as the means to achieve this), although the professional classes were excluded (it was to keep down the rate of growth of the working classes). The feckless, wayward breeding habits of undisciplined women, characteristic of the poor, was to be blamed for the world's problems, and almost inevitably it was women alone who were sterilised. Now the government has come to realise the frightening implications

of aging and the possible drastic decline in the size of the city's population. Policy has shifted no less drastically to urging the better educated to have three or more children. Here, the old eugenics theme is explicit, although the government has not pursued the full logic of the case to the compulsory sterilisation of the insane and deformed—or, in the Nazi version, ethnic minorities (inter-war doctors quite often shared the view that sterilisation was a proper way of improving the quality of the population, so there were quite enough non-Jewish German doctors to supply a 'scientific' rationale to Nazi policy,[3] as others today rationalise coercive birth control).

In China, as in Singapore, it is primarily women who are the target of birth control policy, just as they are the subject of male bullying to break the rules. It is surprising that the feminist movement has not been active in protest on the issue. What should be a matter of liberation—the freedom of women to decide their own reproductive behaviour—has been turned into another appalling oppression.

Yet the underlying issue remains. Why, on such flimsy grounds, do government persist in such unpopular policies? The political function of the doomsday rhetoric serves a clear political function in diverting attention away from the responsibility of government, but this macro observation does not easily translate into the dedicated zealotry of thousands of family planning militants worldwide. Perhaps the means of liberation can only be got to so many women by means of a wrong and reckless diagnosis: is this another wretched irony of history?

Notes

1 As in Mao's 1949 position:
It is a very good thing that China has a big population. Even if China's population multiplies many times, she is fully capable of finding a solution; the solution is production...All pessimistic views are utterly groundless
—'The Bankruptcy of the Idealist Conception of History', September 16, 1949, *Selected Works I*, Foreign Languages Publishing House, Peking, 1961, pp 453-54.

2 Aird cites the case of a Chinese who, while studying in the US, conceived a child. The woman's work unit appealed to her to end her five-month pregnancy as a matter of urgency or 20,000 employees of her factory would be punished (p 75).

3 See Robert N Proctor, *Racial Hygiene: Medicine under the Nazis*, Harvard University Press, Boston, Massachusetts, 1988.

Poor Addition to a Rich Literature

Bagaram Tulpule

Working Class Movements in India, 1885-1975 by Sunil Kumar Sen; Oxford University Press, 1994; pp 185, Rs 250.

THERE is no dearth of books, good books at that, on the labour movement in India. Several industry specific and location specific studies are available, besides broad historical studies of the movement as a whole. The dynamics, special features, problems, methodologies, successes and failures of the movement have been examined, analysed and evaluated by several scholars. If someone writes one more book on the subject, one would expect it to offer some new information, viewpoint, analysis or evaluation of the movement or some hitherto unexplored segment or aspect of it. Sunil Kumar Sen's book, unfortunately, does not offer any of these. Sen has, no doubt, scanned a good deal of primary material relating to the movement, including major libraries, National Archives, official reports and documents and so on besides the writings of some other authors. But the presentation of the information gathered from these sources is mainly in the form of isolated events or episodes. They do not generate an integrated picture of, nor throw any new light on, any significant aspect of the Indian labour movement.

An eventful period only a decade short of a century spanning pre- as well as post-independence times and marked by numerous tumultuous and historically decisive episodes is sought to be covered by Sen in a slender volume in which the text proper does not exceed 160 pages. Out of these some 18 pages are devoted to narration of labour events and developments in Jamshedpur alone. It is claimed in the preface that the main focus of the work is "on the part played by the working class in the struggle for independence and socialism" and that the "work is analytical rather than empirical". Actually, however, with the exception of a brief last chapter of some 11 pages, the rest of the book is mainly narrative. Even the last chapter titled 'Aspects of the Working Class Movement' does not offer anything new by way of analysis. And one does not get a clue why, in the title of the book, the author uses the plural 'movements'!

If Sen's purpose is an 'analytical' study, the logic of devoting a whole chapter of as many as 18 pages to Jamshedpur and that too for a period of only 27 years, 1920 to 1947, when the book itself comes up to the year 1975, is difficult to understand. Jamshedpur finds a mention in several other places in the book also. Jamshedpur is, no doubt, a major industrial centre in the country. But in the context of the totality of the labour movement in the country it hardly merits such conspicuous treatment, especially since developments there have usually remained somewhat isolated from the rest of the movement.

For the post-independence period copious documentary material exists in the form of reports, resolutions and statements of the different central trade union organisations, industrial federations like those of railwaymen, defence employees, P and T employees, bank and insurance workers, and so on. The proceedings of the different tripartite bodies, the issues coming up there and the positions taken by trade unions on them, memoranda submitted by trade union bodies to the National Commission on Labour also provide valuable source material for study. The report of the National Commission on Labour is a storehouse of information in itself. For someone undertaking a study of the Indian labour movement, its dynamics, concerns, strategies, internal tensions and conflicts and so on, these sources would be invaluable. Sen, however, does not seem to have even looked at any of these. Naturally, his treatment of the post-independence period has become a more or less bland enumeration of a host of disputes and conflicts in different parts of the country interspersed with some stray generalised remarks here and there.

Accuracy and clarity are not conspicuous features of Sen's narrative. Loose, incorrect, trite or obscure statements abound. Table 1.1 on page 2 bears no caption but purports, judging by the text, to present figures of numbers of workers employed in different industries in the manufacturing sector in the years 1911, 1921, 1931 and 1951. Why the figures are not brought up to 1971 when the book purports to cover the period up to 1975, and the figures are readily available, is not clear. Further, the table does not indicate whether the figures are in tens, hundreds or thousands. The figures given against cotton textiles, for instance, for the four years are 3,340, 2,930, 3,169

[illegible] respectively. Obviously, these figures cannot be in hundreds nor in thousands. Then how are they to be understood? And in any case, employment in the cotton textile industry given in other official sources will not tally with these figures, howsoever they are reckoned. Similarly, the same table shows total employment in the manufacturing sector as 11,707 in 1911, 10,652 in 1921, 10,433 in 1931 and 12,674 in 1951. Apart from whether these figures are in hundreds or thousands and whether they are at all correct—officially published figures are altogether different—Sen's figures would mean that there was virtual stagnation in total manufacturing employment between 1911 and 1951.

Similarly, Table 1.6 on page 15 gives what purport to be rates of fatal accidents in industries during different periods. These, the table says, were 5.0 during 1919-23, 9.2 during 1924-28, 13.4 during 1929-33 and 13.6 during 1934-38 *per hundred*. Again, these figures are absurd. With these kind of fatal accident rates, factories could never have been allowed to work. Actually, officially published statistics show that frequency rates of fatal accidents in factories are of the order of 0.1 to 0.2 *per thousand* per year

In presenting industrial disputes statistics, it is customary to give yearwise figures of number of disputes and number of worker-days lost due to them. In the present book, however, some of the tables give the number of workers involved but not of worker-days lost.

Sen lists 'Indian working class being organised in trade unions' as one of the factors which contributed to the introduction of factory legislation (p 17). Actually, the first factory law was enacted decades before the establishment of the first trade unions in the country.

On page 4, we are told that around 1921 and 1931, "Ratnagiri, Satara, Poona and Kolaba ceased to be the main sources of labour supply" to the textile mills in Bombay. Actually, even today, textile labour in Bombay comes largely from these districts and has done so all along.

About the 1919 textile workers' strike in Bombay, Sen states that workers refused to surrender although "...the Kamgar Sabha advised them to resume work". But there is no mention of any organisation named Kamgar Sabha in the narration and most other records of the strike do not mention any regular organisation of the striking workers at all. On page 41, N M Joshi is described as a 'social teacher' whatever that may mean and on page 43, we are told that Shibnath Banerjee "...went to Moscow and emerged as a labour leader".

A section beginning on page 52 bears the caption 'The Great Depression and Splits in AITUC' giving the impression that the two were somehow interrelated. The text, however, does not even hint at any such interrelation. Elsewhere, Sen has again juxtaposed two unrelated developments as if they were cause and effect: "...With the revival of the Indian economy the government passed the Payment of Wages Act 1937" (p 57). The same trade union body is mentioned as 'Federation of Indian Labour' and 'Indian Federation of Labour' on the same page (68). On page 71, we are abruptly informed that "apparently, the Mazdoor Sabha grew in strength" although the previous several pages make no mention of any Mazdoor Sabha, its location, industry nor is the statement supported by any facts or figures. On pages 82-83, we find the following statement: "the Hindu Mahasabha as well as the Muslim League had been holding meetings and demonstrations propagating partition". Further, on page 83 it is said, "communal riots spread to Bihar after the Noakhali riots in which at least 7,000 persons, mostly Muslims were killed". Are we to understand that Hindu Mahasabha propagated partition and that those killed in Noakhali were 'mostly Muslims'?

A 'Commerce Minister' is mentioned for the year 1924 when at that time there were no 'ministers' of any kind in the Indian government (p 91). In the context of a strike in Jamshedpur in 1928, N M Joshi is referred to as "... the veteran trade union leader..." when he was still to reach 50 and was to live 27 more years (p 98). On page 109, a part of a sentence reads "...the Communist Party which virtually guided the activities of the AITUC from 1948 to 1952...". It is well known that the CPI not just guided but fully controlled the AITUC during the entire post-independence period and even a few years before. Elsewhere, it is mentioned that Kedar Das "... had been elected as secretary to the Bihar Assembly..." Kedar Das, as the text informs us earlier, was elected to the Bihar Vidhan Sabha from Jamshedpur on CPI ticket. How he could be 'elected' as 'secretary of the Bihar Assembly' is a mystery (p 118).

One must resist the temptation to go on adding to these instances. They betray a lack of due care in writing and editing which only aggravates the general poverty of the material presented.

In his total view of the labour movement in the country, Sen regards the role of communists as the most important and decisive both during the pre- and post-independence periods. This is not supported by the known facts about the movement nor do many independent scholars agree with it. Sen does not argue the point seriously and try to refute the view held by other scholars. The fact is that after their co-option by the colonial government during the second world war and especially their opposition to the Quit India movement, communists were clearly thrown on the defensive in the labour movement and their role in the movement has generally diminished over time. The 1949 crack-down on the CPI by the Indian government which was really provoked by the political line adopted by the party in favour of a violent uprising against the established government on the Telengana model is referred to by Sen as "...deadlock in the labour movement..." (p 113). Whatever the merits of the anti-communist crack-down, it affected only the communist-led trade unions which were a small minority in the country. The rest of the movement continued to be vibrant and there was no 'deadlock' in the movement in any sense of the term.

In sum, one wonders how a book with such modest substance written with so little care, hardly edited, got to be published by so reputed a publishing house as the OUP.

Taming Speculators and Putting the World on Course to Prosperity

A 'Modest Proposal'

G C Harcourt

A number of important markets have today come to be dominated by speculative forces: for example, the market for foreign exchange and the stock market. The housing market, too, has tended to be dominated by people who are speculators rather than genuine purchasers of long-term housing services.

But rather than attempting to reintroduce controls, for example on international capital flows, which both the ideological climate and recent technological advances make unrealistic, there is a lot to be said for getting agreements on some 'Pigovian' carrot and stick measures: that is to say, while not directly stopping anyone from doing anything, yet indirectly giving them incentives radically to change their behaviour.

FOLLOWING my Donald Horne Address and its sequel on macro-economic policy for Australia in the 1990s [Harcourt 1992, 1993a], I wrote a jokey paper with a serious intent for the undergraduate Marshall Society journal at Cambridge, my plan to 'save' the world [Harcourt 1993b]. In the present paper I go over some of the arguments in these three papers, and expand them into a discussion of possible policies for the United Kingdom and Europe in particular, though I continue to argue for the need to take a world perspective and to call for international institutions and co-operation.

Initially, I divided the world and its problems into three broad groups.

(1) the developed industrial nations;

(2) the former, so-called socialist countries of eastern Europe and what was USSR;

(3) the developing countries.

I said I realised that this was far too crude a classification but that it would do for the purposes I then had in mind. Now I want to add a fourth and fifth group:

(4) the rapidly growing NICs on the Pacific Rim—Singapore, Malaysia, Taiwan, South Korea, Thailand, Hong Kong and Indonesia (to a lesser extent);

(5) China, which *is* following a middle way, freeing up some markets and industries to capitalist influences and creating some capitalist institutions, i e, stock exchanges, while attempting to maintain a tight authoritarian grip on social and political life.

As a broad generalisation and relative to the first three groups, the internal problems of groups 4 and 5 are under control and their impact on the first three groups is broadly that of an expansionary injection. So I shall continue to concentrate on the first three for they have, again relatively, the most pressing problems.

The principal economic problem of the first group is sustained mass unemployment with which is associated the need for many of them to restructure in order to solve persistent balance of payments problems; of the second, the need to get through transitions to more market-orientated economies without complete social, political and economic disintegration; of the third, the need to provide necessary infrastructure for development, capital goods for their industries, and to find outlets for their exports at steady prices in order to create jobs and raise living standards.

Before setting out what should be done, let me briefly remind readers of the 'vision' of the nature of economic processes that forms the backdrop to the policy proposals that follow. As I argued in Harcourt (1992), there are two alternative 'visions' in economics: one likens markets, or even whole economic systems, to a wolf pack running along smoothly. If, per chance, one or more wolves get ahead or fall behind, forces immediately come into play which quickly return them to the pack. In the other 'vision', the forces which come into play when the breakaways get ahead or fall behind are much more likely to allow them to get even further ahead (or fall further and further behind), at least for long stretches of time. The latter 'vision' underlies the following analysis.

Let me also recapitulate what I wrote in Harcourt (1992) about the nature of markets, their workings and the conditions necessary for them to be beneficial rather than socially harmful.

Modern theory has laid down very stringent conditions which have to be satisfied before it can be claimed, even in theory, that the market outcome is socially desirable. (I repeat that it is a *non sequitur* to go from establishing that there may be, in the fashionable jargon, market failures, immediately to claiming that therefore government intervention will make things better.) The first is that actual prices of products should be a true measure both of the social costs of the resources used to create them and of the satisfaction which their use is expected to bring to their purchasers. That is why price-takers are needed. Producers can then match their costs to externally given standards which simultaneously signal to purchasers the terms on which they can expect to achieve satisfaction. This requires that prices, most of the time, should be such that what is voluntarily demanded is equal to what is voluntarily supplied. This in turn requires that flows of purchases and flows of supplies in markets should dominate the setting of prices. Inventories or stocks, though important for smooth production and sales, nevertheless need to play a subsidiary role in the determination of actual prices. Moreover, if current prices are not achieving this match, they must directly or indirectly give out signals which encourage measures to be taken which will quickly achieve such a match, often a very tall order indeed in many important markets. It also has to be supposed that prices act solely as rationing devices. That is to say, nothing else may be deduced from the price of a good or service about its qualities other than its relative scarcity or abundance. Modern work suggests—perhaps I should have written, has rediscovered—that the demand and supply of labour services, and of credit, do not set up prices with this required characteristic.

If demands are dominated, not by expected satisfaction but by guesses about what prices may be in the future, so that a large element of speculation is present in the formation of prices; and if supplies are offered, not in response to perceived costs but in anticipation of future movements of prices, or of other people's expected anticipations of such movements; then the ensuing prices which are set may bear no systematic or reliable relationship to the real economic factors of

the regular economic activity which, it is argued, prices ought to reflect. And all this is independent of whether power is diffused equally on both sides of the market, or whether it is concentrated in the hands of either buyers, or sellers, or both.

Let me now add a little more on speculation and its effects. The traditional case for speculation was that it reduced the amplitude of fluctuations in prices and helped markets to reach their equilibrium levels more quickly than otherwise would have been the case. But if, as we mentioned, markets behave like the second wolf pack analogy, we have to deal with cumulative movements, either virtuous or vile, rather than supposing there to be an equilibrium 'out there' to be found. We have already mentioned that a number of important markets are dominated by speculative forces: for example, the market for foreign exchange and the stock market, in both of which recent technical progress has reduced the short *period* to a length of historical time which is probably even shorter than the corresponding length of Marshall's market *day*. The housing market, too, has tended to be dominated by people who are speculators rather than genuine purchasers of long-term housing services; or, at least, the two often conflicting purposes may be combined in the one purchaser, egged on by estate agents and the suppliers of finance.

Now all these phenomena are spread, if not world-wide, at least over most of the developed world, so we need to think about international agreements with which to tackle their effects. Rather than attempting to reintroduce controls, for example, on international capital flows, which both the ideological climate and recent technological advances make unrealistic, there is a lot to be said for getting agreements on some 'Pigovian' carrot and stick measures: that is to say, while not directly stopping anyone from doing anything, yet indirectly giving them incentives radically to change their behaviour.

Let us take the foreign exchange markets as an example. If we want exchange rates to reflect real economic forces—trading prospects, real investment opportunities—we need greatly to reduce speculation, and so its effects on the determination of exchange rates in both the short and longer terms. For neither in the short term nor on average over longer periods do exchange rates at the moment reflect these economic activities. This is especially so, if we accept that there is no underlying set of long-term equilibrium exchange rates, reflecting a long-term equilibrium of an interrelated system, but, rather, changing structures which reflect the appreciation and depreciation of individual rates because of the underlying differences in the growth rates of productivity and national products. As I shall argue later, these processes should be tackled by having a fixed exchange rate system with which is associated agreed rules for periodic changes if other measures for attaining internal and external balance in individual countries are not working.

A simple way of tackling speculation and its effects is through the taxation systems of the various countries. The taxation authorities would require that the turnovers of the foreign exchange dealers who pay tax in their countries be classified into three broad categories: foreign exchange bought and sold for purposes of trade (and consumption, e g, tourism[1]), and for long-term investment either in securities or directly. (Insofar as the traders were concerned with the sale or purchase of commodities, spot or future, a case would have to be made by the taxpayers that these were to help production, or that they were legitimate sales, rather than for speculation.) This would leave a residual third category which would be mainly accounted for by speculative activities. Then the proportions of each category in total turnovers would be used to assess the total taxation paid on the profits of the dealers. There would be a much higher rate for the third category than for the first two, so that the larger was the amount of speculation which was financed by foreign exchange purchases or sales, the greater would be the taxation on the profits of the dealers.

Similarly, the purchasers or sellers for whom the dealers were acting would have their business or private incomes taxed at different rates according to the categories into which their transactions fitted. For companies, a higher rate of taxation would be levied in relation to their speculative purchases or sales. For individuals, a surtax on their income tax would be levied, according to how great their speculative activities had been.

Exactly the same sorts of schemes could be used to curb speculation on the stock exchange and in the housing market. The taxation authorities would tax dividends at lower and lower rates, the longer shares were held. The rates of capital gains tax similarly would be lower, the greater was the length of time between purchase and sale. The taxes placed on stock brokers would vary according to the proportions in their turnovers which were accounted for by quick sales and purchases of the same shares—the other side of the coin of the measures outlined above. For the housing market, purchase taxes would be varied according to how many times the taxpayer had bought and sold a house. Exemptions from higher rates would be granted if it could be shown that the sales and purchases were for legitimate economic and social reasons—labour mobility, i e, persons changing jobs and localities, a larger house for an expanding family, or for elderly 'reles' to come to live/die in; and so on. Similarly, the transactions of real estate agents or solicitors would be monitored and they would pay higher taxes according to the proportions of *their* turnovers which were associated with speculative transactions, as opposed to the economically and socially acceptable ones identified above.

All these schemes need to be implemented in individual countries to stop nationals going 'off shore' and so escaping taxes.

Let me conclude by setting out briefly some broad measures with which to tackle the problems we identified for the first three groups.

For the first group, we need a set of co-ordinated measures, both fiscal and monetary, macro and micro, which together will bring about gentle but sustained expansion. These should emanate from the EC countries in co-operation with the US and Japan, and to a lesser extent perhaps, the Antipodes. Included in the set of measures would not only be the more short-term measures of lower rates of interest, investment subsidies,[2] possibly tax cuts (much more debatable for those countries with restructuring problems), but also longer-term institutional changes as well. For example, as I argued in Harcourt (1992), it would be most desirable for central banks to encourage trading banks to take medium- to long-term views on the viability of their customers' business and/or projects and if these are favourable, to back up the banks in seeing through any short-term problems of their customers.

At the same time, the advanced countries should give a lead in creating institutions which have aims which are similar to those of Bretton Woods, especially the set of proposals that Keynes argued for. Especially do we need measures which make both deficit *and* surplus countries react in such a way to their situations as to allow employment to be sustained and growth to continue, individually and collectively. That is to say, we need to have re-established a regime of reasonably stable exchange rates, but with the well understood and accepted proviso that co-ordinated changes may need to occur from time to time, that nothing needs to be carved in stone for ever (except the well known relationships between marginals and averages). If the taxation measures in regard to speculation were instituted internationally, establishing 'Bretton Woods in spirit' would be more feasible.[3]

The second group—the former so-called socialist countries—eventually will hope to make all manner of goods and services that will be able to compete successfully in the markets of the developed and developing countries. At the moment, though, they have idle people and idle capacity even in the activities they are able to handle, mostly in the heavy industries which are a legacy of their 'Stalinist' pasts. Many parts of the developing world, by contrast, lack basic

capital goods for both needed infrastructure and industry and agriculture, as well as the wherewithal with which to pay for them. The World Bank needs to be revamped, and its activities vastly extended, so that it can be one of the main channels whereby purchasing power is provided for these countries to buy this equipment, principally, in the first instance anyway, from the former socialist countries that have the persons and the capacity to provide it. This will help to give the latter economies the required breathing space to develop their needed, longer term, restructuring.

The role of economists at the World Bank (whose comparative advantage is surely in micro-economics) should be to vet individual schemes put forward by governments and industries in the developing countries. A prerequisite for these processes to be able to start up through World Bank grants is first to wipe out, preferably completely, the current huge indebtedness of many developing countries which is now a dead-weight drag on their activities. Such a cancelling of debt will require co-ordination between the advanced and developing countries in order to make sure that the banking systems of the former are not destabilised—again a role for co-ordinated central bank actions in these countries.

If the first group countries are successful in getting their act together, the sustained expansion in their production and incomes will spill over into world markets so as to put a floor under the prices of, and increase the demand for, the export products of the developing countries. This, in turn, will do much to help them to help themselves with their own development. However, it will also be necessary to guard against overshooting—prices spiralling upwards, for example—so we need to turn attention again to some form of buffer stock scheme, perhaps like those proposed by Keynes and, in the post-war years, by Richard Kahn [see, for example, Palma 1994]

Finally, to guard against the re-emergence of inflationary pressures in the developed world, alongside the proposed co-ordination of fiscal and monetary policies and micro-economic reforms, should be developed incomes policies which are allied with trade-offs through their public sectors. These should be package deals which are suited to the institutions, history and sociological characteristics of the countries concerned. Hopefully, these may reverse the trend towards the euphemistically named flexible labour markets, which, quite apart from the social harm they cause, are also economically inefficient. As I argued in Harcourt (1993a: 172-73), money-wage movements which broadly reflect changes in effective productivity *plus* the general price level are beneficial to overall growth as Wilfred Salter (1960, 1966) argued many years ago. For such a policy favours technologically advanced, growing industries and discourages those whose time has not only come but has gone.

I hope it may be seen that all this hangs together and that it is underlaid implicitly by theoretical structures which emanate from Keynes, Kalecki, Kaldor, Myrdal and Joan Robinson.[4] Were it to come to pass, the economies of the world could enter a virtuous upward spiral of sustained expansion and development.

Notes

[While many of the specific policy prospects discussed here have been suggested by others, e g, Ruth Kelly, James Tobin, perhaps I may claim some novelty for the entire package deal of interrelated measures which follows. I thank *without implication* Philip Arestis, Ha-Joon Chang, Ruth Kelly, Peter Nolan, Nevile Norman, Ajit Singh, Beth Webster, the participants of the Queen's Seminar, Lent Term 1994 and of the Post-Keynesian graduate students' workshop in the Lent Term 1994 for their interest and comments.]

1 Ha-Joon Chang reminds me that if this is not to become a loophole some upper limit on purchases will be needed.

2 On the side of real investment governments should take the lead in designing investment incentives which persuade business people to invest in those areas which, overall, governments have decided most need to be developed. Provided these areas are defined broadly enough, the chances of corruption would be lessened, yet neither governments nor their civil servants would be able to dodge the responsibility for giving leadership in what should be partnerships between public and private sectors.

3 Paul Davidson has developed some imaginative scenarios which give detailed content to the policies outlined above: see, for example, '*The General Theory* in an Open Economy Context', a chapter in the book on a 'second edition' of *The General Theory* which Peter Riach and I are editing for Routledge.

4 Though urged to do so by Nevile Norman, I have deliberately not gone into much detail on any one proposal. I thought it better to set out an overview which could be easily absorbed and so let others, if persuaded, provide detailed recommendations for each part. For the same reason, I have also not included orders of magnitude of, for example, the huge rise in the turnover of business on the foreign exchanges in recent decades which reflects the increasing dominance of speculative movements.

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Fate of the Forest: Conservation and Tribal Rights

Amita Baviskar

The recent circulation of a draft Forest Act has once again brought into question the future of India's forests. The draft Act proposes to take a strongly conservationist stand against environmental degradation by severely restricting people's rights to the forest. How environmentally successful and socially just will such a policy be?

This essay examines the experience of adivasis in Jhabua, Madhya Pradesh, whose livelihood derives from their use of the forest, and who are held responsible by the state for destroying the forest. The state's persistent efforts to deny adivasi rights to the forest has resulted in an ongoing conflict that today constitutes the biggest obstacle to forest conservation.

The author analyses the relationships between adivasis, the state and the forest to argue that the future of India's forests is inseparable from the future of India's adivasis. Forest conservation is possible only if people's rights are recognised and established within a larger programme of tribal development.

I
Introduction

Sondwa (District Jhabua) May 28, 1994:

MORE than a thousand Bhil and Bhilala divasis crowded the block headquarters in his small town to submit claims for the egularisation of their encroachments on orest land, locally known as 'nevad'. May 1 is the last date for submitting claims. The ımout, several times larger than that for any lection, took the administration completely y surprise. The sub-tehsil office ran out of eceipt books and had to extend its working the next day, a Sunday.

The prospect of regularisation has driven divasis in droves to the tehsil headquarters t Alirajpur where almost everyone capable f filling up a form is being besieged with equests to oblige. The owner of the local hotocopying shop has made a killing with is package deal of xeroxing the forms (which re in short supply) and filling them up for is customers. For the almost wholly illiterate divasis, such a service is worth even a undred rupees. The biggest bucks, however, ave been made by the village patvaris who eep revenue records and the forest nakedars. 'heir privileged access to government ecords has made them highly sought after s fillers-up of 'nevad' forms. The fast-pproaching deadline for submitting forms as brought money pouring into their hands.)ne patvari demanded a sum of Rs 8,000 rom the people of one village for merely orwarding their claims to the tehsil office; nd, but for the intervention of a local adivasi ade union which opposed such extortionist emands, the patvari would have got it too. 'he adivasis do not know that they are ntitled to free forms. There is supposed to e no fee at any stage of the process of ubmission of claims.

The adivasis who came to Sondwa have *'e facto* control over the land that they ultivate. For decades they have laboured nd tended their 'nevad' fields; they have worshipped this land and raised their children on its bounty. But such is the power of the state over people's minds that they crave the legitimacy accorded by the government. One scrap of paper, in the usually illegible scrawl of the tehsildar, seems to be more real and true than the land and the soil itself. The state's sanction seems more authentic than adivasis' bonds with their earth. This irony is not incidental: it is the cumulative product of years of state intervention in the adivasi relationship with the forest.

The rush to submit claims is a consequence of a Madhya Pradesh government move to implement a central government directive to regularise 'nevad' (encroachments on forest land) which promises to give adivasis title to land that they have cultivated for decades. However, very few adivasis may actually meet the stringent conditions laid down in the ministry of environment and forests order. In order to qualify, adivasis must prove that their 'nevad' encroachment happened before October 1980, that the 'nevad' field does not have a gradient exceeding 30°, and that their legal landholdings do not exceed 2 hectares (ha). The fortunate few who satisfactorily meet these conditions will be entitled to patta (title) for 'nevad' such that their total landholdings reach the 2 ha ceiling. Very few of the adivasis who flocked to Sondwa or Alirajpur will ultimately get the patta that they desire so desperately.

The mass submission of claims also highlighted the utterly shocking state of land records in Alirajpur. The peasant's basic document of proof of landownership is a small booklet that lists the names of the owners, and the size and location of their plots of land. Many adivasis who came to Sondwa carried booklets that had belonged to their grandfathers, that had since acquired the patina and dog-eared look of venerable old age. While their antiquity rendered them mildly interesting as historical objects, they were useless in performing their primary function, viz, recording present-day landownership. Numerous land transfers spread over two generations due to death, inheritance and partitioning, had happened without making their way onto the pages of the booklet. Since getting the booklet updated entails several trips to the tehsil office as well as bribes for the patvari, people usually give up after a while, and make do with obsolete records.

If records of legal holdings bear little relation to actual landownership, records of 'nevad' encroachments are much worse. The only official proofs of 'nevad' are the receipts that adivasis are supposed to get after paying fines for the offence of cultivating forest land. Most people, however, were never given receipts because the fines that they paid went directly into the pockets of the forest guards, nakedars and deputy rangers. When receipts were given in exceptional cases, very often they were small bits of paper that were easily lost or destroyed.

The absence or the poor quality of official records makes it very hard to precisely estimate the extent of 'nevad'. There are no detailed published statistics on the subject, even though the partial data that does exist indicates that 'nevad' forms a significant part of total forest land. An authoritative source estimated that out of Madhya Pradesh's total 15.5 million ha of forest land, 1.6 million ha (more than 10 per cent) was 'lost to encroachment' between 1956 and 1989 [Buch 1991: 12]. In Jhabua district, prolonged agitation by the adivasis of Sondwa block, led by Khedut Mazdoor Chetna Sangath (KMCS), a local trade union, forced the forest department to conduct a survey of 'nevad' in the forests of Mathvad in 1988. The survey recorded that almost every cultivator in the area had supplemented his legal holdings with several small plots of 'nevad'. In one village alone, 14 cases of encroachment amounting to 192 ha of forest land were recorded. Most of these fields have been cultivated since 1970 and even earlier.

The prevalence of 'nevad', and its centrality in the lives of thousands of adivasis

is also reflected in the quantum of litigation regarding forest offences. At least one case of violation of forest restrictions has been registered against almost every cultivator in Sondwa block. While some of these cases pertain to illicit felling of wood or other minor offences, the bulk are related to encroachment.

'Nevad' is a forest crime. According to the forest department, the adivasi practice of clearing forests and converting them into farm land is one of the main reasons for the destruction of the forest. Why then has the government moved to regularise some of these encroachments? Some people allege that this is a populist ploy or 'misguided philanthropy' on the part of the government [Buch 1991:61, 85], intended to please a tribal-dominated electorate. Such regularisation, it is predicted, will prove environmentally deadly in the long run for, once the flood gates are opened, there will be no stopping the deluge of 'nevad' claims. However, from the point of view of adivasis who have for decades been agitating for rights to the forest, regularisation is simply the forest department's surrender of territory that had never morally belonged to it. In this view, regularisation of 'nevad' is a belated first step towards a fuller recognition of adivasis' rights to the forest. Any genuine programme of forest conservation must begin by accepting adivasi rights of ownership and control as its basic premises. This latter argument, however compelling from the point of view of social justice, leaves unresolved the vexing issue of environmental damage. 'Nevad' *does* destroy forests. Where then does the solution lie?

II
Conservation and Draft Forest Act

The episode in Sondwa encapsulates the complexity of the 'nevad' issue. In the official view of the forest department, 'nevad' is part of a package of practices by which adivasis, especially Bhils and Bhilalas, destroy the forest. The degradation of the forest is attributed to 'biotic interference', a term used to describe the assaults made on the forest by local communities seeking fuel, fodder, other forest produce and, in the case of 'nevad', cultivable forest land. The livestock population of Madhya Pradesh increased from 30.6 million in 1951 to 42.5 million in 1981. The pressure of ever larger herds of cattle and goats foraging in the forests has not only destroyed existing vegetation, but has also prevented its regeneration. With the population of Madhya Pradesh swelling by 10 million over the 10-year period from 1971 to 1981, increased demand for fuelwood has led to such intensive lopping that trees have become stunted shrubs. And, finally, the conversion of forest land into cultivation through 'nevad' encroachments is the most unkindest cut of all. No wonder then that an authority on Madhya Pradesh's forests remarked that, "the only symbiosis in the relationship of the Bhils with the forests seems to be that between a meat cleaver and the goat that it is about to decapitate" [Buch 1991: 84].

In order to save forests from further degradation, the ministry of environment and forests has proposed a draft bill called 'The Conservation of Forests and Natural Ecosystems Act' which seeks to meet its objectives by severely restricting local communities' rights to the forest. The act proposes strict state control for 'sound ecological management'. Sections 5 and 34 prohibit state governments from granting pattas or occupancy rights to unauthorised encroachers on forest land, without the permission of the centre. Sections 3(2) and 27A vest the centre with the power to direct any state government to constitute reserved forests in any specific area. According to Ramachandra Guha, the draft Act will sharply curtail people's rights by classifying most forests, especially the better quality ones, as Reserved Forests, to be owned and managed by the state. Sections 1.12 and 13(d) state that the exercise of rights in reserved forests, such as the collection of fuel, fodder, etc, can be continued "subject to the carrying capacity of the land in question and prevention of its overuse". If the land is "already degraded", the Forest Settlement Officer can immediately stop the exercise of rights until he is satisfied that the land has been "restored to its potential productive capacity". Sections 16 and 22A provide that all rights can be commuted, i e, extinguished with a one-time payment, if the government considers this to be necessary for the prevention of "degradation of the said reserved forest". Likewise, Section 76A reserves to the central government the right to make any rules for "rationalising rights, privileges and concessions in respect of forest produce from reserved and protected forests". As Guha remarks, "rationalising" is, of course, only a euphemism for "extinguishing" [Guha 1994].

While closing off people's rights in Reserved Forests, the Act offers them a limited opening in the form of village forests which will be managed to meet the biomass needs of local communities. On closer examination, even this crumb of comfort turns out to be cold. Since the Act states that village forests cannot be constituted from Reserved Forests, and as Reserved Forests predominate in most states, very little area will actually be available for the formation of village forests. And, even in village forests, the state will retain its dominant role. Section 34AA 1(c) vests the power of determining villagers' rights with the state government. Section 34AA 1(j) empowers the state government to take over the management of a village forest if it decides that the local body is unable to protect the forest. Anyone who is deemed to benefit from a village forest, stands to lose rights to pasturage and forest produce in reserve forests (Section 15(3)iii). The Act also arms the state with extensive punitive powers against offenders. Section 64(1) empowers any forest officer, police officer or revenue officer to arrest and detain in custody, without orders from a magistrate and without a warrant, anybody suspected of committing an offence, abetting an offender or obstructing the execution of an officer's duty. Thus, the Act, in its entirety, amounts to a systematic attempt to legislate people out of the forest.

There is widespread consensus that the problem that the draft Forest Act seeks to address is a genuine and pressing one. 22.4 per cent of India's land mass is designated as 'forest'. However, it is widely acknowledged that only 42 per cent of the area thus designated is actually under adequate tree or grass cover; the rest is more or less completely devoid of vegetation [Vohra 1980:3]. With satellite imaging, the government has been compelled to be more accurate in its estimates of deforestation. According to the National Remote Sensing Agency, forests covered 55.5 million ha (16.89 per cent of total land area) in 1972-75. During 1980-82, this area dropped to 46 million ha (14.1 per cent of total area). In the 1990s forests cover a scant 32.8 million ha or 10 per cent of total land area. Whereas four million hectares of forest area was 'lost' between 1951 and 1976, over the last 15 years, 22.7 million hectares of forest has been cut down [Gadgil and Guha 1992:196; UNDP 1992:173]. The rapidity with which we are losing our forests certainly demands immediate attention and action.

But while there is no disputing the fact of the crisis or the need for urgent action, there is considerable controversy about the way in which the government proposes to deal with the problem. Is state-controlled conservation, as envisaged in the draft Act, possible? Will extinguishing the rights of local communities prevent the degradation of forests? What is the optimal—socially just and environmentally sustainable—solution to what is apparently a trade-off between conservation and villagers' demands? In order to approach these issues with any degree of insight, we must examine the relationships between the state, adivasis and the forest. An appreciation of these relationships is essential for designing a conservation-oriented forest management strategy that actually works on the basis of popular support. This essay attempts to conduct such an analysis for a part of Alirajpur tehsil in Jhabua district, Madhya Pradesh, mentioned earlier as the place where the 'nevad' rush occurred. This area is particularly appropriate as an illustration of

the arguments contained in this paper for it has witnessed a sustained struggle by adivasis for their rights to the forest. This area is also the site of a small experiment in community forest management which offers an alternative model for forest conservation. The Alirajpur experience is relevant and significant not only for tribal areas in Madhya Pradesh, but elsewhere in India as well.

In this essay, I shall begin by describing the economy of the Bhil and Bhilala adivasis of Alirajpur, focusing particularly on their dependence on the forest. Then I shall delineate the periodic crises that have erupted whenever the state has attempted to close off access to the forest. Following this, we shall examine the state's analysis of the 'nevad' problem and official responses to these conflicts. The subsequent section will look at the state's own experience of forest management in Alirajpur, both historically and through present practices, especially in terms of their impact on adivasis. I will argue that the forest department's record with respect to environmental conservation contradicts its claims for pre-emptive rights to the forest at the expense of adivasis. In the concluding section, I shall examine some attempts made by a trade union in Alirajpur to initiate an alternate model of conservation based on local management of forest resources. This suggests that the goal of environmental conservation on forest lands can only be achieved by vesting ownership and control with local communities.

III
Alirajpur: Development Profile

Alirajpur tehsil in Jhabua district lies at approximately 22°N latitude and 74°E longitude in the south-west corner of Madhya Pradesh in western India. Here the river Narmada flows into a rocky valley flanked by two hill ranges—the Vindhyas on its north bank and the Satpuras on the south, becoming the border between two states, Madhya Pradesh on the north bank and Maharashtra on the south. Being the western-most tip of the Vindhyas, Alirajpur is mountainous; the hills are covered by dry deciduous mixed teak forests, which have been partly cleared for cultivation. The rocky terrain, broken by gorges and streams, has thin soils. The slopes are watered only by the monsoons and rain tends to vary wildly from year to year. While rainfall averages around 60 cm. in the last seven years it has fluctuated between 41 cm and 96 cm. Consequently, drought is a frequent visitor to this land. Alirajpur tehsil has an area of 2,237 square kilometres. The region is sparsely settled compared to the national average, with a density of only 87 people per square km.

Forty-five years after independence, Alirajpur presents a dismal picture in terms of various human development indicators: a scant 4.6 per cent of the population is literate; only 2 per cent of the women can read and write. Of the tehsil's total population of 1,96,000, only 14 per cent has access to government medical services. A mere 55 (16 per cent) of the 339 villages in the tehsil are electrified. Most villages have no source of safe drinking water. A part of the Bhil belt which stretches from western Rajasthan through Gujarat and Madhya Pradesh to Maharashtra, the population of Alirajpur is overwhelmingly tribal; almost 89 per cent of the people belong to the Bhil and Bhilala tribes. Another 6.7 per cent belong to various scheduled castes. The small non-adivasi population includes Bohra Muslims and Banias, who tend to be traders and moneylenders, and Rajputs. Just as commerce is dominated by non-adivasis, so is the state administration; generally, adivasis are employed only in a few petty posts. There is a sharp social divide between adivasis and non-adivasis (locally called 'bazaarias' or people of the town, by the adivasis), with the latter regarding the former as savage, backward, and contemptible.

Jhabua district is counted among the poorest districts of India, and most of the population of Alirajpur falls well below the poverty line. Almost all the people of Alirajpur make their living from the land. Eighty-three per cent of adult workers cultivate their own land, and another 8 per cent work as agricultural labourers. People mainly grow maize, jowar (sorghum) and bajra (pearl millet) and several kinds of pulses. While the cereals are intended for self-consumption, some part of the pulses may be sold. Oilseeds such as groundnut and sesame are primarily grown for sale. Small quantities of coarse cereals such as 'badi' (*Setaria italica Beauv.* or fox-tail millet) and 'batti' (*Echinicloa colona*), fibre crops like sunn hemp and 'bhend' (*Urena lobata*), and several kinds of fruits and vegetables are also grown for own use. Although people grow as many as 20 different crops, agricultural productivity is low due to skeletal soils and unpredictable rains. Only 8 per cent of the total cultivated area of Jhabua district is irrigated. Out of the district's total of 97,674 agricultural holdings, 91,507 holdings (93.6 per cent) are classified by the government as uneconomic.

Since their legal landholdings are marginal, people rely as much on livestock and the forest to sustain themselves. Access to the forest enables adivasis to own large herds of livestock that would be impossible to maintain otherwise. Besides keeping draught animals to work the land, most households have at least one cow and several goats. The better-off adivasis keep buffaloes and large herds of goats. Goats are the preferred form of livestock in Alirajpur, just as they are preferred by poor people everywhere for their ability to thrive on low-quality fodder and for the comparatively small investment that their purchase entails [Jodha 1994: 165]. While there is little significant differentiation in the size of legal landholdings among adivasis, the size of livestock herds tends to vary quite a bit. Thus relative wealth is dependent on the number of cattle, goats and hens that a family owns. Villages where nearby forests provide plentiful fodder take in livestock from less well endowed villages for part of the year, in exchange for some cash or agricultural produce and the right to the manure.

Dependence on Forest

As important as legal land and livestock is the forest. Although the forests of Alirajpur have been written off by the experts as highly degraded, and indeed, crown density is 40 per cent or less, they still manage to sustain the tribal economy in a surprising variety of ways. In one village alone, people easily identified 150 different tree species and described their different uses. Through the seasons of the year, the cycle of collecting various forest produce marches along with the cycle of agriculture [Baviskar 1994]. Adivasi homes, constructed entirely of teak, bamboo and 'anjan', with floors of packed mud and cowdung, are in a way simply the forest transformed.

The forest is the source of much more than house-building material; fodder, fuel, fibre, fruit, medicines and edible gums figure among items too numerous to list here. To name only five of the most important species: bamboo is woven into baskets, some of them four feet high and equally wide to store grain; arrows and bows are made from bamboo as are fishing traps and brooms and axe handles; strips of bamboo line the roof so that baked clay tiles can rest on them. The flowers of the 'muhda',[3] the tree prized above all others, are eaten as well as dried and distilled for liquor; the fruit is pressed for oil. 'Anjan' (*Hardwickia binata*) yields a fibre that is used to make rope; its wood is burnt as well as used for making cots; its leaves are eaten by goats. Then there is 'temru' (*Diospyros melanoxylon*); its leaves are rolled to hold tobacco and smoked as bidis, its fruit eaten, its wood used to make carts. Finally, teak is used to make all agricultural implements—ploughs, hoes, rakes—drums and kitchen utensils; its wood is burnt; its large leaves are used to make packages for storing dried chillies or groundnuts.

The continuity between the forest, animal husbandry and cultivation is reiterated through rituals that seek to control and manage nature. Just as there are proscriptions against consuming certain crops during 'chaumasa' (the season of the rains), there are taboos about cutting green fodder and

teak leaves from the forest during the same season. Only when the gods have been propitiated after the rains can these products be used. In the 'gayana', the Bhilala song of creation, teak and 'pahal' (also called 'khakra', *Butea monosperma*) are as crucial in the myth as is jowar (sorghum) [Baviskar 1994].

Access to the forest enables adivasis of Alirajpur to hold their own economically. What is classified in government terminology as 'minor forest produce' is an integral part of what they live on. Besides self-consumption needs, they trade forest produce along with some of their agriculture produce for merchandise such as cloth, jewellery, iron implements and salt. And in years when the rains fail, the forest is refuge, they cut wood for sale in the market. As one adivasi observed, "during the drought, the forest is our moneylender". Whereas people from other drought-stricken areas are forced to migrate in search of a livelihood, the adivasis of Alirajpur who still have access to the forest manage to stave off starvation and avoid migration by selling forest produce. During a particularly lean summer, when asked why he and his fellow-villagers had not migrated for 'mazdoori' (wage labour), one Bhilala man replied, "we are doing *cheek ki mazdoori* right here". That is, villagers survived by collecting and selling the aromatic resin exuded from the 'halai' tree (*Boswellia serrata*).

The most controversial use of the forest by adivasis is not wood cutting, grazing or collecting forest produce (even though all these practices are blamed for destroying the forest), it is 'nevad'. The word 'nevad' literally means 'new field', or places that have been cleared and made suitable for cultivation. However, now it is used only to refer to encroached fields. There are two kinds of 'nevad'—revenue and forest, depending on which department happens to own the land encroached upon. In Alirajpur, forest 'nevad' is by far the more contentious category. The statistics about 'nevad' speak for themselves: the claims submitted in Sondwa revealed that each household cultivated 'nevad' holdings that were three to 10 times larger than its legal holdings. Since the size of legal holdings is too small for subsistence, it becomes imperative to supplement them with 'nevad' cultivation. 'Nevad' fields tend to be tiny patches of cleared forest, usually discreetly tucked away in the high hills. The land is generally sloping, with thin soils that are easily washed away. But despite its drawbacks, this land keeps the adivasi economy of Alirajpur on its feet.

Conflict over Forest

Since 'nevad' is crucial for adivasi survival, any attempt made by the state to stop it evokes immediate and strong reactions. Every time the forest department has tried to repossess 'nevad' fields, it has encountered widespread resistance. Adivasis refuse to surrender their 'nevad' because doing so would directly threaten their livelihood. They have made frequent representations to the administration to settle their claims through negotiation, but there has been no positive response to their call for a dialogue. The forest department, on its part, has rarely tried to find an amicable solution to this conflict,[2] preferring to enforce its claim with the unilateral use of force. Most confrontations have been sparked off when forest department parties have suddenly descended on an area and started digging CPTs (Cattle Proof Trenches), attempting to cordon off an area that may include grazing lands as well as 'nevad' fields. Such an incident occurred in March 1991 in Kiti village when the police fired to disperse assembled villagers from Kiti, Keldi and Vakner, who had been peacefully resisting CPT work.[3] In another instance, forest guards came with a herd of cattle and set them to graze on standing crops in 'nevad' fields that belonged to Semlani village in August 1993. Very often, the forest department provokes a confrontation by setting its labourers to digging holes in the middle of 'nevad' fields, ostensibly for planting trees, as was done in Pujara ki Chauki village. Since this work can never have local co-operation, the forest department brings in labourers from distant villages under heavy police escort. In the instances when the forest department's attempts to reclaim 'nevad' have led to retaliation in the form of villagers throwing stones, the crisis has been precipitated precisely because of the state's use of force at the very outset.[4]

It must be noted that, while enclosure is justified on sound grounds from the viewpoint of conservation, viz, it allows the forest to regenerate through protection and tree plantation, in practice enclosures made by the forest department rarely achieve this laudable objective. Despite cordoning off the forest and related measures like confiscating livestock found grazing in the forest and fining trespassers, the survival rate of planted saplings in most areas is so abysmal that it is difficult to discern the difference between the degraded forest and the enclosed portion which has had the benefit of the forest department's ministrations. We shall discuss the reasons for this failure later.

Besides the violent mass confrontations that have occurred in villages like Kiti, Semlani, Pujara ki Chauki, Umrath, Khodamba and so on, the conflict over the forest has also been a ceaseless war of attrition, by which the forest department has tried to terrorise adivasis into submission. As mentioned earlier, the legal weapons used include litigation and confiscation. The forest department has registered thousands of cases, many of them on trumped up charges, against adivasis for violating forest laws. This has trapped people in a wearying round of visits to the police lock-up and the court. The harassment and the expense entailed are considerable. People also risk getting their livestock confiscated and have to pay to get them back. If a pair of bullocks are confiscated at the time of ploughing during the crucial agricultural season, it can cripple an adivasi household's agricultural prospects for the entire year. If these forest offences are a measure, then almost every adivasi in Alirajpur is a criminal several times over.

More often than not, the means used by the forest department against adivasis are illegal. Villagers recount stories of the beatings that they suffered in the hands of forest guards. They remember times when the 'nakedar' or deputy ranger would enter their village and order that several hen be slaughtered and a feast of chicken and 'pannia' (bread cooked between leaves) and 'muhda' liquor be served for the pleasure of the officers. Earlier, forest guards would simply demand and receive a bottle of ghee or a bag of groundnut; no one dared resist. When called upon, an adivasi had to put aside his work and escort the forest official to the next village, carrying his bag for him. And a constant accompaniment to all these demands were the monetary bribes that villagers had to pay to persuade the forest department to look the other way.

Since 1982, the forest department's ability to get away with such blatant abuse of power has been sharply curtailed. A trade union called Khedut Mazdoor Chetna Sangath (Organisation for the Consciousness of Peasants and Workers) has mobilised adivasis in about 95 villages to collectively fight for their rights to the forest. When the Sangath has sent representations asking the administration to negotiate a resolution for the 'nevad' issue, it has been rebuffed. Since then, the Sangath has had to adopt more aggressive tactics like mass demonstrations, hunger strikes, and the obstruction of forest-related work. These have succeeded in putting an end to some of the excesses of the forest department, such as the petty violence and corruption. The Sangath's work is not defined by defending 'nevad'; its objective is the wider cause of empowering adivasis in their struggle to live with dignity, without being exploited and cheated, with control over the resources and processes that so vitally affect them. To this end, the Sangath has tried to work on several fronts—from organising a co-operative shop, teaching literacy in Bhili and Bhilali, to initiating a soil and water conservation programme, to generally strengthening adivasis' ability to stand up for their rights. For its troubles, the Sangath has been frequently called 'naxalite', the most recent sub-divisional magistrate (SDM) in Alirajpur going so far as to propose the

analytically interesting label of "semi-naxalite outfit masquerading as voluntary organisation" [Pathak 1994:10]. For the most part, the local administration has chosen to treat the mobilisation around the forest rights issue as a law and order problem, to be suppressed by means of state violence.

Tribal Development in Alirajpur

A few administrators, however, have perceived the links between the issue of forest rights and the condition of adivasis in general. Realising the immense hardship entailed if adivasis were forced to give up 'nevad', different administrators have initiated different schemes, all of them ultimately driven by the logic of getting adivasis out of the forest. Each SDM or district collector has his pet projects for tribal development. While each SDM usually manages to finish constructing the mandatory fountain in Alirajpur town during his tenure, the development programmes stay half-done, only to languish and die during the reign of the next SDM. Some projects are wacky in the extreme. One SDM proposed custard apple cultivation on 'nevad' land as the panacea for adivasi poverty, much in the manner of Marie Antoinette telling the peasants to eat cake. When people barely manage to grow enough grain to see them through the year, to expect them to switch to a highly perishable luxury crop, in a place where infrastructure for transport and marketing is practically non-existent, is a ludicrous idea.

The lure of lucrative markets beckoning enticingly from a distance works a powerful magic on administrators, most of whose schemes focus on getting adivasis further integrated into the market. Instead of strengthening their natural resource base or improving their access to basic services such as health, education or drinking water, government schemes tend to prefer giving a one-time subsidised commercial asset—a milch cow (the Madhuban scheme), a truck (the Raftaar scheme), which is supposed to generate income. In keeping with a view of life seen from the front seat of a Maruti Gypsy, the last SDM's pet project was road improvement. In 1994, the state government sanctioned Rs 2.06 crore under the Innovative Jawahar Rozgaar Yojana scheme for a year-long project that concentrated on helping 12 villages in the Alirajpur area. Of this, Rs 1.22 crore (59 per cent) was allocated for road construction; Rs 0.3 crore (14.5 per cent) for education (constructing two school and three hostel buildings); Rs 0.28 crore (13 per cent) for soil and water conservation; and the rest for health cover and drinking water [Pathak 1994]. This allocation of funds was sanctioned for a scheme intended to generate employment! Of course, employing people to build roads has always been a time-honoured device in drought-relief programmes. However, while road works provide short-term employment, they do little to address the root causes of poverty and unemployment. Such money could be used much more productively for soil and water conservation schemes which have the potential to create long-term employment and income, using local resources. But the SDM's expert opinion on people's priorities, and his prescription, prevails over the demands of the people themselves.

In a way, road building fulfils a social need, itself a consequence of poverty in Alirajpur. Roads facilitate migration out of the area. As the situation of adivasis deteriorates, their migration to urban construction sites and agricultural fields in neighbouring Gujarat has increased. The SDM's project proposal says as much: "The common feeling was that with a good road, public transport would increase and *people could go out of the area for employment*, as well as take their meagre exportable surplus outside" [Pathak 1994:9; emphasis added]. In the absence of adequate state investment for making the Alirajpur agricultural economy more productive, adivasis have no recourse but to labour elsewhere. In the summer, in some parts of Alirajpur that do not have access to forests, entire villages may be found deserted but for a few elderly people. Bhils and Bhilalas have traditionally migrated during times of famine; but now they migrate every year, in much larger numbers, travelling further and staying away longer. State tribal development programmes have not helped them survive; 'nevad' has.

IV
State Management of Forest

When the administration blames adivasis for destroying the forest through practices like 'nevad' and tries assiduously to stop them, it chooses to ignore its own record of forest degradation. All over India, the government has continued the colonial policy of managing the forest for maximising its own short-term profits, without respecting the rights of local communities to use the forests for subsistence [Gadgil and Guha 1992]. In Alirajpur, commercialisation of the forest started after 1869, when the princely state of Alirajpur, ruled by Rajputs, was placed 'under the superintendence' of a British Political Agent. Before that, the forest was left to the adivasis. As the term 'nevad' (literally 'new field') indicates, adivasis in Alirajpur seem to have been shifting cultivators who were free to move from one place in the forest to another. As long as they fulfilled their obligation of free labour for the king, and paid up their taxes (calculated as a fixed rate per plough), they could use the forest for meeting their subsistence needs.

Around 1870, adivasis were 'encouraged' to stop 'dahia' (shifting cultivation) and settle down. Guha and Gadgil observe that "...almost without exception, colonial administrators viewed [shifting cultivation] with disfavour as a primitive and unremunerative form of agriculture in comparison with plough cultivation. Influenced both by the agricultural revolution in Europe and the revenue-generating possibilities of intensive (as opposed to extensive) forms of cultivation, official hostility to [shifting cultivation] gained an added impetus with the commercialisation of the forest. Like their counterparts in other parts of the globe, British foresters held [shifting cultivation] to be the most destructive of all practices for the forest, not the least because it competed with timber operations" [Guha and Gadgil 1989:152].

Earlier there had been no clear demarcation between revenue and forest land and administration of both was vested in the same official. Within the jurisdiction of his village, the headman gave permission for expanding cultivation. With the tightening of colonial rule, the authority of the headman to permit fresh clearings in the forest came to be abrogated and was instead vested with state officials [Nath 1960:27]. In the process, property rights were sharply redefined. However, in the more remote parts of Alirajpur, such as Mathvad, customary rights continued to be respected. The ruggedness of the terrain and the absence of roads limited the extent to which forests could be exploited for timber. As long as the state received its due, the thakur turned a blind eye to 'nevad', the expansion of cultivation. Without competition from large-scale state-sponsored deforestation and the pressure of increasing population density, 'nevad' could remain politically and ecologically tolerable. It must be emphasised, though, that Alirajpur was unusual in its geographic isolation which insulated it for almost 100 years from the widespread commodification of the forest that occurred around this time.

From being an intrinsic part of peasant agriculture, forests came to be inserted into a commercial economy which sharply undermined the ecological basis of subsistence agriculture, hunting and gathering. While adivasis were being increasingly excluded from the forest and their customary use rights restricted, in most places this was not justified by the British on grounds of environmental protection, for no policy of conservation was instituted. Land was leased to contractors whose activities turned vast tracts of forest into semi-barren land [Aurora 1972:87]. Indian teak was extensively used in ship-building for the royal navy in the Anglo-French wars of the early 19th century and by the merchant ships in the later period of maritime expansion, as a substitute for the depleted

oak forests of England and Ireland [Guha and Gadgil 1989:145]. The expansion of the railways (1870-1910) for the movement of troops and trade in the subcontinent also resulted in widespread destruction of the forests for manufacturing sleepers. The British 'reservation' of the forests for their own use resulted in large-scale felling in this region too. In the summer of 1877, "though the [Narmada] was unusually low, a flotilla of 625 logs and 6,000 rafters was, after a month's passage, safely and without incident floated from the north-east of Akrani to Broach [Bharuch], where it fetched more than three times the amount spent on felling, dragging, and floating it down" [KG 1880:9].

Under the British, land was surveyed and new tax rates fixed on the basis of size and quality of landholding, not per plough or on the basis of ability to pay as had earlier been the case. As a result, state receipts from land revenue went up by 50 per cent. Colonial efforts to survey and enumerate, ostensibly to aid good governance, invariably ended up to their monetary advantage as well. The administrators made strenuous efforts to know in order to tax and take away; only vociferous objections from the populace held them in check. In Alirajpur, to this end, the Native Superintendent wrote that, "..I am of the opinion that all the Mangoe [*sic*] and Mowa trees within the Rajpore state should be enumerated and registered in a Book, which will prove of service when some disputes arise about possession. Also, it is possible, when all the trees have been enumerated, that a tax, which will be deemed fit, may be levied" [NAI[b] 1870].

With this view, measures were adopted to ascertain the total number of trees, but the work was stopped when the Bheel Agent was informed of the cultivators' 'displeasure'. The superintendent went on dismissively, "On this, I minutely inquired into the matter and informed Captain Cadell that they were not at all displeased on account of the trees, only they had entertained a doubt, which was removed by discontinuing the enumeration measures. But it is usual that the cultivators grumble and murmur at every new arrangement" [NAI[b] 1870]. Similarly, a list of about a 100 local trees and their various uses was prepared in 1894 with a view to their commercial exploitation [NAI[b] 1894].

The methodical mapping of tribal resources—the enumeration of the flora and its consequent exploitation, and the systematic shift to monetary taxation which commercialised agriculture—resulted in enormous deforestation and soil erosion, affecting people's ability to provision themselves on their own. The crushing pincers of the state's revenue exactions and the depletion of natural resources must have made survival even more precarious than usual, necessitating seasonal migration to the fields of Gujarat, Nimar and the Tapti valley in years when famine stalked the land.

Ironically, the only historical evidence of the destruction of forests and its consequences is the immediate and enormous increase registered in the state's income, mainly from land revenue, excise dues and forests. Statistics for Alirajpur state's receipts from 1901-02 to 1937-38 show a three-fold rise in total revenue over a period when the rupee did not change significantly in value. Land revenue grew from Rs 38,000 in 1901-02 to Rs 2,41,540 in 1937-38, an increase of 635 per cent. Excise receipts rose from Rs 16,000 to Rs 37,521, an increase of 234 per cent. Over the same period, the forest department registered the greatest rise, mainly from massive deforestation and the sale of timber; while it had generated Rs 11,000 in 1901-02, in 1937-38 it produced Rs 1,13,564—an increase of 1,032 per cent. Expenditure statements show that a good third of this revenue went to the maintenance and expansion of police and revenue collection agencies [Aurora 1972:82].

The dominance of commerce and colonial administration over the tribal hinterland was spatially represented by the emergence of towns at places where 'haats' (weekly markets) were held. According to traders in Valpur and Chhaktala (towns in Alirajpur tehsil), the institution of the 'haat' has existed since known times, but all the present permanent traders are immigrants who settled there four or five generations ago [Aurora 1972:69]. The 'haat' metamorphosed into small towns which were locations of institutions of political authority as well as points in the trade of produce. These towns served as nodes which channelled regional surplus into a national market. Forest produce such as timber, lac, mahua flowers, for example, would go from the 'haat' "to Dohad (Panch Mahals) and Kukshi (Dhar), the nearest foreign markets" [Luard 1908:604].

After 1947, when India became free, the kingdom of Alirajpur merged with independent India as a constituent of the state of Madhya Bharat. Jhabua district was constituted in 1949 and Alirajpur became a tehsil within it. Almost the first act of the new regime was to order a detailed land survey for permanent settlement. Titles to land were issued, soil types were assessed, and regular rates of land revenue were fixed. For the adivasis, land settlement was simply land alienation. Enumeration left out many 'nevad' holdings, either because they were too high up in the hills for surveyors to check comfortably, or because their adivasi owners had not paid adequate bribes to the patvari. Other adivasi rights to the forest were also curtailed, leaving only limited rights of usufruct which were channelled through 'nistar' depots run by the forest department. Thus adivasis were supposed to approach the forest department for their every need instead of going directly to the forest.

With the passing of power into the hands of the Congress nationalists after independence, the state embarked upon the project of 'development'. The independent state's agenda of progress called for accelerated industrialisation and modernisation together with a populist 'welfare' component in the form of anti-poverty programmes. The state was charged by the Constitution to "promote with special care the educational and economic interests of the weaker sections of the people, and in particular, of the scheduled castes and scheduled tribes, and [to] protect them from social injustice and all forms of exploitation" [GOI 1978:4].

To this end, Jhabua district was declared a scheduled area in 1950, and Bhils and Bhilalas were classified as scheduled tribes by 1956 [NCAER 1963:191]. Welfare measures such as ashrams (residential schools), income generation schemes such as the Integrated Rural Development Programme (IRDP), and government-controlled co-operative societies were started. However, most government programmes consisted of handouts in times of distress, especially during drought, which failed to address the underlying causes of adivasi impoverishment. Tribal rights to the forest remained unrecognised; their continued alienation from the land base upon which they depended for sustenance precluded any opportunity for genuine gains in power and prosperity.

This is not surprising when we examine the overall framework of the national policy for tribal areas and tribal communities in the country. According to the Report of the National Council of Applied Economic Research, the aim of the policy

> is to integrate the tribal communities within the body politic of the nation. This is sought to be achieved through raising the standard of living in the tribal areas to that in the rural areas of the country. Since the tribal areas are exceptionally backward and primitive, welfare of the people living therein is sought to be achieved through some measures of protection during the next 20 years. This protection is in respect of seats in parliament and legislatures, reservation in services of all types and categories, educational benefits and economic protection. The aim of the government is to level up the tribal communities without unduly damaging their social structure or interfering with the way of their lives [NCAER 1963:vi].

To this lofty end,

> top priority has been given to a programme of rapid industrialisation and extension of means of communication to the most

'interior regions' in the state. Our firm view is that the development of land and agriculture alone will not be adequate for the rehabilitation of the tribal communities. Agricultural land is insufficient and cannot serve the needs of even half the tribal population of the state. Fortunately, the tribal areas of the state are rich in industrial and power potential. There is no reason why in the wider interest of the nation and in the long-term interest of the tribals themselves, industries should not be developed and localised in tribal areas [NCAER 1963:vi].

In the 'wider interests of the nation', the state has exercised its prerogative of claiming eminent domain—the greater good of the people—to pre-empt resources for itself. Yet the pursuit of these policies has brought about rapid exploitation of natural resources in tribal areas, violating the interests of dispossessed adivasis. Between 1951 and 1976, 4,79,100 ha of forest were lost to river valley projects, and another 1,27,200 ha to establish industries [Gadgil and Guha 1992:196]. The colonial policy of 'scientific forestry' has become even more profitable after independence as industrial demand for wood has escalated.[8] In Madhya Pradesh, the state government recently announced that it will turn over degraded forest land to private industry for planting trees for their own use. It is well known that it is primarily the rural poor who depend on these degraded commons for fodder and fuel [Jodha 1994]. Their replacement by private timber and softwood plantations will further reduce villagers' access to resources essential for survival. The acceleration of extraction has been matched by the expansion of administrative control to further restrict adivasi use of the land and the forest. These regulations have become the source of a steady stream of remuneration for petty officials who browbeat adivasis who break the law into the submission of bribes and 'gifts' of omission. Meanwhile the forest department, legendary in its corruption, colludes with timber merchants to decimate the forest.

Forest Management Today

Aurora quotes the administrative report of Alirajpur state for 1939-40 which states that "about half the area of the state is under forests, of which 289 square miles is reserved forest and 149 square miles is unreserved forest" [Aurora 1972:59]. But even in 1939, much of this forest had been degraded due to timber extraction by the forest department. Since 1939, further areas were felled for timber as well as cleared for agriculture. The history of Alirajpur shows that forests were used primarily by the state to generate revenue for itself; an orientation that is reflected in present-day management practices as well.

By reserving the best forests for commercial timber, the forest department has closed off local people's access to the forest for meeting their subsistence needs. The village forests and pastures that would otherwise have met some of people's needs were anyway either destroyed or classified as reserved. In this way, the problem of 'biotic interference' is a creation of the management strategy adopted by the forest department which focuses on growing uniform crop and age timber forests. As M N Buch explains, "Had the forests consisted of the mixture designed by nature, with ground flora serving the needs of cattle, the lower and middle storeys serving the needs of the people in the matter of fuel and timber and the upper storey serving both environmental requirements and timber needs, even biotic intervention would have caused only a minimal damage to the forests" [Buch 1991:59].

The mandate of 'environmental conservation' has been given into the hands of a bureaucracy that has so far managed the forest for profit, both public and personal. It is now expected that forest officials, who have so far only been trained to measure diameter at breast height (DBH) and determine if a tree is ready for felling or not, will be competent judges of the ecological 'carrying capacity' of the forest. The orientation of the forest department has been towards maximum exploitation of the forest; there has been no evidence so far that the forest department has the knowledge, skills or sympathies to manage the forest for their conservation. Judgments about 'carrying capacity', an ecological concept that, in any case, is extremely hard to operationalise, will be made by forest officers who have the power to deny all long-standing rights and claims of local communities.

The draft Forest Conservation Act continues to have the same deadly bias that the existing Indian Forest Act contains: it entrusts the task of conservation into the hands of an organisation that lives off the forests and the adivasis. The official discourse on 'nevad' and 'biotic interference' chooses to disregard the unofficial transactions to which it has given rise. From the legal sanctions against adivasis' use of the forest derives the power of forest officials; the act has sown the seeds of a thriving corruption. People can have access to the forest, but for a price, usually payable in cash, fowl, ghee. If the forest department were to really cordon off the forest for conservation, this steady stream of income would dry up.

Another stream of unofficial transactions that would end if the mandate of environmental conservation were implemented in earnest is smuggling. The illegal sale of wood by forest department officials and contractors working together has been common in the better forested parts of Alirajpur. A more recent trade is smuggling 'halai' resin, trade in which is banned. In May 1994, a consignment of resin valued at Rs 2 lakh was intercepted by the Gujarat authorities outside the Alirajpur border. The smuggler in question was chagrined; his seth (financier-boss) reportedly paid Rs 20,000 per month to the Madhya Pradesh and Gujarat forest department checkposts to let his stuff go through unharmed. The previous year, when another consignment had been stopped on the state border, the smuggler negotiated an ingenious compromise: instead of confiscating and fining him on the basis of the value of resin in his truck, the forest department officials allowed him to remove the resin originally intercepted and replace it with inferior quality stuff so that the value of the consignment and therefore the fine payable on it would be considerably reduced. This generosity, of course, was made possible because of the fat bribes given by the seth to the forest officials. Conservation, properly implemented, would put an end to these mutually advantageous arrangements.

Since it is in the interests of the forest department to retain control over the forest, schemes for power-sharing with adivasis have never really got off the ground in Alirajpur. The Hitgrahi Yojana—a scheme in which forest land is leased to landless tribals for growing forest crops—was implemented in the mid-1980s as a compromise solution to the problem of 'nevad'. The entire cost of afforestation was to be met by the forest department, with a monthly cash grant being given for five years to support the adivasi till the forest crop matured. Adivasis were to have the right to the usufruct of the entire crop, including the corpus of the trees as may be grown and harvested. With the intervention of the Khedut Mazdoor Chetna Sangath, some villages of Alirajpur were involved in this scheme. People planted tree crops on some of their 'nevad' land, but their initial mistrust of the government was borne out when the promised monthly payments stopped after three or four months. After initiating the scheme, the government aborted it by providing inadequate funds. The Hitgrahi Yojana and other failed afforestation schemes such as the community woodlot programme [Chambers et al 1989:164] are precursors of Joint Forestry Management (JFM) schemes which, after succeeding in West Bengal, are being tried out in Hoshangabad and Jhabua districts in Madhya Pradesh. Whereas JFM has elicited enthusiastic popular participation in West Bengal [Viegas and Menon 1993], in Alirajpur the forest department has formed village forest protection committees without holding proper village meetings, selecting office bearers at will [Banerjee 1993]. Villagers have gained from temporary wage employment, but there has been no meaningful participation or sharing of power.

JFM in Alirajpur also seems to have gone the way of other government programmes.

Conclusions about Future of Conservation

We have seen that the forest department's efforts to protect forests have inherent contradictions and limitations which have brought about the present crisis in forest management. If power is further concentrated in the hands of the government, as the draft Act proposes to do, then the problem of forest degradation will be made infinitely worse. At present, there are few mechanisms to check the abuse of power by the forest department; increasing power without an accompanying system of outside control would place the forests and the people entirely at the mercy of the state. What then would be a better approach to ensure that the objective of environmental conservation is achieved? How would sharing power with adivasis show a way out of the environmental crisis?

The adivasis of Alirajpur are today living on the edge, forced to cultivate 'nevad' fields on fragile hill slopes and collect forest produce in order to avoid migration in search of work. They continue to be heavily dependent on the forest for their survival. Because adivasis have no security of tenure, and live under the constant threat of eviction, they cannot invest in improving their land. Their poverty prevents them from planting tree crops that have a long gestation period, and the illegality of their position precludes their receiving loans from the government for making agriculture more productive. Since adivasis' rights to the forest are not recognised, they have no stake in protecting it from the depredations of the forest department or from outsiders.

The first step towards recognition of adivasis' rights must be a comprehensive survey to systematically map all rights, claims and existing uses of the forest by adivasis. At present, rights are exercised on an *ad hoc* basis, as concessions grudgingly granted by the forest department. Adivasis have no guarantee that they will be allowed access to the forest on a regular basis. Therefore we urgently need a 'forest settlement', not to 'extinguish' or 'commute' rights, as the draft Act intends to do, but to recognise and incorporate them into a management strategy, into institutions and practices of participation. Secured access to the forest is a precondition for eliciting popular participation for environmental conservation. This implies that the state must also take the bold but essential step of settling legitimate 'nevad' cases. Ignoring the problem or trying to suppress it will impoverish the forest as well as the adivasis. And we must remember that it is adivasis who have a pre-eminent right to the forest, and not the state.

But regularisation of 'nevad' alone is not enough. Merely granting adivasis security of tenure and improved access to the forest does not equip them to improve the land or the forest. Considerable investment must be made for environmental conservation programmes to succeed. In addition, there has to be greater co-ordination between environmental conservation and tribal development programmes. Tribal development, which is presently a moribund affair, benefiting only the bureaucracy, has to be integrated with environmental conservation so that adivasis have a chance to create sustainable, self-reliant livelihoods for themselves. Both channels of state intervention—forest policy and tribal development policy—will only work if they articulate and address adivasis' felt needs. Such sensitivity has never been a distinguishing feature of top-down government policies; only when adivasis have acted politically has the state administration been forced to improve itself.

A group of villages in Alirajpur have demonstrated that the potential gains from political action in combination with environmental conservation work are infinite. The villagers of Attha, Gendra and Umrath have been active in the Sangath for several years. Their organisation into the Sangath, together with hundreds of other villagers, has allowed them to safeguard access to their 'nevad' fields. This collective sense of security has enabled them to invest in soil and water conservation measures on a large scale. Through a slow process of trial and error, people have tried to evolve a conservation strategy that works best for them. The Attha efforts are not perfect; activists' and villagers' interest and participation have flagged at times. But, despite the many setbacks, the achievements are there for all to see.

Work through the Sangath has concentrated on two fronts: improving 'nevad' fields and managing the rest of the forest for sustainable fodder yields. Labour collectives have worked on bunding and gully plugging to prevent soil erosion from the fields. One year, villagers ran a nursery to grow saplings for planting. When they found that trees planted in 'nevad' fields did not do well because they needed too much tending, people chose more manageable sites close to their houses. Since people could select tree species and plantation sites that best met their particular needs (field boundaries or close to their houses), survival rates were high, in stark contrast to the failed plantation work of the forest department. People have adopted innovative crop-mixes, combining bamboo and pulses for instance, and invested considerable labour and thought to use the land to optimal advantage. Since such conservation started, some 'nevad' fields have become showpieces worthy of any pampered agricultural extension station.

Villagers have collectively decided which parts of the forest should be closed to livestock to allow regeneration. They found that trying to save more distant patches of forest was harder; not only were they difficult to guard, but the competing claims of other villages often led to quarrels. Instead, people chose to cordon off forests close to their fields which are easier to monitor. People take turns to regularly patrol the closed-off area. The increased fodder output is shared among the members. People have now also started planting trees on forest land. The only response of the forest department to this initiative has been to file a 'panchnama', recording this 'offence'.

Why has Attha succeeded where others did not even try? One reason could be the increasingly acute scarcity of forest produce around Attha which forced people to initiate action themselves. Gondvani and Vicholi are two villages near Attha (not members of the Sangath) which started planting bamboo on their land since bamboo disappeared from the forest. Other villages in the Sangath, which do not face such an acute forest crisis, have contented themselves with protecting particular species or patches of forest. For instance, Bhitada and Nadi Sirkhadi, villages on the banks of the Narmada, stopped using 'anjan' trees which had been lopped mercilessly and have consequently been rewarded by tremendous regeneration. While scarcity is a factor in explaining interest in conservation, income is another [Chambers et al 1989]. Wherever people have earned from conservation, they have invested in it. Attha has reaped the benefits of conservation through increased supplies of fodder, wood and bamboo. But even a village like Khodamba, surrounded by dense and apparently abundant forests, has started protecting species like 'halai' which yields an aromatic resin that fetches handsome prices.

The change of attitude that underlies these initiatives is all the more remarkable when we remember the centuries of state control during which adivasis have often internalised the dominant ideology that they have no right to the forest. Physical and political alienation had created profound psychological alienation. After years of being made to feel like trespassers in their own homes, it requires a sea change in their perceptions for them to think that they have a stake in the future of the forest.[9] Even within the Sangath, this transformation of consciousness has been slow in coming. But wherever people have started protecting the forest, they have fiercely defended it against outsiders. The villagers of Khodamba, for example, have resolutely denied access to people from other villages. In Khodar village, a Sangath member has single-handedly

protected the forest adjoining his fields. Since he has laboured to take care of it, he regards it as his own. Now it is the forest department which is coming to be regarded as the interloper, not the adivasi.

The Attha example demonstrates people's preference for an approach where they have control over the conservation programme and where their rights are secured. However, a small financial base prevents them from expanding the scale of activity, and from undertaking works that require more bought materials (for water harvesting, for instance). People would like to travel to other places to learn from the experience of NGOs such as the Aga Khan Rural Support Project or Sadguru Water and Development Foundation in Gujarat. But while the SDM can bring Rs 2 crore to build roads, the adivasis of Alirajpur have to protect the forest and the land on their own. An organisation such as the Sangath can create a small island in Attha to show what is possible. But for all the adivasis in the Sangath, and for all the adivasis in India, such a transformation of the forest and of their own lives is possible only when political control is combined with control over the resources now commanded by the state.[10]

If the ministry of environment and forests (MoEF) takes its mandate of environmental conservation at all seriously, it will have to shed its unwillingness to facilitate people in doing things their own way, with their priorities foremost. Besides surrendering power over the forest into the hands of those who have a much greater right to it, the ministry must ensure that development resources are invested into this process. This requires legislative initiatives as well as administrative enterprise. The fate of the forest and the fate of adivasis are linked. As long as adivasis continue to be exploited and impoverished, so will the forest. The cause of conservation is inseparable from the cause of making adivasis' lives more secure, sustainable and prosperous. For environmental conservation, popular struggles have to be met half-way by an enlightened state. The ministry has previously shown its appreciation of these perspectives by encouraging fledgling efforts towards participatory forest management. It must not now fritter away its gains through a retrogressive act.

Notes

[Suggestions from Amit Bhatnagar, Walter Fernandes, Ramachandra Guha and Rahul N Ram greatly improved this essay. The author is responsible for the shortcomings that remain.]

1 *Madhuca indica*, or 'mahua' (in Hindi) holds a pre-eminent place in Bhilala culture, just as it does for adivasis all over central India. In the months of March and April, the white-green fleshy flowers of the 'muhda' fall to the ground and are collected and dried. They are used in cooking, relished as much for their sweetly pungent flavour as for their nutrients; but they are valued even more for the 'huru' (liquor) that is distilled from them, a clear, delicately potent brew. No ritual occasion can go unmarked by the ceremonial partaking of 'huru'. The fruit of the 'muhda' yields an oil that tastes rather like ghee.

2 The sole exception to this has been a short-lived scheme called the Hitgrahi Yojana which we will discuss later.

3 For a fuller account of this incident, see Baviskar (1994).

4 Recently, such a confrontation occurred in Chikhli village, Dhar district, adjoining Jhabua. The forest department tried to forcibly plant trees on Chikhli's traditional grazing land, classified as 'culturable waste' by the revenue department. Representations to the tehsildar asking that the land not be turned over to the forest department were ignored. On May 17, 1994, on hearing that forest department officials had arrived with labourers to start plantation work, people rushed to the spot. The range officer fired in the air to disperse them, then incited the labourers to throw stones at the villagers. Police intervention broke up this fight but, later, villagers were arrested on charges of rioting and intimidation [Shraddha 1994].

5 From the native superintendent of Ali Rajpore to Col Blair, Officiating Bheel Agent, August 27, 1870, Bhopawar Political Agency. S No 16, 1/152/1870. NAI.

6 Ibid.

7 Report from the Ameen Alirajpur, 1894. *Yaad sadar aam riyasat Alirajpur. Babad haal darakhat jangal Alirajpur*. NAI.

8 For an excellent account of the way in which forest management has changed since independence and yet remained the same, see Gadgil and Guha [1992: 185-214].

9 In colonial times, while adivasis were generally excluded from the forest, some practices of the former princely rulers exemplified an understanding of the 'stakeholder approach' to conservation. Raja Pratap Singh (1891-1920) planted mango trees along all major roads in Alirajpur, entrusting their care to neighbouring villages who were then entitled to half the mango crop in exchange for their labours. Today the produce of these trees is auctioned to the highest bidder and villagers have no interest in caring for the trees.

10 We now have several examples of successful decentralised sustainable development. The achievements of the Chipko movement are famous. More recently, the villages of Ralegan Siddhi in Maharashtra [Pangare and Pangare 1992] and Sukhomajri in Haryana [see Chambers et al 1989:155, for sources] have become well known. For other case studies, see Chambers et al (1989), Singh and Burra (1993), as well as periodic reports in *Down to Earth*, an environmental newsmagazine.

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China's One-Child Policy

Implication for Population Aging

S Irudaya Rajan

China's one-child policy has been the subject of much debate ever since it was first adopted. How successful has it been in curtailing population growth? What will be the age structure in the coming years in China?

THE Republic of China was established in 1949 and prior to that, it was known as the 'sickman of east Asia'. In the 45 years of existence, China has made enviable progress in many areas. One such achievement is to curtail its population growth with a vigorous family planning programme.

As a background to this note, I would first briefly summarise the historical population estimates of China in different periods (Table 1). The population doubled between 1000 and 1200 but declined sharply during 1200-1500. In 1750, the estimated population of China was around 207 million thus added 293 million people within 150 years. It may be noted that the total population of China was 560 million at the time of its establishment. Since 1949, China has conducted four censuses, i e, in 1953, 1964, 1982 and more recently in 1990. As of July 1, 1990, the total population of China was 1.13 billion. Table 2 provides some demographic data regarding crude birth and death rates, total fertility rate and infant mortality rate from 1949 to the present latest available period.

Evolution of One-Child Policy

The National Planned Parenthood Conference (1979) held in China urged the country "to encourage the couple to have only one child if possible, two at the most with a period of three years between them". The same year, general liberalisation of state economic planning and the relaxation of central control were also introduced. In the Fifth National People's Congress of the People's Republic of China, the constitution of China was revised and the clause "the state advocates and encourages family planning" was incorporated in the constitution. In his report to the Congress, the then premier, Hua Kuo-feng stated that: "Family planning is a very significant matter. Planned control of population growth is conducive to the planned development of the national economy and to the health of mother and child. It also benefits the people where production, work and study are concerned. We must continue to give serious attention and strive to lower the annual rate of growth of China's population to less than 1 per cent within three years."

On February 13, 1980, for the first time in Chinese history, demographer Song Jian with two other social scientists projected the population of China for the next 100 years emphasising the need for strict population control for the success of economic liberalisation. Their controversial projections were featured on Chinese radio and television.

The main conclusions were as follows: (a) If every woman of child-bearing age has an average of three children beginning this year, the country's population will be 1.41 billion by 2000, 2.92 billion by 2050 and 4.26 billion by 2080. (b) If every woman of child-bearing age has an average of 2.3 children, China's population will also continue to rise for a long time, reaching 1.28 billion by 2000 and 2.12 billion by 2080 (c) If, beginning this year, every woman of child-bearing age has an average of two children, the country's population will continue to grow for the next 72 years, reaching 1 22 billion by 2000, 1.54 billion by 2052, the peak year. Beginning in 2053, the population will start to drop and fall to 1.47 billion by 2080. (d) If every woman of child-bearing age has an average of 1.5 children, China's population will reach 1.13 billion by the year 2000, and 1 17 billion by 2027, then the population will start to drop in 2028 and plummet to 777 million by 2080. (e) If the average birth rates begin to drop this year and is reduced to only one child per couple by 1985, China's population will continue to grow for the next 25 years and reach 1 05 billion by 2004 and decline to 960 million, the present population figure by 2028, to 613 million by 2060 and to 370 million by 2080.

On the same line of argument, Liu Chen and Wu Ts-ang Ping of Institute of Population Research, People's University of China, Beijing, wrote an article emphasising the economic rationale for population control in China. They maintained that only through population control, it will be possible to meet the realisation of the four modernisations, viz, agriculture, industry, science and technology and national defence and to meet people's demand in raising the standard of living.

On September 7, 1980, Hua Guofung, the chairman of Chinese Communist Party, on behalf of government, announced the National People's Congress (China's Parliament) of the New Population Policy. "Upon careful study, the State Council deems it necessary to launch a crash programme over the coming 20 or 30 years calling on each couple, to have a single child (except those in minority nationality areas) so that the rate of population growth may be brought under control as soon as possible. Our aim is to limit the population to a maximum of 1200 millions by the end of the century." In the same parliament session, the minister for education stated, "It has been estimated that in China to raise a child to the age of 16 costs 1600 yuan in the rural areas, 4800 yuan in small and medium sized towns and as much as 6900 yuan in larger cities. By these standards, as much as one trillion yuan has been spent by the state, the collectives and individual families on the 600 million persons born after liberalisation."

On September 10, the Chinese parliament revised the marriage law: The age of marriage for rural females was 23 years, for urban females 25 years and for males 25 and 27 years respectively. Students would not be allowed to marry. Moreover, if a person married three years over the prescribed official age at marriage, he or she was eligible for 15 days of marriage leave. If a couple postponed their first child up to three years after marriage, the woman became eligible for six months' maternity leave.

One child parents are issued a one-child certificate which guarantees them 5 yuan (1 dollar) for every month until the child completes 14 years and also gets priority in

Table 1: Population Estimates of China

Period	Population (million)
A D 14	73
1000	60
1200	123
1500	100
1750	207
1900	500
1949	560
1950	563
1960	650
1970	820
1980	983
1990	1132

Source: Up to 1950, John D Durand, 'Historical Estimates of World Population: An Evaluation', *Population and Development Review*, Volume 3, No 3; John D Durand, 'The Population Statistics of China, A D 2-1953', *Population Studies*, Volume 13, No 3, 1960. Recent periods, from the respective census of China.

schooling, housing, health care and work. If the wife undergoes sterilisation after one child, then the husband along with his wife shall be eligible for some free leave.

There were some disincentives built into the population policy of China in the way of punishments. For the government workers, 20 per cent of basic salary would be cut for seven years and they would lose one increment and have no maternity leave, if they went in for a second child. Contract workers were dismissed with immediate effect, if they went in for a second child. The popular caption of those days in China was, "Late marriage, one child per couple, strictly control second births and, under no circumstances, need be a third child born"

Female Child

After the introduction of one-child family, there were lot of write ups in Chinese press regarding female infanticide and the frequent abuse of women who bear female children. On November 9, 1982, in an editorial titled, 'Save the Baby Girls', *China Youth Daily*, expressed concern over the growing abandonment and drowning of female children in China. It further warned that "20 years from now, a new social problem will arise—and large number of young men will not be able to find wives". The then prime minister Zhaxo Ziyang sent out a circular on December 6, 1982 to all the provinces urging them "to protect female babies and women who gave birth to girls from maltreatment and punish the offenders". Before discussing the above issue, let us have a preliminary look at the recent census data on China

Even after 13 years of the one-child policy, the 1990 Census in China reveals the following salient features regarding the population growth and structure. Table 3 briefly describes various features of the three censuses conducted in China whereas Table 4 outlines provincial data from the census with some demographic indicators and Table 5 provides the sex ratio by single age up to nine years as provided by the 1990 Census. The sex ratio (males per 100 females) is one of the features worrying the demographers not only in India but also around the world. The overall sex ratio of the population has not shown any increase or decrease in the course of the last 35 years in China, unlike India. It is very surprising to note that even after the introduction of the one-child family in China, the overall sex ratio has not changed and it is 106 as per census in 1990. However, the sex ratios calculated for the age groups 0-4 (children born during 1986-90) and 5-9 (children born during 1981-85), reveals a slightly different trend. The sex ratios have shown an increase from one census to another and the 1990 Census reported the highest sex ratio for the two age groups. Remember, these sex ratios are affected by infant and child mortality. If the mortality rates for females are higher than males, then the reported sex ratio in the 1990 Census for age groups 0-4 and 5-9 can be taken as granted. But the available evidence indicates that mortality rates for females are slightly lower than male mortality rates as reflected from the life expectancy at birth and child mortality (Table 6).

To what extent do the sex ratios vary by single years of age from 0 to 9? Table 5 reveals that the sex ratio at birth is reported as 112 indicating a suspicion of female infanticide, foeticide and sex selective abortions in China. Hull (1990) postulates three reasons for the high sex ratios among the younger ages in Chinese population: infanticide, gender-specific abortion and concealment of births.

Female infanticide has a long tradition in China, particularly in the eastern and south-eastern provinces. Two centuries ago, the practice of exposing infants to the elements was conducted openly, and Jesuit missionaries recorded that thousands of such infants were abandoned in the streets of Beijing to be collected regularly by carriers who placed them in a large common grave outside the city [Warren 1985]. Smith (1899) further stated that the destruction of female infants "seems to be most common in the southern part of China and specially in some provinces in which the Chinese themselves regarded it as a terrible and a threatening evil". The resurgence of infanticide in recent years was highlighted in the early 1980s in local press in China, and the government made numerous statements condemning the practice [Honig and Hershatter 1988]. Mostly, this explanation is based on the maintenance of 'traditional' patterns of female infanticide in China (as in many other societies for that matter, including India) and has been accepted

Table 2: Annual Series of Birth, Death and Infant Mortality Rates for China

Year	CBR	CDR	TFR	IMR
1949	44	38	6.1	
1950	42	35	5.8	
1951	41	32	5.7	
1952	46	29	6.5	
1953	42	26	6.1	175
1954	43	24	6.3	164
1955	43	22	6.3	154
1956	40	20	5.7	143
1957	43	18	6.4	132
1958	38	21	5.7	146
1959	29	22	4.3	160
1960	27	45	4.0	284
1961	22	23	3.3	183
1962	41	14	6.0	89
1963	50	14	7.5	87
1964	40	12	6.2	86
1965	39	12	6.1	84
1966	40	11	6.3	83
1967	34	10	5.3	82
1968	41	10	6.5	81
1969	36	10	5.7	76
1970	37	10	5.8	70
1971	35	9	5.5	65
1972	32	9	5.0	60
1973	30	9	4.5	56
1974	28	8	4.2	52
1975	25	8	3.6	49
1976	23	8	3.2	45
1977	21	8	2.9	41
1978	21	8	2.7	37
1979	21	8	2.8	39
1980	18	8	2.2	42
1981	21	8	2.7	44
1982	21	8	2.7	46
1983	19	8	2.4	48
1984	18	8	2.3	36
1985	18	7	2.3	35
1986	18	7	2.3	34
1987	19	7	2.3	31
1988	21	7	2.4	30
1989	22	7	2.5	30
1990	21	7	2.3	29

Source: Upto 1984, Banister Judith, *China's Changing Population*, 1987, Stanford University Press. From 1984 onwards, figures are from various *World Development Reports*, published by the World Bank.

as an explanation of the statistical findings by a number of commentators on sex ratio, notably Coale (1984)

The second explanation is sex selective abortions, pregnant women having obtained information about the gender of the foetuses they were carrying and a number of them selectively aborting female foetuses. There are three relatively common methods of determining the sex of a foetus chorionic biopsy, amniocentesis and ultrasound examination. Some observers insist that amniocentesis and chorionic biopsy, which require relatively sophisticated medical facilities are not widely available in the towns and rural areas where the sex ratios are most abnormal [Hull 1990]. The third and the most important explanation in the case of China is that the fact of missing female births and missing female children is a statistical artefact the births took place and the female children are alive but concealed from the interviewers. According to an estimate by the public security ministry in China there are about one million 'black children', i e, children not registered with the authorities nationwide (Hull 1990, *Canberra Times* November 1, 1988)

Stressing on the third explanation, I would like to suggest a fresh outlook on the high sex ratio of the Chinese population, particularly in the age groups 0-4. Table 4 provides the provincial level data on various indicators from the 1990 Census including sex ratios for the general population, 0 4 and 5-9 age groups. Before making some comments on understanding the provincial situation in China, I would like to invite the reader's attention specifically on the columns 6 and 8 of the Table 4. Column 6 provides the sex ratio for the age-group 0-4 and column 8 gives the proportion of population below 5 years. The sex ratio varies between 102 and 118, the lowest in Xizang province and the highest in Guangxi. On the other hand, the lowest number of children is reported in Shanghai province with 6 per cent whereas the highest proportion (12 43) is found in Xizang province. Other things remaining the same (*ceteris paribus*), these two indicators speak about the births and deaths occurred between 1986 and 1990. There is a strong relationship between these two indicators, if the sex ratio of the age group 0-4 is very high then the proportion of children below 5 years should be small. In other words, the provinces in China which have a traditional practice of infanticide and the modern method of female foeticide should produce a high sex ratio of males in the population thus showing a decline in the proportion of children in the age group 0-4 because the female infants are killed after birth. The results revealed from the 1990 Census of China go against the explanation of infanticide and foeticide of female infants. Provinces such as Hebei, Shanxi, Anhui, Fujian Jiangxi Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi Hainam, Yunnan, Shaanxi and Gansu have reported the highest sex ratios ranging from 108 to 115 whereas the proportion of children below

TABLE 3 SOME DEMOGRAPHIC INDICATORS FOR THREE CENSUS OF CHINA

Year	Population			Sex Ratio			Percentage Share of Population by Age				
	Male	Female	Total	Total	0–4 Years	5–9 Years	<5 Years	<10 Years	<15 Years	15 59 Years	60+ Years
1964	356517011	338064748	694581759	106	106	99	14.42	27.98	40.41	53.51	6.08
1982	519433369	488741919	1008175288	106	107	106	9.39	20.38	33.45	59.85	6.70
1990	582380890	549495160	1131876050	106	110	108	10.30	19.09	27.70	67.74	7.56

Source Various Census reports from China

TABLE 4 SOME DEMOGRAPHIC INDICATORS FOR THE PROVINCES OF CHINA 1990

Provinces	Population			Total	Sex Ratio by Age		Percentage Share of Population by Age				
	Males	Females	Total	Sex Ratio	0 4	5 9	<5	<10	<15	15 59	60+
Beijing	5612360	5256110	10868470	106.78	106.81	107.08	7.54	15.18	20.48	69.24	10.27
Tianjin	4473520	4352970	8826490	102.77	106.89	105.93	8.38	16.44	22.77	67.01	10.21
Hebei	30730950	29545260	60276210	104.01	108.92	107.39	11.33	21.38	29.08	61.94	8.98
Shanxi	14600510	13576200	28176710	107.54	108.76	110.38	10.57	19.97	28.27	63.20	8.53
Neimenggu	11001780	10104390	21106170	108.88	107.33	106.66	9.52	19.35	28.37	65.20	6.43
Liaoning	20420410	19561590	39982000	104.39	108.22	106.38	8.32	15.56	23.27	67.73	9.00
Jilin	12842580	12303620	25146200	104.38	107.02	106.30	9.39	17.44	26.26	66.48	7.26
Heilongjiang	17796990	16976020	34773010	104.84	106.66	105.18	8.98	17.53	26.62	67.04	6.35
Shanghai	6924160	6582550	13506710	105.19	105.04	105.24	6.28	13.07	18.22	67.82	13.96
Jiangsu	33648320	33473940	67122260	100.52	111.59	108.01	9.27	16.53	24.07	65.53	10.40
Zhejiang	21062910	19777700	40840610	106.50	113.71	110.25	7.74	15.30	23.29	66.27	10.44
Anhui	29038640	27251870	56290510	106.56	109.33	110.88	10.51	19.09	28.41	63.06	8.53
Fujian	15770500	14843930	30614430	106.24	110.40	107.08	11.14	21.43	31.30	60.80	7.90
Jiangxi	19789930	18491720	38281650	107.02	109.84	108.27	11.01	20.27	31.75	60.56	7.69
Shandong	42454830	40976880	83431710	103.61	114.09	108.53	10.32	18.64	26.59	63.95	9.46
Henan	44081030	42024180	86105210	104.89	114.64	108.18	11.49	20.42	29.28	61.92	8.80
Hubei	28205500	26559290	54764790	106.20	108.34	106.60	11.40	20.10	28.41	63.32	8.27
Hunan	31426420	28219660	59646080	111.36	109.16	106.76	11.03	20.15	28.48	62.72	8.79
Guangdong	32418040	30789310	63207350	105.29	110.64	110.52	11.05	21.43	29.97	60.97	9.06
Guangxi	22341300	20191630	42532930	110.65	117.71	113.75	11.18	22.45	33.21	58.68	8.11
Hainan	3338300	3078800	6417100	108.43	113.94	112.73	11.42	23.43	33.51	58.23	8.27
Sichuan	55101280	51270060	106371340	107.47	110.92	108.86	9.08	15.70	23.17	67.85	8.98
Guizhou	16958290	15774050	32732340	107.51	105.05	108.44	11.22	21.36	32.53	60.37	7.10
Yunnan	18871720	17876020	36747740	105.57	107.78	106.10	10.89	20.69	31.76	60.61	7.63
Xizang	1111000	1112400	2223400	99.87	102.15	99.14	12.43	24.93	35.18	57.29	7.53
Shaanxi	16842730	15623940	32466670	107.80	109.10	109.23	11.77	20.97	28.94	63.38	7.68
Gansu	11832980	11096700	22929680	106.64	108.78	107.47	11.34	20.31	28.28	65.50	6.22
Qinghai	2299500	2127710	4427210	108.07	102.6[illegible]	103.27	10.34	19.92	31.15	63.70	5.15
Ningxia	2389280	2272730	4662010	105.13	105.47	105.94	11.48	22.41	33.54	61.22	5.24
Xinjiang	7919220	7453440	15372660	106.25	103.09	102.92	11.94	22.75	32.85	60.99	6.16

Note: Calculated from the 1990 Census of China by the author. Sex ratio is defined as males per 100 females

5 years hovers around 10.3 to 11.4. In fact, both the lowest sex ratio and the highest proportion of children below 5 years are reported in Xizang province, contrary to the commentators' views on infanticide and foeticide.

Another point I would like to raise here is sex ratio of first order births. The sex ratio at birth is expected to range from 105 to 107 males per 100 females in any population [Visaria 1969; Rajan 1993]. The one-child policy in China, in practice, propagated the first order birth to be the last birth. If the first order births are expected to be more males than females, then the reported high sex ratio in most of the provinces can be a statistical illusion. Thus blaming the Chinese society for widespread practice of infanticide and foeticide cannot be justified and it calls for further extensive research.

A few more observations can be made from Table 4. Though the one-child policy is reported to be a success, the provincial level data shows a different picture of fertility decline in China. The data indicates that only one-third of the provinces have shown a sharp decline in fertility rates and others are following the more developed regions. Thus the fertility decline is not universal in China, as in India. In India, Kerala has achieved the lowest TFR of 1.9 children per woman and the Uttar Pradesh has the highest TFR of 5 as of 1991.

As the fertility decline is expected to be faster in the case of China, it enters into another population problem, population aging. The highest proportion of aged population is found in Shanghai province and it is called as 'grey province' in China. One point which comes out quite clearly from the latest census in China is that the proportion of children below 14 is much lower than in India and also the demographically developed state of Kerala in India (Table 7). Thus one can conclude that the one-child policy is fairly successful in China.

Observations and Comments

Though the one-child policy exists in China, single child families are most common and noticeable in urban areas whereas in rural areas, most often the families end up with two children, with at least one male child. Chinese government officials admit that for every two live births, one abortion possibly takes place. Unofficial reports indicate that for each birth there is an abortion indicating widespread prevalence of abortion among the women in order to stick to the one-child family norm.

The study undertaken by the Population Research Institute in China indicated that 100 per cent of urban women had an experience of abortion whereas the reported percentage for rural women is around 60 per cent. The one-child family norm is so strict in urban areas that a person who produces a second child may lose his job. More than 90 per cent of women in China are using intra uterine device as a method of fertility control. In a survey conducted in China, 60 per cent of the women reported that they would like to have a second child because the first child is an experience and second child is more easy to bring up. Some of the rich Chinese take their wives to US to beget another child and then come back to pay a fine. Son preference is strong in rural areas rather than in urban areas. However, there is no difference in having male or female baby in urban areas because both have the same opportunity and same wages.

One person who was officially involved in formulating the one-child family policy insisted that this is the policy for a short time and not for a long time. Within the next 10 years there are chances that China will be able to change the population policy. In fact, the official population policy is not stringent as earlier and unofficially they seem to 'relax' in their attitude towards family planning. The age structure is getting worse and China will have an unbalanced age structure comprising more of the elderly in the immediate future. There are 70 million one-child families in China as of today and these 70 million children are to grow old without a brother or a sister.

Since the one child policy is practised more in urban areas than rural, the future children of urban China are expected to be more educated, more prepared for challenges as compared to those in the rural areas. Competition in the job market is expected to increase further in the future and rural youngsters will not be able to cope up with the skill required in the urban market. Thus the rural to urban migration is expected to decrease in the future along with an increase in the rural-urban disparity in income.

There are some psychological implications of the one-child policy. Very little research is done in this direction. One child is widely regarded as a significant handicap. Research psychologists Thompson and Maltes suggest that it is a 'cultural truism'—an unchallengeable given. Thompson also noted in a review that the only children are usually viewed as being selfish, lonely and maladjusted [Thompson 1974]. Another psychologist, Toni Falbo stated that the presence of siblings is popularly assumed to have both positive and negative effects but the lack of siblings is believed to have only negative consequences [Falbo 1977]. Against the above findings, Judith Blake argues from her data that on an average only children are intellectually superior and achieve higher educational and occupational status. In unmeasured, but important ways, only children may be less co-operative, less extending to others, less socially engaging, more individualistic and autonomous. Are couples in China faced with a trade-off between nurturing excess seeds and producing a single bad one [Blake 1981]?

Next in order is the population aging. The institutions for the care of the elderly are also limited. As of 1990, the elderly in homes (including sanatoria) are only 0.46 per cent of the total 116.8 millions. A recent survey conducted by the China Research Centre on Aging indicates that there are 25 per cent of elderly live alone or only with their spouse. In such cases, family support is not available.

Table 6: Expectation of Life at Birth and Child Mortality by Sex

	Life Expectancy at Birth		Child Mortality	
	Male	Female	Male	Female
1989	69	71	41	31
1990	69	71	40	29
1991	69	71	48	37

Source: World Development Reports, various years.

Table 7: Broad Age Composition of Population in China and Kerala in India, and All-India 1990

	0-14	15-59	60+
China	27.70	64.74	7.56
Kerala	29.64	62.26	8.10
India	36.97	56.68	6.35

Note: The data for India and Kerala are projected by the author. For China, from the 1990 Census of China.

Table 5. Population of China by Single Years of Age from 0-9 and Sex Ratio, 1990

Age	Male	Female	Sex Ratio
0	1227903	1099459	111.68
1	1233980	1104873	111.69
2	1267743	1151132	110.13
3	1270677	1162775	109.28
4	1114852	1028934	108.35
5	1040564	959630	[illegible]
6	1040564	959630	108.43
7	1052589	967924	108.75
8	1143199	1060978	107.75
9	937618	874053	107.27

Note: Sex ratio is defined as males per 100 females. The figures are derived from calculations from the 1990 Census of China by the author.

It will be more harsh for the elderly in the future as the consequences of one-child family policy, for example, the decreasing children as potential care-giver and further nuclearisation of family. Seeking the alternatives to family support for the aged in rural areas and the government support for the aged in urban areas will be a challenge for the future China.

[Some of the observations and interviews were made while the author was in China from August 21 to September 2, 1993. The field trip to Beijing, China was jointly financed by Social Development Section, ESCAP, United Nation, Bangkok, Thailand, China Research Centre on Aging, Beijing, and China National Committee on Aging, China. The author was invited as a resource person to participate in two international meetings, one on International Symposium on Daily Life of the Elderly organised by the China Research Centre on Aging and Japan Aging Research Centre and another on the Training Workshop on Field Work Methods of Research on Aging organised by the China National Committee on Aging, China, and Social Development Section, United Nations, Bangkok. An original version of this note was presented at an internal seminar at Centre for Development Studies, Trivandrum. The writer is grateful to the following persons for preparation of this article: Guodong Hong, director, China Research Centre on Aging, Xiao Caiewai, deputy director, international department, China National Committee on Aging, Aimin Lau and Ma Yonghang, 1993-94 participants of the Global Training Programme in Population and Development commissioned by the United Nations Population Fund, New York.]

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Calculating the Fiscal Deficit

R J Mody

SHOULD any capital receipt be taken into account in the calculation of fiscal deficit is an important question that I S Gulati attempts to answer (*Economic and Political Weekly*, May 21). To quote, "Strictly interpreted, since fiscal deficit is the excess of total government expenditure, i e, expenditure on revenue and capital account taken together over government's current revenues, no item of receipts on capital account should be allowed for the calculation of fiscal deficit."[1] The fact remains, however, that when the two items of capital receipts Gulati confines himself to are taken into account, it implies a lower fiscal deficit than that calculated on the basis of the above definition. Thus fiscal deficit is equal to total government expenditure minus the sum of the receipts on current account and the above capital receipts.

Some critics[2] have raised doubts regarding the receipts from public sector disinvestment for the above calculations, although they do not object to the other capital item, namely, recoveries from loans and advances as a receipt item for calculating the fiscal deficit. Gulati argues that there is a similar conceptual justification for treating both these items in the same manner. Both are in the nature of transfer receipts on capital account of the government.

In the capital account of the budget, there are two items on the payments side corresponding to the above two capital receipt items. Corresponding to the recoveries of loans, there is a sizeable amount given away by way of loans and advances which is treated as government expenditure. (From the point of view of economic analysis this is a payment and not expenditure which would imply demand for goods and services.) Corresponding to the realisation from the sale proceeds of public sector equity, there is public sector investment in the form of equity.

Doubt remains, however, regarding the rationale for including the above two capital receipt items in the calculation of fiscal deficit. The rationale has to derive from a well defined concept of fiscal deficit which will not leave any room for any arbitrary judgments based on the magnitude of the capital receipt in question.

Our argument is that the items to be included (or excluded) in the computation of fiscal deficit have to be decided on the basis of an objective criterion and the criterion should be relevant from theoretical and policy angles. Some alternative concepts are discussed in this comment. Each one may imply a different definition of fiscal deficit depending on the nature of the economy for which the concept is being used. The choice of the concept and the corresponding definition may depend on the objective of this fiscal policy instrument.

We need not take a particular definition of fiscal deficit, (for example, total government expenditure minus current account revenue) as sacrosanct. This will save us from the trouble of justifying why certain exceptions will have to be made in the computation of fiscal deficit. The objective criterion of defining fiscal deficit may either be in the context of public debt or macro-economic stabilisation. The former would imply a definition in terms of government's financial liabilities and the latter would imply a definition in terms of government's influence on aggregate demand for goods and services. It is strange that the Indian definition is in the context of public debt, but it is hoped to be useful for combating inflation.

The concept of fiscal deficit in the context of public debt may be in terms of an increase in the total financial liability of the government. Borrowings from RBI, public and external sources would increase the total liability (public debt). Thus fiscal deficit is equal to total government expenditure minus all government receipts except those by way of borrowing. Now which items are to be included in the computation of fiscal deficit is to be decided by the acid test whether or not total public debt increases. Obviously, recoveries from loans and advances of the government and sales proceeds from public sector disinvestment would reduce the amount required to be borrowed. Therefore, these capital receipts are included. This is the definition which is currently used in India's budget documents.

We have proposed an alternative concept in terms of *net* financial liability rather than *total* liability.[3] Government of India besides being a consumer and investor is also a financial intermediary engaged in lending and borrowing. This is not so in the US. The US government is a borrower, but not a lender to any significant extent. Moreover, there is no investment in the equity of public sector by the US government.

In view of the above features of the Indian economy, it would not be proper to focus only on the liability side and ignore the financial assets of the government. Ideally speaking, even the physical assets of the government should be taken into account while analysing the net liability. But, for simplicity, only financial assets and liabilities are considered here to define the concept of fiscal deficit as representing the *net* increase in financial liabilities. Alternatively, fiscal deficit is equal to government's expenditure on goods and services minus total revenue receipts. Net fiscal deficit is derived as follows:

Total receipts = revenue receipts + borrowing + recovery of loans+other receipts (disinvestment in public sector equity).

Total payments = expenditure on goods and services + loans and advances + repayment of loans + investment in public sector equity.

Since total receipts = total payments,

Net increase in financial liabilities (fiscal deficit) = total expenditure on goods and services – total revenue receipts ...(1)
= Net borrowing (Rs 54,915 crore) + recovery of loans (Rs 6,700 crore) + other receipts (Rs 4,000 crore) – loans and advances (Rs 6,167 crore) – investment in public sector eqity (Rs 3,664 crore) ...(2)
= Rs 55,784 crore (Budget Estimates 94-95).

Fiscal deficit, as defined in the budget document amounts to Rs 54,915 crore for the year 1994-95. The earlier mentioned capital receipts in question tend to reduce the need for borrowing and, therefore, reduce fiscal deficit. On the other hand, if fiscal deficit is defined in terms of net increase in financial liability, these capital receipt items, namely, recoveries of loans and public sector disinvestment reduce the financial assets and increase *net* financial liability of the government. Therefore, they would add to the fiscal deficit. This takes care of the objection of the critics. Moreover, Gulati's argument for treating both the items in the same manner is also sustained. Since loans and public sector investment in equity by the government increase the financial assets, they reduce the net financial liability. These items would tend to reduce the fiscal deficit. Fiscal deficit thus defined amounts to Rs 55,784 crore for 1994-95. The government has recently accepted our view and, therefore,

TABLE: US GOVERNMENT OUTLAYS AND REVENUE (1980-1988)

(Percentage of GNP)

Federal Outlays		Federal Revenue	
(a) National defence	6.0	(a) Individual income	8.8
(b) Entitlements and other mandatory spending	10.9	(b) Corporate tax income tax	1.7
(c) Non-defence discretionary spending	4.6	(c) Social insurance tax and contributions	6.5
(d) Net interest	2.8	(d) Other	2.0
			19.0
		Fiscal deficit	4.2
	23.2		23.2

Source: Dornbuch and Fischer, *Macro-Economics* (vth edition), p 601.

has made a distinction between gross and net fiscal deficit in the *Economic Survey* for 1993-94.[1] The budget document still uses the 'gross' concept. The 'net' budgeted deficit is actually higher than the 'gross' deficit.

Another set of concepts of budget deficit is in the context of fiscal policy as it influences demand for goods and services. This is useful for macro-economic stabilisation. It may be argued that the earlier concept related to public debt may also be relevant from the point of view of stabilisation if public debt is treated as wealth in the portfolio of the public. The required condition here is that the wealth effect on aggregate demand is positive and significant. This is a theoretically controversial issue since, on the one hand, the Barro-Ricardo equivalence proposition would support the hypothesis that public debt may not be treated as wealth, while on the other hand Blanchand, Bergheim and others argue in favour of the contrary hypothesis. However, empirically, the question is not important in India since most of the public debt is held by financial institutions for whom the wealth effect is not relevant.[3]

There are two concepts of budget deficit which may be relevant from the point of view of stabilisation. One is based on the modernist view and the other is based on the Keynesian view. The former is the traditional Indian concept of deficit finance which is approximately equal to the government's borrowing from the RBI. This borrowing would increase high powered money and the quantum of money. This approach assumes a stable money multiplier and a stable demand for money function. Given the latter, changes in money supply would influence aggregate demand for goods and services in a stable manner. The budget deficit thus defined is relevant for economic stabilisation.

Another variant of the above concept is the monetised deficit as suggested by the Chakravarty Committee. This measures an increase in the holdings of government debt by the RBI which captures the effect of monetisation of public debt during a year. Budget deficit as proposed for the year 1994-95 is only Rs 6,000 crore, i e, about 0.5 per cent of GDP. This may appear to be quite modest. But, as we have argued elsewhere, the monetised deficit should be negative this year. In other words, the RBI should actually reduce its total holdings of government debt in order to counteract a part of the expansionary effect of its increasing foreign exchange reserves. According to the revised budget estimates, budgetary deficit during 1993-94 was Rs 9,060 crore, i e, about 1.1 per cent of GDP. However, foreign exchange reserves increased by about $ 6 billion, i e, approximately Rs 19,000 crore. Both these factors would increase high powered money. In order to counteract the effect of growing foreign exchange reserves, there is a case for a budget surplus.[6]

Having examined the monetarist view of the budget deficit relevant for the stabilisation policy, let us look at the Keynesian concept internal aggregate income and expenditure in the economy. This can be derived in the framework of national income accounts as follows:

Income = consumption (c) + saving (S) + taxes (T) − transfers (TR)

Expenditure = consumption (c) + investment (I) + government expenditure (G) + exports (X) − imports (M)

Since income = expenditure,

$$S + T - TRG\ TRF = I + G + X - M \quad ...(3)$$

(where TRG and TRF are net transfers in the government sector and the foreign sector respectively).

Therefore,

$$(I - S) + (G + TRG - T) + (X + TRF - M) = 0 \quad .. (4)$$

For macro-economic stabilisation, the sum of the three gaps should be zero. If it is positive in the ex-ante sense, aggregate planned demand for goods and services will exceed aggregate supply and, therefore, there will be a price rise. The three gaps are investment-saving gap, the fiscal deficit and the surplus on the foreign sector's current account. The first two gaps create pressures on the external front and hence the balance of trade crisis [Eq (4)]. If investment (I) includes government investment, then G is to be interpreted as only government expenditure on revenue account. Then the gap (G + TRF - T) implies a deficit on revenue account. On the other hand, if (I) excludes government investment, then G is to be interpreted as all government expenditures on goods and services and, also, net transfer payments. In this case fiscal deficit is to be defined as total government expenditure (including capital expenditure, but excluding payments by way of loans and advances) minus taxes. This concept of fiscal deficit does not include recovery of loans and proceeds from the sale of public sector disinvestment. This definition of fiscal deficit (G + TRG − T) is relevant from the point of view of stabilisation in the Keynesian sense.

The total revenue expenditure proposed in the 1994-95 budget is Rs 1,18,811 crore and the total capital expenditure, excluding that on loans (Rs 6,167 crore) and investment in public sector equity (Rs 3,664 crore) which do not imply demand for goods and services, but imply increases in financial assets, is Rs 23,057 crore. Thus the total expenditure is Rs 1,41,868 crore. The total revenue receipt is Rs 86,084 crore. Thus the fiscal deficit is Rs 55,784 crore.

Conclusion

It may be observed that the fiscal deficit defined from the Keynesian view of macro-economic balance is the same as the one we have proposed on the basis of *net* increase in financial liability [Eqs (1) and (2)]. Obviously, the gap between expenditure on goods and services and revenue account receipts will be filled by net changes in financial assets and liabilities. Thus budgetary gap in the Keynesian sense has to be equal to net fiscal deficit. This is a definition which is based on sound theoretical principles. This concept should be adopted in India if economic stabilisation is the goal of fiscal policy.

The definition, namely, government expenditure (including loans and advances) minus current account receipt has no theoretical foundation. The definition currently used in the budget document, i e, the gross fiscal deficit which treats recovery of loans and public sector disinvestment as receipts is based on the concept of total liability (public debt). This concept is relevant if the goal of fiscal policy is to regulate the growth of public debt. The gross and net fiscal deficits for 1994-95 are estimated to be Rs 54,915 crore and Rs 55,784 crore respectively.

All the above definitions almost measure the amount for a country like the US since the US government is neither a lender nor an investor in public sector equity in a significant manner. The US definition of fiscal deficit is simply federal outlays minus federal revenue. The fiscal deficit in the US for the period 1980-88 is as shown in the table.

Thus, the fiscal deficit in the US during 1980-88 amounts 4.2 per cent of GDP. It may be observed that capital receipt and expenditure items of the type mentioned above do not appear at all in the US budget. Therefore, under 'gross' and 'net' versions, fiscal deficit would work out to the same amount. The Keynesian concept relevant for stabilisation policy would also coincide with the above measure. The institutional framework is different in India and, therefore, a theoretically consistent concept has to be redefined.

We have argued elsewhere on the basis of cross-section time series data for 28 countries that the monetarist definition of budget deficit appears to be more relevant for stabilisation policy.[7] The good old Indian concept of deficit finance is quite sound as compared to the newly imported concept. Of course, along with the regulation of deficit finance, the other factor influencing monetary expansion, namely, foreign exchange reserves will have to be considered as in the current context.

Notes

[The author is thankful to I S Gulati for his very valuable suggestions. The author, of course, is responsible for errors, if any.]

1 I S Gulati, 'Calculating the Fiscal Deficit', *Economic and Political Weekly*, May 21, 1994 (pp 1297-98).
2 P Patnaik, 'Macroeconomic Policy in Times of Globalisation', *Economic and Political Weekly*, April 16-23, 1994.
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Financial Liberalisation

The basic questions relating to financial liberalisation may be grouped under two broad categories. First and the most important for developing countries, to what extent has private initiative to be supplemented by state intervention for creating an efficient financial structure? Second, given the structures of the financial system, is there any scope for public authorities to influence or suspend the operation of market forces in order to promote saving, investment and allocative efficiency in the system? **2547**

Land Relations

An examination of changes in the distribution of landholdings over a 30-year period shows the persistence of glaring inequalities and a worsening of land concentration at the middle level. The majority of rural households at the bottom of the landownership hierarchy have remained unaffected by land redistribution. It is against this background that land reform remains a critical area for policy intervention. **A-117**

Though attached labour is still perpetuated through prolonged indebtedness and obviously has elements of unfreedom, counter-tendencies are also significant. Weakening of the ideology of patronage and loyalty, availability of employment outside agriculture and growing dislike of the relationship among labourers have given rise to tensions and conflicts leading to a gradual decline of the system. **A-102**

Analysis of data from village surveys in Kanyakumari district in Tamil Nadu shows that both the incidence and the form of tenancy are governed by the irrigation situation and changes in it. **A-129**

Drug Policy

The drug industry has to be viewed differently from other industries and abandoning price and production controls in the hope that the market will regulate prices can have disastrous consequences for the health of the majority of the people. **2526**

Kamani to Kanoria

Workers' co-operatives, as a solution to industrial sickness and closures, are perfectly in keeping with Marxist principles and philosophy and the Marxist parties and trade unions in India must support them. **2533**

Hindu Nation

In his last five years Bankimchandra composed three historical novels on Hindu-Muslim antagonism and two polemical essays on an authentic and reinvigorated Hinduism to be attained through a disciplinary regime which he spelt out in detail. **2553**

Away from Land

What are the dominant forces at work in the process of economic diversification in rural areas? A study of Gujarat. **A-107**

Managing Water

Instead of setting up a single centralised framework for regulating ground water, it may be useful to create a legislative superstructure that would enable and guide the formation of locally appropriate management institutions and approaches. **A-135**

In the context of the patent failure of current water related policies as well as the instruments and institutions through which they are implemented, it is time to seek more durable, though politically harder and technically challenging options such as the institution of a water rights system. **A-147**

Peace at Last?

After South Africa, Palestine and now Ireland, is it finally Sri Lanka's turn for peace? The prospects and challenges of Tamil self determination. **2537**

Censorship

Partly as a genuine reaction to the abuse of freedom for mercenary ends, but largely as a manoeuvre to exploit the abuse for political ends, moves are afoot in New Delhi to curb the freedom of the film maker. **2521**

Convention on Rights of the Child

INDIA's accession to the UN Convention on the Rights of the Child in December 1992 was an important step towards initiating accountability of the Indian state towards the survival protection and development of its children. The Indian government is expected to submit its report on the measures it has adopted which give effect to the rights outlined in the Convention to the Committee on the Rights of the Child in Geneva in December 1994. The process of reporting to the Committee provides an opportunity to NGOs to formulate an alternative report based on their experiences on the situation of children in India.

A Working Group comprising NGOs and individuals representing diverse disciplines such as advocates, trade unionists, sociologists, economists and educationists has been formed. This group will work towards compiling a comprehensive report on the *Situation of the Rights of the Children in India* with the focus on the situation of children of disadvantaged communities. You can participate in the drafting of the Alternate Report on CRC by

(a) Providing information/case studies on violations of the provisions of the CRC.

(b) Sending us press cuttings on reports/instances where child's rights have been abused by insensitive attitudes or actions. Also reports/instances where children's rights have been protected or promoted by a positive action or attitude.

(c) Examples and instances where actions have/have not been taken by city/district administrations, state/central governments to ensure that standards of the Convention (as outlined by the articles of the Convention) are achieved.

(d) Actions could include (i) wide publicity to the CRC to make all sections of the society aware of the CRC (ii) revision/amendment of legislations (iii) updating of policies, programmes and schemes by district, state/central governments for bringing them up to the standards of CRC, and (iv) specific actions for promoting mechanisms established for the protection of the rights of all children.

(e) As an NGO/individual working in a specific area of child development are you and forums that you are associated with advocating any changes in existing legislations, policies, programmes, etc? If you are than please do share the information.

Please send all the information, data case studies and reports by October 25 1994 latest. Any material reaching us after that might not have prospects of being included.

The Working Group seeks to develop this exercise into a national initiative of committed voluntary organisations and individuals. The final report for submission to the UN Committee on the Rights of the Child will acknowledge individuals, organisations and groups providing information, data and assistance in writing the report. Please send your replies/queries directly to: The Secretariat, Working Group on CRC, c/o 'Butterflies', C-7 Green Park Extension 1st Floor, New Delhi 110 016.

RITA PANICKER

Working Group on CRC,
New Delhi

Humanscape Fellowships

Humanscape, a monthly magazine published by the Foundation for Humanisation is nearly a year old. It was launched with humanist intentions and aspiration. *Humanscape* identifies several issues such as poverty, education public health, unemployment, quality of life unorganised sector labour etc, which require to be seriously researched and investigated from a humanist standpoint in the measure these issues actually affect people and individuals. The *Humanscape* Fellowships have been instituted to facilitate hard working and concerned journalists/social researchers who really want to get a message across, to relate 'real' stories about people at the grass roots.

The central theme of such work should be based on keeping the human being as a central value and focusing on ways of making positive changes in individuals and society. The work should also aspire to inform individuals, institutions and society in general, of humanist proposals thereby promoting the dissemination of facts and ideas, and encouraging discussion of them. The concerned journalists/social researchers should get in touch with affected people, contact respective authorities, contacting individuals/NGOs working in support and specialists in respective field, investigate anti-humanist elements, research and compilation of data, taking account of humanist stands, and propose likely solutions. The projects reports will be written in the form of 10 articles with photographs, each covering the issues at stake, people, supportive statistics and proposals. The duration of the fellowship is three months in Bombay with a stipend of Rs 2 500 per month plus actual expenses for 10 articles. The entire work will be published in *Humanscape* and in other publications through *Humanscape*.

Please send a detailed resume and copies of published work to *Humanscape* 11 Yogniti, 18 S V Road, Santa Cruz West Bombay 400 054. Telefax on 6119513 Or call 6106197/6119513.

JAYESH SHAH

Bombay

ECONOMIC AND POLITICAL WEEKLY

Unheeded Signposts

"EPIDEMICS are like the large signposts from which a statesman of stature can read that a disturbance has occurred in the development of his nation, which not even careless politics can afford to overlook", wrote Rudolf Virchow, the German physician-scientist-statesman and father of social medicine, in 1848. The plague deaths in Surat and the adjoining areas and the cases in Beed are a vivid and emphatic signpost of the breakdown of public services in this country.

Let us look at the compendium of failures: As early as September 21 when so many patients were being admitted to public hospitals in Surat and attending doctors were suspecting plague and petitioning for medical and other supplies, the authorities chose not to take note of the warning. As a consequence, some 64 patients discharged themselves and, without a clue to the gravity of the situation, contributed to the spread of the disease. Patients' relatives and family members were neither provided with antibiotics nor given essential information. It is also likely that the earlier cases of possible bubonic plague did not even make it to the hospitals or ill-informed private practitioners turned them away with routine medicines. Let us go back further, to when Surat experienced floods, which, as the concerned authorities put it, were 'man-made' because of the decision to release water from a dam which would otherwise have overflowed. In the typically blinkered and fragmented approach to public services, the authorities failed to ensure the safety of livestock and livelihoods; and later, to make the situation worse, the Surat municipality left the large numbers of animal carcasses to rot and become breeding grounds for rodents. Then again, Surat is acknowledgedly the 'dirtiest' city in the country – it is among the cities which have registered very high growth rates in the last decade, without concomitant development of urban public services. While it is the centre of diamond trade and the new industrial expansion, especially based on petrochemicals, it also houses some of the poorest and the worst exploited labour, a large section of whom are migrants from neighbouring states. It is a city made to order for the rapid spread of any contagious disease. Such distorted growth has occurred in many urban centres; it just so happens that a combination of factors has made Surat the focus of the current epidemic.

Inevitably, there is a growing exodus of people fleeing a city which offers no sense of security or prospect of treatment. And they flee to the nearby gigantic metropolises which apparently offer hope. But Bombay's response has been another tragic note. It took three days for the Bombay Municipal Corporation (BMC) to even decide to go into action, in which time hundreds had already poured in from Surat, some perhaps carriers or already suffering. And what is the BMC's plan of action? At the top of the list is clearance of garbage which had not been done lately "because of a shortage of trucks" and removal of silt which has been blocking the drains. In other words, routine services necessary to maintain a city in health are now being undertaken – as emergency measures. Some of the other disclosures which have tumbled out in the ensuing discussions are no less dismal. For instance, Bombay has a rat population of 50 crore. And this is the country's most prosperous city in the country's most prosperous state.

There is further evidence of this 'well run' state's efficiency. It was in the first week of August that the first cases of plague were reported from Beed adjoining the region hit by earthquake last year. (Pending fuller pathological reports the diagnosis is, of course, tentative.) What was the government's response? Typically, it first denied the diagnosis, then various functionaries made contradictory statements supposedly aimed at reassuring the population. The National Institute of Communicable Diseases categorically stated that the Maharashtra government had been warned of the possibility of plague in the area but had taken no steps to institute control measures. With remarkable placidity the government did not even begin production of anti-plague vaccine at the state-run Haffkine Bio Pharmaceutical Corporation, the only manufacturer of the vaccine in the state. The company has no stock of the readily usable vaccine because there has been no incident of the disease for more than 30 years and it takes a couple of weeks to start production. As a result, when the Surat cases began to turn up no immunisation was possible. Further, had people's health been a concern and the study of developments in society an instrument for structuring policy according to the needs of the people, the concerned state governments would have monitored the migration of people in search of livelihoods after the earthquake. This could have led to cognisance of the possibility of entry of carriers of bubonic plague into Surat.

While there can be no justification for the disgraceful breakdown of public services, the state may well contend

that the fact that plague had ceased to be a threat to public health was a reasonable enough explanation for its unpreparedness. Here again is another disjuncture in the development process. Not so long ago entomological researchers had in the course of their investigations on the rat flea found to their surprise that the nature of changes in the flea and host rodent populations was such that an outbreak of plague could be imminent as a consequence of any sort of ecological disturbance such as the Latur earthquake or the Surat floods, which would drive wild carrier rodents to mix with the urban species. Not surprisingly, these research findings remained a scientific contribution with absolutely no interface with public policy. Secondly the state has in its annual budget an item 'plague organisation' under which is allocated a pittance—originally no doubt intended for surveillance and monitoring but clearly just a cosmetic gesture today.

It is not that there have not been other signposts of coming public health disasters. The resurgence of malaria is an example of the deterioration of the urban environment as is the continuing spread of tuberculosis. Even apart from these the general morbidity patterns and the newer symptomatologies becoming evident in the expanding cities should have been cause for concern a long time ago. The state's response to urban growth has been to talk of stemming the influx of populations into cities and towns. As a consequence urban policy if one can call it that has been a sort of apology—something that has to be spelt out only because of the failures of development in rural India. In the 150 years since Virchow pointed out that medicine was politics developments in the science have been such that there is a medical therapy for most human ills; the rot is in the political roots of society.

INDUSTRIAL GROWTH

Case for Caution

AFTER three years of depressed conditions reports from industry associations as also the production indices for the initial months of the current financial year point to a notable revival of industrial growth. Following the initiation of the stabilisation and structural adjustment programmes the index of industrial production (base 1980-81=100) had shown insignificant growth of 0.5 per cent, 2.3 per cent and 3 per cent in the last three years, after a decade of near 8 per cent per annum growth in the 1980s. The index for April this year has now shown a rise of 8 per cent and that for May of 8.7 per cent over the corresponding months of last year. This is all the more striking because no particular signs of recovery had been visible in the closing months of 1993-94. Even in this March the index had shown zero growth, though some of the earlier months of 1993-94 had seen seasonal spurts ranging from 5 to 7 per cent. The abrupt turnaround in industrial production, while it is most welcome, raises interesting questions about the nature of the growth as well as its causes and sustainability. In the absence of fuller data, however, discussion of these issues can only be tentative at best.

That the industrial picture is far from clear is evident from the movements in the official index number series. The Central Statistical Organisation(CSO) had put the general index for this April at 225, an increase of 8 per cent over April last year. But while releasing the May index, the April figure has been revised down to 222.5, which gives an over-the-year rise of only 6.9 per cent. The May index has been put at 226.5 marking a rise of 8.7 per cent over the 12-month period and of 1.8 per cent over the previous month which is quite remarkable. The index for capital goods industries has been similarly subjected to sharp revisions. The CSO had placed the index for this April at 206.4, but it has now been revised downwards to 202.3, thus pushing up the subsequent growth rate significantly. The significant revisions in the industrial production index in recent years has naturally given rise to misgivings about the reliability of the data.

There appear to be other serious problems as well but in the absence of fuller details only a few illustrations can be cited. Take the general index for March and April. The index for March this year jumped by 12.1 per cent over that for February but the April index dipped by 16.4 per cent over that for March. These lurching movements have been especially striking in the indices for certain industry groups, such as capital goods. In 1993 the index for capital goods had shot up by 51.4 per cent in March over February and then fallen by 47.5 per cent in April over March. Almost identical movements had occurred in March and April 1992. It may be that companies indulge in window-dressing to show higher output in their balance sheets, but the phenomenon was evident even when not all companies were closing their accounts in March. It may also have something to do with the government's fiscal year and tax collections, though the connection between physical output and tax payments of industrial enterprises is not immediately clear.

Similarly, the weighting diagram for the current series with 1980-81 as the base had been criticised for the addition of high growth industries and deletion of low growth ones. Despite the criticism the government has not cared to get the series revised. Government spokesmen have in fact sought to argue that if a more representative weighting diagram were used, the industrial growth rate would turn out to be higher. But this is to ignore that a representative weighting diagram would have to take account of the large number of industrial products which have been deliberately left out in the compilation of the index, giving rise to misgivings about the representative character of the index number series itself. There are also other issues such as speedy and accurate collection of statistics from industrial units and the method of deflating the nominal output figures to arrive at real numbers. This is particularly important for machinery items included in the index for the capital goods sector, the output of which is reported in value terms. As it happens, according to the index, the output of capital goods shows a rise of as much as 17.9 per cent in April-May this year over the corresponding period of last year. How seriously is this to be taken?

Leaving aside the question of reliability, there is no doubt that the recent industrial growth, impressive as it appears to be, has been limited to a narrow range of industries. The overall index number for April-May this year shows a rise of 7.8 per cent over the corresponding period of last year when the index had risen by just 0.8 per cent. The increase in manufacturing has been 9.2 per cent compared to a fall of 0.9 per cent in April-May last year. The index for mining in April-May this year has shown a fall of 0.5 per cent against a growth of 2 per cent last year and that for electricity a slight reduction in growth rate to 7 per cent from 7.9 per cent.

It is thus the growth in manufacturing that seems to have made all the difference this year. A scrutiny of the CSO data suggests that of the 9.2 per cent growth in manufacturing in April-May this year more than 55 per cent is attributable to just two industrial groups, namely, electrical machinery and appliances (weight 5.78 per cent) and transport equipment and parts (weight 6.39 per cent) which have grown by 25.2 per cent and 22.7 per cent respectively during the period.

In transport equipment, the preponderant contribution has come from automobiles. Likewise, in electrical machinery and appliances, the output of white goods has made a major contribution. Taking the capital goods sector, about 80 per cent of the growth of 17.9 per cent in April-May this year has come from medium and heavy commercial vehicles. Such disaggregated information is not available in the CSO's press releases, but data put out by industry associations and a special survey carried out by the Confederation of Indian Industry (CII) point to certain revealing trends. According to these sources, the output of medium and heavy vehicles shot up by 130.4 per cent, from 12,000 in April-July

1993 to 27,600 in April-July this year, and that of light commercial vehicles rose by 46.7 per cent. Similarly, output of cars went up by 17.3 per cent, scooters by 27.7 per cent, motor cycles by 32.8 per cent and three-wheelers by 62.6 per cent. It could thus be said that industrial growth is being led by the automobiles group which as a whole has registered a growth of 29 per cent. In the case of commercial vehicles there had been a substantial loss of production in the last two years which is now being made up, presumably under the impetus of better agricultural growth. In the case of cars and other passenger vehicles, the demand has been stimulated by easy availability of commercial bank credit. In addition to automobiles, output of air-conditioners and refrigerators has risen by 29 per cent each and consumer durables as a group have reported a growth of 20 per cent in April-July.

Its narrow base is definitely enough reason for tempering the euphoria over the rise in industrial production in the current year so far. Apart from consumer durables and commercial vehicles, the industries showing sizeable increases include fertilisers, different varieties of man-made fibres and yarns and some chemical items, the total weight of which industries is unlikely to be more than 20 per cent in the general index of industrial production. There are also cases of industries such as paints and varnishes and cotton cloth in which, to an extent, the apparent growth of output in the organised sector has been in replacement of loss of production in the small-scale sector as a result of the finance minister's decision to narrow excise duty differentials. The organised sector is now in a position to price out small-scale units and, over the medium term, this will have serious implications for employment generation in the non-farm sector and for regional dispersal of industries. In the paints industry, for instance, it is well known how the erstwhile excise duty concessions for small-scale units had encouraged the growth of over 2,500 units in different parts of the country which is now being scuttled under the current excise duty structure. The same is true of cloth output in the decentralised sector.

An even more disturbing picture of the regional distribution of industries under the new market-driven policies is emerging from the data generated from the industrial entrepreneurs memoranda(IEM) which, under the new industrial policy, all proposers of new investment have to file with the Secretariat for Industrial Approvals (SIA). In the two and a half years from August 1, 1991 to December 31, 1993, some 12,400 IEMs were filed, involving a total investment of Rs 2,56,158 crore, but nearly 36 per cent of this investment was accounted for by just two states, Maharashtra and Gujarat. Bihar, on the other hand, would account for just 1.38 per cent of the total investment and only 0.61 per cent of the employment to be generated by these new industrial units. Similarly, West Bengal would attract only 2.77 per cent of investment and 4.13 per cent of employment. According to the latest Annual Survey of Industries for 1989-90, West Bengal's share in total factory employment and fixed capital stock was 9.9 per cent and 7.1 per cent, respectively, and that of Bihar 4.9 per cent and 6.8 per cent. The share of these states in industrial production and employment is thus already disproportionately low. With incremental growth in these states being so minuscule, the adverse implications of the emerging industrial investment and growth patterns for the development of the different states and regions can be easily imagined.

AYODHYA

Path of No Return

NOTHING shows the duplicity of the Rao government better than the written statement it submitted to the Supreme Court on September 18, wherein it said, on the one hand, that if the court found that "no Hindu temple/structure existed" at the site of the Babri masjid "prior to the construction of the demolished structure", then the "government action will be in support of the wishes of the Muslim community", and, on the other hand, that if a Hindu temple/structure did exist there, then it would abide by the wishes of the Hindu community. The government made this statement in response to the court's injunction to it to clarify whether it would "rebuild the mosque in the event the court finds that no Hindu temple or religious structure was in existence there". The court was sitting to deliberate on the presidential reference made to it following the demolition of the Babri masjid at Ayodhya on December 6, 1992, namely, whether any Hindu temple or structure existed there prior to the construction of the Babri masjid.

Although the court has reserved its opinion on the reference for the moment and will make it known only in October, the statement by the government as well as the original reference to the court to give its opinion on the issue have put the court in a difficult situation. The court has been asked to take a position on an issue which is not an issue of law but of fact. However, the real difficulty lies in the fact that the opinion of the court has already been given a direction by the manner in which the reference has been constructed. In this construction, the non-existence of a temple over 440 years ago has impliedly been made the condition for the existence of a mosque now. In other words, in this particular construction of the reference the methodology for resolving the dispute—a methodology which is patently biased against the re-building of the demolished mosque at its original site—has already been put into practice; and the court has been left with little option but to give its opinion accordingly. The statement that the government submitted to the court in response to its query only compounds the matter even further, for it tells the court that to have the mosque re-built, you must say that no temple existed at the site more than 400 years ago.

Looked at in conjunction with the fact that the government allowed the implantation of the Ram idols at the site of the mosque within three weeks of the demolition of the Babri masjid and permitted their 'darshan', and that prime minister Rao has been making efforts to get together a 'non-political' trust to build the temple, it shows that the government is pushing the resolution of the problem at Ayodhya in a particular direction--in which a temple may come up at the site of the demolished mosque—and that it is using the Supreme Court to smoothen the way to achieve this end. For if the court says that a temple indeed existed at the site of the demolished mosque, then it can promptly go ahead and build the temple. However, if the court comes up with the contrary opinion, it can conveniently ignore it as mere advice.

DEVELOPMENT CAMPAIGNS

Feeble Impact

IT is exactly a year ago that Latur in Maharashtra was hit by a devastating earthquake. The fate of the survivors is almost forgotten. Recent reports from the area however indicate some disturbing developments, threatening particularly the position of women in Latur society. First, there appears to have been a spate of remarriages among the menfolk, the reasons being the death of wives and children during the earthquake or physical disability of wives caused by the calamity which has rendered them incapable of conceiving. Incidentally, while widowers have remarried within six months of the earthquake, widows who had lost their husbands due to the disaster are yet to be accepted as wives by the men in Latur. As usual, dowry has become an important factor, with the men demanding exorbitant amounts from the parents of their would-be brides.

Secondly, women who had undergone tubectomy before they lost their children in the earthquake are now being forced by their husbands to go in for the rejoining of the fallopian tube—a risky operation with 50 per cent chances of revival of the

child-bearing capacity In spite of official orders to avoid such operations, private doctors are having a field day by experimenting on the unfortunate women Evidently, during the family planning campaign in Latur earlier, very few men had opted for vasectomy, as apparent from the present tendency to force the women to undergo a reversal

The events in Latur have important implications for those engaged in campaigns for human resources development It may be recalled that Latur was one of the districts where the government's Total Literacy Campaign (TLC) was reported to have made 80 per cent of its population functionally literate and to have empowered women and the weaker sections of society in a big way Health awareness, women's rights anti dowry laws among other issues featured prominently in the motivational campaign (that was carried on for months before the launching of the literacy centres) and in the lessons that were imparted to the learners for almost a year In spite of all this have these neo literate men and women been able to break out of the historically structured social constraints? Apparently not, as evident from what is happening there now Deeply entrenched patriarchal social norms have reasserted themselves in the wake of the socio-economic trauma generated by the earthquake

It must be recognised that development campaigns in our society like the National Literacy Mission however well meaning they might be can at best knock feebly at the oppressive socio economic structures which are not only left intact but are nourished by the state In Latur while the unlettered were surely taught to read and write and made aware of the need for social changes the traditional socio-economic environment was allowed to continue thus making it difficult for these neo literates to change themselves according to the new values that were conveyed to them through the lessons in the literacy centres The sahukars and the village patriarchs the contractors and the private doctors remained the dominating forces in rural society It is these forces which dictate social norms in moments of crisis and are today deter mining the decision making process among the survivors of the Latur earthquake

As long as developmental activities like literacy campaigns remain divorced from sincere attempts to overhaul these various dominating socio-economic structures, every crisis—whether natural or man made—will wipe out at one stroke whatever gains such campaigns might have achieved in terms of generating social awareness While in Latur the crisis was sparked off by an earthquake in 1993 in the previous year some other districts under the Total Literacy Campaign faced a man-made crisis—communal riots following the demolition of the Babri masjid Messages of communal harmony and scientific inquiry which were spread through literacy lessons in these districts appeared to have had little effect on the learners who in those turbulent days seemed to have been more swayed by the hate-filled 'lessons' that were being doled out to them by the leaders of the traditional religious structures and the influential political establishments

ARMS TRADE

Vicious Circles

THE international trade in armaments which leaves a globe circling trail of destruction often results in incongruous connections What for instance, are the sources of the arms and ammunition with which the Afghan and Kashmiri rebels are fighting? While we are all aware of US and Pakistani arms supplies to many of us it may come as a surprise to know that among other countries in the business are the erstwhile Soviet Union and yes India

Recent publications coming out from the west (notably Christopher Smith's *The Diffusion of Small Arms and Light Weapons in Pakistan and Northern India* and *The Bear Trap Afghanistan's Untold Story* by Muhammed Yousaf and Mark Adkin) reveal how weapons often boomerang on the original manufacturing nations In order to hide its support for the mujahidin in Afghanistan during the early years the CIA resorted to indirect ways to supply them with weaponry It thus obtained from Israel a large consignment of Soviet weapons that were captured by Israel during its invasion of Lebanon Ironically again some 100 000 Enfield 303 rifles were purchased from India, also through indirect routes Between 1983 and 1987 all these weapons landed up in Afghanistan—via Pakistan which was the main conduit for the US arms supply to the anti-Soviet mujahidin The massive arms transfer to Afghanistan by the US during this period (procured from as diverse sources as China and Turkey and Egypt apart from the Soviet and Indian weapons mentioned earlier) meant that the Afghan mujahidin fought the Soviet troops often with Soviet manufactured arms Since much of the weaponry from the Afghan mujahidin arsenal has flowed into Kashmir it is quite likely that the Kashmiri militants are fighting the Indian security forces with Enfield 303 rifles—which had first found their way into the hands of the Afghan mujahidin

But there are more ironical instances of the Indian authorities being hoist with their own petard In November 1992, for example two consignments of weapons were smuggled through the Ajnala sector of Punjab to the north of Amritsar, to Sikh Khalistani groups there, with the help of those who are supposed to protect our borders—the personnel of the Border Security Force Similarly, in Kashmir, there have been instances of Indian security forces becoming involved in the weapons trade with militants In 1991, when a top Kashmiri militant, Master Innayat, was killed in an alleged encounter with the security forces, it was initially reported that he was carrying 67 rifles for transporting them from Baramulla to Srinagar But later the same security forces reported seizing only 29 rifles According to unofficial sources the rest of the initially seized consignment was sold back by the security forces to the militants within 12 hours One should not be surprised if the temptation for a quick buck prevails over the official oath to a fast-eroding concept of patriotic duty when one remembers that the weapons (sophisticated assault rifles in particular) seized by our security forces from the Khalistani and Kashmiri militants fetch anything between $ 575 and $ 2 700 in the arms bazaar

The Human Rights Watch Arms Project report (by the US based NGO) which has cited the above cases of Indian complicity both indirect and direct in the proliferation of destructive weaponry in the sub continent has primarily blamed the US for initiating the vicious circle of marketing deadly arms in this area Quite predictably the mainstream Indian press has lapped up this part of the report with one national English daily publishing selective excerpts from it under the three column heading US Rapped for Flow of Arms to J K Militants while ignoring conveniently a large part of the same report which is devoted to the atrocities committed by the Indian security forces in Punjab and Kashmir and the chapter titled Arming the Indian Government which exposes the surreptitious arms deals undertaken by New Delhi with east European countries and Israel As pointed out by the Human Rights Watch report these deals have enabled the Indian security forces to acquire assault rifles and other small arms and light weapons which have been used frequently by them in attacks on civilians in Kashmir and Punjab

The same report portions of which have been approvingly quoted by the Indian press makes an important recommendation which has been blacked out Referring to India's "rush to purchase large quantities of military hardware and technology, and its reliance on other governments for various forms of military support" the report suggests 'Potential suppliers [of arms] should pay close attention to the government's record in Kashmir and Punjab, since it is in these states that government forces have committed some of the worst and most regular violations of human rights "

Cochin Refineries Balmer Lawrie

PROMOTED jointly by Cochin Refineries and Balmer Lawrie and Company, Cochin Refineries Balmer Lawrie was incorporated with the objective of setting up a refinery downstream petrochemicals with imported technology The company's first project, viz, manufacture of polyisobutylene which has been set up at Ambalamugal (Tamil Nadu) in technical collaboration with US Chevron Research and Technology Corporation with a built in capacity of 7,000 tonnes per annum was recently commissioned and has commenced commercial production Polyisobutylene, has wide usage in the manufacture of additives for lubricating oils in 2-T oil formulations for two wheelers, in the manufacture of jelly filled cables and many other industrial applications finds its way into industries like petrol tube and telecom which are growing industries It also has a high export potential to the south east Asian and European markets

The company is entering the capital market on September 26 with a public issue of 49 99 990 equity shares of Rs 10 each for cash at a premium of Rs 25 per share aggregating Rs 17 50 crore The company has firm allotment to Indian mutual funds foreign institutional investors (FIIs) and non-resident Indians (NRIs) This project has been set up at a capital cost of Rs 45 crore and has been appraised by SBI Capital Markets The company is being promoted by reputed companies and its technical collaboration with world renowned corporation gives it an extra edge The issue is lead managed by SBI Capital Markets and ANZ Grindlays Bank

Bhuvan Tripura Industries

Bhuvan Tripura Industries (BTIL) an Ahmedabad based company is setting up a speciality chemicals project at Nandesari industrial estate Baroda with a total capacity of 4,050 MTPA at a cost of Rs 19 9 crore The BTIL group has also set up a 100 per cent EOU software project in Bangalore International Comptech Engineering Services (ICES), and which had recently come out with a public issue The company proposes to manufacture a water soluble polymer hydroxy ethyl cellulose which finds wide application in the manufacture of paints, oil exploration pharmaceuticals, plastics and chemicals as well as personal care products BTIL also proposes to produce an import substitute product, speciality alkanol amines having its main application in drug and dye intermediates, textile auxiliaries, corrosion inhibitors, in paints and coatings, and as for water treatment Development of expertise and technology is being done through in-house R and D with close co-operation with Shree Chem Research Lab of Bombay The company through its R and D has attained specialisation in high pressure vapour phase reactions in developing unique catalyst and in esta blishing cost-effective hi-tech processes The company claims that its project is in an advanced stage of implementation and production is likely to commence by April 1995, for the first phase The company proposes to enter the capital market shortly to part finance the project

Lloyd Electric and Engineering

Lloyd Electric and Engineering is engaged in the manufacture of condensor coils and evaporator coils which are used as original equipment in window, package automotive and split air conditioners The company is embarking on a expansion cum-modernisation activity with a total cost Rs 13 45 crore In part finance this project the company is entering the capital market on October 5 with a public issue of 29 70,000 equity shares of Rs 10 each for cash at a premium of Rs 20 per share aggregating Rs 891 lakh The company is situated at Bhiwadi Alwar district in Rajasthan This project will enhance the company's production capacity five fold resulting in a six fold increase in its turnover Economies of scale is expected to help the company increase its profits The company has entered into an agreement with Fedders Lloyd Corporation to lift 40 per cent of the company's production It also has firm allotment to Taurus Mutual Fund Indian Liberalisation Fund (Mauritius) and Financial Horizons The company is promoted by Ashok Punj and Maya Rani Punj The issue is jointly managed by ITC Classic Finance and State Bank of Bikaner and Jaipur

Neelkanth Motels

Neelkanth Motels and Hotels a Baroda based company, has finalised technical collaboration and franchise agreement with Super 60 Motels SPAS, California, US This agreement ensures the international quality standards for its present and forthcoming ventures at Ankleshwar, Saputara and Mahableshwar in Maharashtra The company has achieved sales target of Rs 38 lakh In the span of three years the company projects a net sales of Rs 402 lakh and net profits of Rs 135 lakh The company is in the process of consolida ting its operations by taking over manage-ment of motel sites at Ankleshwar, Gujarat and through acquisition and development of Motel Projects at Saputara and Mahableshwar

Diamond Cables

Diamond Cables, had come out with its maiden issue on August 10 last year for part financing their expansion programme of manufacturing AAAC, ACSR conductors, PVC cables at village Vadala Taluka Savli, in Baroda Following the public issue the company has taken up the diversification programme to manufacture XLPE cables and FRLS cables up to 1 1 kva costing Rs 260 lakh The expansion project is being financed by Internal accruals and term assistance to the extent of Rs 100 lakh The company expects to start production of its expansion project by the first week of October 1994

The company has promoted Diamond Optical Fibre Cables an integrated telecom cables project for manufacturing optical fibre cables and jelly filled telephone cables costing Rs 50 crore The company has reported a sales of Rs 235 lakh and a profit after tax of Rs 34 lakh Subsequ ently the board of directors of the company have recommended a dividend of 7 5 per cent and have also recommended a Rights Issue in the ratio of 1 1 at a premium not exceeding Rs 10 to the existing share holders of the company subject to neces sary approvals

The macro economic scene is characterised by (i) moderation of the inflation rate (ii) persistence of high liquidity growth contributed essentially by foreign exchange accruals (iii) acceleration in the average rate of industrial growth following bank credit linked demand expansion in automobiles and a few other industries (iv) some reaction to the historical peak of the previous week in equity prices and (v) considerable deceleration in export growth accompanied by a pick up in non POL imports Whether measured by the all commodities index or the index for food articles the moderation of the rate of price rise this year is partly statistical as it is over the very high base of the previous year

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981 82=100)	Weights	Sep 3 1994	Variation (Per Cent) Point to Point: Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1994 95	Fiscal Year So Far 1993 94	1993-94	1992-93	1991 92	1990 91
All Commodities	100 0	271 7	0 5	8 3	9 2	4 9	7 6	10 8	7 0	13 6	12 1
Primary Articles	32 3	280 9	-0 6	9 4	7 8	8 5	10 6	11 5	3 0	15 3	17 1
Food Articles	17 4	314 6	-1 1	6 9	7 5	12 2	9 6	4 4	5 4	20 9	18 9
Non Food Articles	10 1	288 9	0 1	15 5	5 8	3 1	11 5	24 9	1 4	8 1	19 3
Fuel Power Light and Lubricants	10 7	279 1		6 0	23 0	0 4	7 1	13 1	15 2	13 2	14 4
Manufactured Products	57 0	265 1	1 2	8 1	7 6	4 3	6 1	9 9	7 9	12 6	8 9
Food Products	10 1	274 4	1 0	6 8	12 6	8 8	14 5	12 3	6 8	10 2	13 2
Food Index (computed)	27 5	299 8	0 4	6 9	9 1	11 0	11 2	7 0	5 8	17 1	16 9
All Commodities (Average Basis) (April September 3 1994)	100 0	267 4	–	10 0	8 0	11 1	7 2	8 3	10 1	13 7	10 3

Cost of Living Indices	Latest Month	Variation (Per Cent) Point to Point: Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1994 95	Fiscal Year So Far 1993 94	1993 94	1992 93	1991 92	1990 91
Industrial Workers (1982=100)	281[7]	1 4	11 1	4 5	5 2	4 1	9 9	6 1	13 9	13 6
Urban Non Man Emp (1984 85=100)	224[4]	0 9	8 7	6 7	0 9	0 5	–	6 8	13 6	13 4
Agri Lab (July 60 to June 61=100)	1211[7]	1 9	13 4	2 0	3 1	1 4	11 6	0 7	21 9	16 6

Money and Banking (Rs crore)	Aug 19 1994	Variation (per cent in brackets): Over Month	Fiscal Year So Far 1994 95	Fiscal Year So Far 1993 94	1993 94	1992 93	1991 92
Money Supply (M3)	461608	-358 (-0 1)	28042 (6 5)	24066 (6 6)	66741 (18 2)	49344 (15 5)	51653 (19 4)
Currency with Public	88247	742 (-0 8)	6049 (7 4)	4547 (6 7)	13925 (20 4)	7175 (11 7)	8050 (15 2)
Deposits with Banks	370041	4239 (1 2)	21201 (6 1)	18081 (6 1)	51601 (17 4)	41471 (16 3)	43392 (20 5)
Net Bank Credit to Govt	213238	-6297 (-2 9)	9452 (4 6)	22526 (12 8)	27548 (15 6)	17975 (11 4)	18070 (12 9)
Bank Credit to Comml Sector	239605	-662 (-0 3)	2402 (1 0)	833 (-0 4)	17068 (7 8)	32141 (17 1)	16225 (9 4)
Net Foreign Exchange Assets	65436	1017 (1 6)	11709 (21 8)	3198 (14 0)	28775 (15 3)	3726 (17 6)	10645 (100 6)
Reserve Money (Aug 26 1994)	150203	1682 (1 1)	11581 (8 4)	11907 (10 7)	27843 (25 1)	11274 (11 3)	11726 (12 4)
Net RBI Credit to Centre	93024	3507 (-3 6)	-3759 (-3 9)	14875 (15 4)	263 (0 3)	4257 (4 6)	5904 (6 7)
Scheduled Commercial Banks (Sep 2 1994)							
Deposits	337937	4243 (1 3)	24123 (7 7)	18444 (6 9)	45242 (16 8)	37814 (16 4)	38216 (19 8)
Advances	167671	766 (0 5)	4049 (2 5)	862 (0 6)	11640 (7 7)	26390 (21 0)	9291 (8 0)
Non food Advances	156618	1631 (1 1)	3903 (2 6)	-1241 (-0 9)	7476 (5 1)	24317 (20 1)	9127 (8 2)
Investments	147789	1699 (1 2)	15396 (11 6)	10760 (10 2)	26737 (25 3)	15460 (17 1)	15131 (20 2)

Index Numbers of Industrial Production (1980 81=100)	Weights	May 1994	Average for Fiscal Year So Far 1994 95	Average for Fiscal Year So Far 1993 94	Variation (Per Cent) Fiscal Year Averages: 1993 94	1992 93	1991 92	1990 91	1989 90	1988 89	1987 88
General Index	100 0	226 5	224 5 (7 8)	208 3 (0 6)	3 0	2 3	0 5	8 4	8 6	8 7	7 3
Mining and Quarrying	11 5	212 6	208 5 (-0 5)	209 5 (2 0)	2 5	0 5	0 9	4 5	6 3	7 9	3 8
Manufacturing	77 1	216 1	215 1 (9 2)	196 9 (-0 9)	2 2	2 1	3 0	9 1	8 6	8 7	7 9
Electricity	11 4	310 7	304 0 (7 0)	284 1 (7 9)	7 3	5 1	8 5	7 8	10 8	9 5	7 7

Capital Market	Sept 22 1994	Month Ago*	Year Ago	1994 95 So Far Trough	1994 95 So Far Peak	1993 94 Trough	1993 94 Peak	End of Fiscal Year 1993 94	1992 93	1991 92
BSE Sensitive Index	4452	4429	2759	3600	4618	2037	4286	3779	2281	4285
(1978 79=100)	(61 4)		(-16 4)					(65 7)	(-46 8)	(266 9)
National Index	2115	2103	1310	1765	2176	934	2050	1830	1021	1968
(1983 84=100)	(61 5)		(-11 4)					(79 2)	(-48 1)	(234 1)

* Data pertains to Aug 24 1994

Foreign Trade	July 1994	Cumulative for Fiscal Year So Far 1994 95	Cumulative for Fiscal Year So Far 1993 94	1993 94	1992 93	1991 92	1990 91
Exports Rs crore	5758	23491 (6 9)	21980 (41 2)	69547 (30 4)	53351 (21 1)	44042 (35 3)	32553 (17 6)
US $ mn	1835	7487 (6 8)	7010 (28 9)	22173 (20 4)	18421 (3 1)	17866 (-1 5)	18143 (9 1)
Imports Rs crore	6688	25353 (8 8)	23285 (7 6)	72806 (15 7)	62923 (31 5)	47851 (10 8)	43193 (22 0)
US $ mn	2132	8082 (8 8)	7427 (-6 7)	23212 (6 8)	21726 (11 9)	19411 (-19 4)	24073 (13 2)
Non POL US $ mn	1657	6338 (19 6)	5301 (21 3)	17559 (14 6)	15319 (9 1)	14047 (-22 2)	18045 (3 1)
Balance of Trade Rs crore	930	-1862	-1305	-3259	-9572	-3809	-10640
US $ mn	-297	-595	-417	-1039	-3305	-1545	-5930

Foreign Exchange Reserves	Sep 9 1994	Sep 10 1993	Mar 31 1994	Variation Over: Month Ago	Year Ago	Fiscal Year So Far 1994 95	Fiscal Year So Far 1993 94	1993 94	1992 93	1991 92	1990 91
Rs crore	56703	23099	47626	1244	33604	9077	2903	27430	5385	10223	-1383
US $ mn	18151	7410	15176	432	10741	2975	958	8724	731	3383	-1137

Industrial Production

Consumer Goods Industries	Unit	Weight	Quarterly Apr-Jun 1993	July-Sept 1993	Oct-Dec 1993	Full Fiscal Year 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Consumer Good Industries		23.65	184.6	183.1	200.8	194.3	190.8	173.5	163.2	156.6	147.1
(group index with base 1980-81 = 100)			(–2.7)	(5.8)	(3.3)	(1.8)	(10.0)	(6.3)	(4.2)	(6.5)	(7.1)
Consumer non-durable industries (Index)		21.10	167.5	162.5	180.6	179.4	175.0	158.7	147.7	144.1	135.7
			(–4.8)	(2.4)	(1.0)	(2.5)	(10.3)	(7.4)	(2.5)	(6.2)	(4.9)
Cotton cloth total	Mn mtrs	6.53	2490	3584	3721	13989	13102	13231	11010	10665	12538
(mill and decentralised sector)			(–26.7)	(0.4)	(4.6)	(6.6)	(–1.0)	(20.2)	(3.2)	(–14.9)	(–3.5)
Paper and paper board	Th tonnes	2.77	653	672	700	2565	2496	2433	2204	2074	1998
			(4.5)	(3.1)	(7.9)	(2.8)	(2.6)	(10.4)	(6 3)	(3.8)	(5 2)
Sugar	Th tonnes	1.76	1253	82	2952	12058	12642	11810	9423	9576	8763
			(–59.4)	(–58.3)	(24.3)	(–4 6)	(7.0)	(25.3)	(-1.6)	(9.3)	(13.5)
Tea	Th tonnes	1.10	202	285	188	727	722	719	706	679	724
			(4.6)	(–0.4)	(0.6)	(0.7)	(0.4)	(1.8)	(4.0)	(-6.2)	(15.1)
Wheat flour and maida	Th tonnes	0.80	1200	1193	1200	4607	4775	4748	4738	4493	3783
			(0.0)	(–0.6)	(19.2)	(–3.5)	(0 6)	(0.2)	(5.5)	(18.8)	(0.1)
Leather cloth	Mn mtrs	0.63	4 3	5.2	5.5	20.8	27.4	28.5	39.3	32.4	19.4
			(-20.4)	(0 0)	(3.8)	(–24.1)	(–3.9)	(–27.5)	(21.3)	(67 0)	(9.0)
Soaps and detergents	Th tonne	0.61	441	438	457	1744	1800	1811	1764	1660	1678
			(1.8)	(-5.1)	(6.0)	(-3.1)	(–0.6)	(2.7)	(6.3)	(-1 1)	(-0.9)
Cigarettes	Bn pieces	0.58	16.7	19.4	15 3	61.4	65.1	61.8	59 3	54.5	61 8
			(18 8)	(22.3)	(–5 5)	(–5.7)	(5.3)	(4.2)	(8.8)	(–11.8)	(-14 2)
Vanaspati	Th tonnes	0.56	238	197	236	876	831	824	939	995	980
			(2 0)	(–4.6)	(9 8)	(5.4)	(0.8)	(–12.2)	(–5 6)	(1 5)	(6.8)
Milk powder	Th tonnes	0.38	17 6	16.0	26 6	84 2	92 4	90.9	78 1	77 2	71.0
			(-11.1)	(6.0)	(2 7)	(–8.9)	(1.7)	(16.4)	(1 2)	(8.7)	(39 2)
Tooth paste and powder	Th tonnes	0 36	7 6	7 1	7 3	30.7	33.2	31.9	35.4	30.0	26 0
			(2 7)	(–7.8)	(-6 4)	(-7 5)	(4 1)	(-9.9)	(18.0)	(15.4)	(1.6)
Footwear all type	Mn pairs	0 31	56 9	58.8	56 9	225.8	221 8	229 2	236.5	235.2	238 0
			(6 8)	(0.7)	(0 9)	(1.8)	(–3.2)	(–3.1)	(0 6)	(–1 2)	(8.0)
Bulbs and tubes	Mn nos	0.24	97.4	101 6	99.0	378.8	360.8	323.6	305 7	293.7	302.2
			(8.9)	(8.0)	(3 8)	(5 0)	(11 4)	(5.9)	(4 1)	(–2.6)	(–8 8)
Salt	Th tonnes	0.14	6613	1971	1883	15706	12311	12646	10598	8398	12914
			(51 0)	(83.1)	(23 0)	(27.6)	(–2 6)	(19.3)	(26.2)	(-35 0)	(32 3)
Biscuits	Th tonnes	0.13	152.9	156.0	158.9	619 3	665 7	657.2	659 9	617.5	598.1
			(-1.5)	(0.7)	(2.0)	(-7.0)	(1.3)	(–0.4)	(6.9)	(3.2)	(1.2)
Coffee	Th tonnes	0 04	33.4	30 9	29.4	133	161	130	175	167	164
			(–12 8)	(–12.2)	(–18.8)	(–17.4)	(23.8)	(–25.7)	(4.8)	(1.8)	(14.7)
Contraceptives	Mn nos	0 01	290	230	242	992	965	1004	1068	895	836
			(41.8)	(–3.8)	(–10.6)	(2.8)	(–3 9)	(–5.0)	(19.3)	(7.1)	(-)
Trimethoprin	Tonne	0 76	63.6	62.3	56.7	265 8	271.8	225 6	189.9	132 4	115 1
			(–5.4)	(3.3)	(–21.7)	(–2 2)	(20.4)	(18 9)	(43 9)	(14 8)	(-)
Tetracycline	Tonne	0.69	70 9	56 1	56.7	282.2	271.8	225.6	189 9	132 4	115 1
			(5.3)	(14.3)	(–20.0)	(3 7)	(20.4)	(18.9)	(43.9)	(14.8)	(–54.5)
Penicillin	MMU	0.51	174.8	191.6	204 9	747.0	515.7	522 2	674.0	545.3	622 9
			(15.9)	(13.8)	(-1.5)	(44.8)	(–1 1)	(-22.6)	(23.7)	(-12.5)	(77 5)
Streptomycin	Tonne	0.36	36 1	29.5	51 2	160 3	171.6	162 0	137.8	120.0	86 2
			(–8.4)	(–6.9)	(8.5)	(–6.0)	(6.2)	(17.4)	(15 0)	(39 5)	(-57.0)
Sulphadrugs	Tonne	0.21	695.9	743 4	756 7	2706 1	3134.3	2625 9	2531 1	2604 4	1863.9
			(9.0)	(17.6)	(12 4)	(-13.7)	(19.3)	(3.7)	(–2 8)	(39 7)	(31 6)
Vitamin A	MMU	0.04	30.6	30.4	32.1	96 1	102 3	220 5	142 0	73.9	70 8
			(46.4)	(23.6)	(26 4)	(–5.9)	(–53 8)	(55.6)	(91 9)	(4.2)	(9 2)
Consumer durable industries	**(Index)**	2.55	326.3	353.4	368.1	317.7	320.6	296.1	291.2	260.1	241 2
			(5.9)	(20.6)	(3 2)	(–0.9)	(8.3)	(1.7)	(12.0)	(7.8)	(18.9)
Motor cycles, scooters,	Th nos	0.38	395.1	402.9	460.9	1500.1	1607.5	1842.8	1756.3	1674.4	1505 3
mopeds			(8.0)	(25.0)	(14.6)	(–6.7)	(–12.7)	(4.9)	(–4.3)	(11.2)	(4.9)
Watches and alarm time	Th nos	0.35	2747	2929	2054	11886	11339	12989	11091	10388	8846
pieces			(–27.7)	(12.0)	(–16.1)	(4.8)	(–12 9)	(17 1)	(6.8)	(17.4)	(17 3)
Sewing machines	Th nos	0.26	29.2	29.7	28 4	121.0	151.2	92.8	124.0	238 3	327.0
			(–9.0)	(–14.7)	(17.8)	(–20.4)	(62.4)	(–25.0)	(–47 9)	(–27 2)	(-13 3)
Electric fans	Lakh no	0 25	13.5	14.3	13 4	51.0	42.3	42.4	35 0	52.2	47 5
			(22.7)	(14.4)	(10.7)	(21.4)	(0.0)	(21.2)	(–32.7)	(8.3)	(23 1)
Telephone instrument	Th nos	0.35	382	465	448	1430	1183	1577	1236	1105	754
			(23.2)	(44.0)	(23.8)	(20.9)	(–25 0)	(27.6)	(11.9)	(46.6)	(2.7)
Bicycle	Th nos	0.23	1852	1781	1959	6964	11650	6796	6180	6673	6676
			(3.0)	(5.5)	(17.4)	(59.8)	(71.4)	(10.0)	(–7.4)	(neg)	(9 1)
T V Receivers	Th nos	0.07	323	381	416	1246	1218	1263	1278	1362	982
			(15.8)	(15.6)	(28.5)	(2.3)	(–3.6)	(–1.2)	(–6.2)	(38.7)	(-)
Typewriters	Th nos	0.05	21	17	20	108	115	118	115	122	94
			(–22.1)	(–37.6)	(–26.7)	(–6.1)	(–2 5)	(2.6)	(–5 7)	(29 8)	(23 6)

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript [7] stands for July. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. (iii) — means not available/not relevant

HINDUSTAN LEVER

Profitable Growth

HINDUSTAN LEVER (HLL) a subsidiary of Unilever has continued to make strides as a consumer product giant in India, with the company's performance getting augmented in the second half of 1993 when revival of consumer demand which was linked to yet another good monsoon began to pick up. The company's net sales have shown an increase of 16 per cent in 1993 with operating profit going up by 25 per cent and net profits by 29 per cent. In a situation of competition HLL has hiked its commission on sales which is reflected in its expenditure on sales jumping by 44 per cent for the year under review. A decrease in the company's interest burden was offset by increases in depreciation and tax provisions. The company has announced a dividend of 56 per cent for the year raising it from 42 per cent in the previous year. What is impressive is the HLL's ability to generate probably the best of the Indian corporate sector's profitability ratios: 23 per cent of return on investment (gross profit to total assets) or 33 per cent of return on equity capital (profit after tax on net worth). The company's sales to total assets ratio increased marginally by 2 percentage points while its sales to gross fixed asset ratio went up by 96 percentage points from 469 per cent in 1992 to 565 per cent in 1993.

HLL's exports remained low during 1993 for a variety of reasons like continued recession in the European and Japanese markets, with the North American markets' pace of recovery being very slow and the Indian rupee appreciating somewhat in real terms against the US dollar and the major European currencies. However taking a longer term view the company plans to invest over Rs 50 crore in export projects. The speciality leather tanning unit at Marungur Neyveli in Tamil Nadu is almost ready. The company's surimi fish paste project at Chorwad Veraval in Gujarat, particularly aimed at the Japanese market is under construction. HLL has also recently commissioned a rice milling plant at Kandla Gujarat with a complete integrated unit supplied by a Japanese firm which happens to be only one of its kind in Asia.

The company has obtained the ISO 9002 certification for its cosmetics and toilet preparation factory at Kandla and for its detergent factory at Mangalore. This was the first detergent factory and HLL the first company in the consumer product industry in India to receive this credit. In May 1993 the company took over the marketing department from Ponds. Under the umbrella of Unilever Brooke Bond Lipton India merged with Lipton India, Doom Dooma India Tea Estates India and Kissan Products and also succeeded in acquiring Dollops' business from Cadbury India. HLL's proposed merger with TOMCO has run into problems amongst other things with a case being filed against the merger with the MRTP Commission by the employees' unions of its own Sewri factory and the Federation of TOMCO employees, contending that the proposed amalgamation amounted to restrictive and monopolistic trade practices. However, HLL states that subject to the court and statutory approvals, the scheme of amalgamation would be effective from April 1 1993. In anticipation, the authorised capital of HLL has been raised from Rs 140 crore to Rs 150 crore. Also there was a preferential allotment of 29 84,347 equity shares of Rs 10 each to Unilever so as to increase the parent company's shareholding to 51 per cent. HLL has been able to borrow from the market at unduly low rates of interest due to better credit ratings through commercial paper (CP) and fixed deposits. The company continues to enjoy the best credit ratings of P1+ for its CP and FAAA for its fixed deposits. The company conducted a CP programme of Rs 45 crore during 1993 and the company's public deposits stood at Rs 55 36 crore as at the end of December 1993. The company's local R and D has strong linkages with the R and D facilities of Unilever in other parts of the world. The company invested Rs 8 crore in R and D in 1993.

The company's wholly owned subsidiary Indexport Limited has shown good performance for the year 1993. The company proposes to enter into a joint venture with Kimberly Clark of the US, the leading manufacturers in diapers and other household paper products. The shareholding of this joint venture would be 50 per cent each.

CENTURY ENKA

Poor Sales

Century Enka, a B K Birla group company has registered a decline in sales by 1 7 per cent for the year 1993 94. While the company's other income has gone up by 10 per cent, its operating profit and net profits have gone up by 38 per cent and 142 per cent respectively following a 25 per cent reduction in interest burden; however this has been offset to an extent by increased depreciation and taxation provisions. The company's retained profits have gone up by Rs 12 crore for the year under review as against a small absolute fall last year. The company has announced a dividend of 48 per cent for the year 1993 94. There has been a steady decline in the company's export earnings from Rs 10 96 crore in 1991-92 to Rs 2 78 crore in 1992-93 and further to less than Rs 1 crore in 1993 94. Simultaneously, its imports have also declined from Rs 48 23 crore to Rs 33 50 crore and Rs 28 03 crore, respectively, though the size of imports in relation to raw material consumed has remained high.

The reduction in excise duties on polyester and nylon filament yarns and in import duties of raw materials by the government coupled with improved law and order situation in the textile production centres have improved the demand for textile yarns. The continued recession in the automobile sector, and the import of tyre yarns and tyre cord fabrics against export entitlements have hit the company's nylon industrial yarn and tyre cord fabrics business adversely. The company claims to have enhanced its gross profit on sales (though its net sales remained low) through reduced operating costs. The company has taken various steps under its expansion, modernisation and diversification programme. The expansion scheme with technological upgradation of polyester filament yarn plant at Mahad has been finalised.

The company is now one of the promoters of Rajashree Polyfil (RPL) with 25 per cent equity participation. RPL is putting up a plant in Gujarat for the production of polyester chips and polyester filament yarns and the technical collaborators are to be the German Zimmer AG. Production is expected to commence by the middle of 1996. The company is also promoting Centak Chemicals which manufactures polymerisation initiators with a 19 per cent equity participation. The company's unit at Pune has declared an indefinite lockout following disputes with Pune Zilla Kamgar Sangh, the company's trade union.

ARVIND MILLS

Denims on the Move

The Lalbhai Group flagship Arvind Mills (AML) has performed well for the year 1993 94 with the company's net sales going up by 38 per cent as against the 21 per cent rise in 1992 93. The company's operating profit and net profit have gone up by 44 per cent and 67 per cent respectively. Many factors have contributed to a buoyancy in profits: a notable increase in non operating surplus (by Rs 29 crore), a four fold increase in 'other income' coupled with considerably reduced interest burden and practically nil provision for taxation. There has, no doubt, been some increase in depreciation provision. The company's debt equity ratio has come down to 49 per cent this year as against 196 per cent last year but short-term bank borrowings have registered some rise. The company's sales to gross fixed assets also remained high at 97 per cent for the year. Another remarkable feature about Arvind Mills has been its reduction in imports by 48 per cent while its exports went up by 68 per cent during 1993-94.

The Week's Companies

(Rs lakh)

Financial Indicators	Hindustan Lever		Century Enka		Arvind Mills		DCL Polyesters		Birla Jute	
	Dec 1993	Dec 1992	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	206680	176999	36197	36827	39640	28723	21383	19555	66094	54335
2 Value of production	2976	1200	1346	1216	1548	297	457	469	2246	2029
3 Other Income	209136	183265	37108	36540	41134	31236	20942	19407	65639	56435
4 *Total income*	212112	184465	38454	37756	42682	31533	21399	19876	67885	58464
5 Raw materials/stores and spares consumed	135333	120702	18401	21483	18767	14527	10246	10662	21040	18050
6 Other manufacturing expenses	8021	8211	4886	4392	4981	3238	1847	1494	17272	14624
7 Remuneration to employees	8426	6447	1374	1255	3509	2959	304	272	7505	6623
8 Other expenses	33110	27338	2029	2155	5964	4236	1477	1952	14703	11956
9 *Operating profit*	27222	21767	11764	8471	9461	6573	7525	5496	7365	7211
10 Interest	2723	3219	1833	2451	129	925	2047	2710	3967	3230
11 *Gross profit*	24499	18557	9964	6384	10409	5876	5475	2565	3727	4495
12 Depreciation	2222	1960	4667	4888	3100	1497	950	1738	2316	3219
13 *Profit before tax*	22277	16597	5295	1494	7309	4379	4525	827	1411	1276
14 Tax provision	9550	6750	2950	525	2	5	0	0	2	235
15 *Profit after tax*	12727	9847	2345	969	7307	4374	4525	827	1409	1041
16 Dividends	7839	5879	1122	983	2412	1280	646	503	764	764
17 Retained profit	4888	3968	1223	–14	4895	3094	3879	324	645	277
Liabilities/assets										
18 Paid-up capital	13999	13999	2366	2366	7000	4033	6303	4188	5000	5000
19 Reserves and surplus	24569	19331	24514	23130	65989	17847	6938	775	21050	21025
20 Long term loans	8201	7780	6102	10448	35864	42953	9825	11994	18737	19824
21 Short term loans	3319	12246	4154	4958	7603	2209	1537	2616	3369	2628
22 Of which bank borrowings	880	5776	1069	1689	5602	1933	1038	1828	0	0
23 Gross fixed assets	36559	37707	53922	53476	40788	31834	22535	19043	65339	61491
24 Accumulated depreciation	16647	15433	31525	26911	10239	6002	5631	4681	32454	29495
25 Inventories	47106	48623	10505	9168	20355	14991	3878	3562	11782	13294
26 Total assets/liabilities	107424	92954	48826	51101	125633	74503	29370	23287	58535	57943
Miscellaneous items										
27 Excise duty	37289	32984	17498	20246	299	237	15239	16344	12194	10111
28 Gross value added	35850	28418	12497	7942	15091	9987	7570	5040	16754	16029
29 Total foreign exchange income	24378	20723	101	274	12883	7635	475	658	6437	4590
30 Total foreign exchange outgo	19723	10756	2898	3903	5208	8191	1583	1260	743	1105
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	192.4	190.4	74.1	72.1	31.6	38.6	72.8	84.0	112.9	93.8
32 Sales to total net assets (%)	412.6	331.7	97.5	90.0	34.0	42.8	86.9	99.9	137.2	112.1
33 Gross value added to gross fixed assets (%)	98.1	75.4	23.2	14.9	37.0	31.4	33.6	26.5	25.6	26.1
34 Return on investment (gross profit to total assets) (%)	22.8	20.0	20.4	12.5	8.3	7.9	18.6	11.0	6.4	7.8
35 Gross profit to sales (gross margin) (%)	11.9	10.5	27.5	17.3	26.3	20.5	25.6	13.1	5.6	8.3
36 Operating profit to sales (%)	13.2	12.3	32.5	23.0	23.9	22.9	35.2	28.1	11.1	13.3
37 Profit before tax to sales (%)	10.8	9.4	14.6	4.1	18.4	15.2	21.2	4.2	2.1	2.3
38 Tax provision to profit before tax (%)	42.9	40.7	55.7	35.1	0.0	0.1	0.0	0.0	0.1	18.4
39 Profit after tax to net worth (return on equity) (%)	33.0	29.5	8.7	3.8	10.0	20.0	34.2	16.7	5.4	4.0
40 Dividend (%)	56.0	42.0	48.0	42.0	41.0	41.0	15.0	12.0	25.0	25.0
41 Earning per share (Rs)	9.09	7.03	100.55	41.40	10.44	10.85	7.18	1.97	3.13	2.31
42 Book value per share (Rs)	27.55	23.81	816.34	756.79	104.27	54.25	21.01	11.85	56.78	56.72
43 P/E ratio (based on latest and corresponding last year's price)	76.4	72.9	39.8	53.3	22.0	14.3	7.8	0.0	105.4	94.0
44 Debt-equity ratio (adjusted for revaluation) (%)	21.3	23.3	32.1	59.2	49.1	196.3	74.2	241.7	71.9	76.2
45 Short term bank borrowings to inventories (%)	1.9	11.9	10.2	18.4	27.5	12.9	26.8	51.3	0.0	0.0
46 Sundry creditors to sundry debtors (%)	387.8	388.0	78.3	62.7	45.1	53.8	155.5	49.2	35.6	51.5
47 Total remuneration to employees to gross value added (%)	23.5	22.7	11.0	15.8	23.3	29.6	4.0	5.4	44.8	41.3
48 Total remuneration to employees to value of production (%)	4.0	3.5	3.7	3.4	8.5	9.5	1.4	1.4	11.4	11.7
49 Gross fixed assets formation (%)	–3.0	14.1	0.3	0.4	28.1	177.8	18.3	2.7	6.3	113.0
50 Growth in inventories (%)	–3.1	15.9	–45.5	–29.2	35.8	137.5	8.9	10.8	–11.4	275.5

The company had undertaken a project for the creation of additional capacity for the manufacturing of indigo dyed denim for the domestic market in 1992 93 which has been partially implemented The company has been undertaking large investments as part of its expansion plans The company plans to expand its denim manufacturing capacity by 8 5 million metres per annum which is to be marketed domestically The company plans to set up a composite mill for the production of 12 million metres of high quality shirting fabrics annually to be marketed domestically as well as internationally The company has entered into a technical agreement with Germany's Lauffenmuhle for producing high quality denim though the formalisation of this agreement will be done after receiving government's permission

The company has established a wholly owned subsidiary in Sri Lanka Arvind Overseas The subsidiary is to produce denim at the rate of 8 5 million metres of denim fabric per annum which will be marketed in Sri Lanka and the US Arvind Mills plans to set up another subsidiary in Mauritius The company in a bid to penetrate the European market is tying up with the German Lauffenmuhle's Big Mill GmbH The company has decided to sell its drug unit in Bombay Earlier in 1982 Arvind Mills had acquired Indo Pharma Pharmaceuticals and was selling it under the company's own aegis The company also plans to merge the Ahmedabad based Asoka Mills (a sick unit) with it The company's wholly owned subsidiaries are Asman Investments Arvind Products Arvind Clothing Arvind Worldwide and Arvind Worldwide (M) The company has been entering into technical collaborations and trying to absorb the new technical know how through its own R and D The company incurred an expenditure of 20 lakh on R and D for the year

DCL POLYESTERS

Stamp of Quality

DCL Polyesters the Hyderabad based company engaged in the manufacture of man made fibres, registered an increase in the net sales by 9 per cent for the year 1993-94 but its operating profits have gone up by 36 per cent and net profits by a whopping 447 per cent The company has declared a dividend of 15 per cent as against 12 per cent in the previous year It is the reductions in interest burden and depreciation provisions by 24 per cent and 45 per cent, respectively, that have bolstered DCL's profitability The company has not made any provision for taxation for the past three years There has occurred a sharp fall in the company's debt equity ratio The company's performance in sales had not been good and some increase that took place in 1993-94 has been due to the recovery in demand that the industry began experiencing following by a cut in excise duty in the 1993-94 budget for the industry, the latter is reflected in a steady fall in excise duty burden on the company's products from Rs 180 43 crore in 1991-92 to Rs 163 44 crore and to Rs 152 39 crore in 1993-94

The company obtained the ISO 9002 certificate which will help it boost exports to the European market The company has obtained the government consent to expand its spinning capacity by 42 per cent (12,000 TPA) whereby its polycondensation plant will be optimally utilised This expansion scheme will help the company to add four spinning lines and to produce micro denier yarn in two lines which has a potential market both domestically and internationally The project is to commence by the end of 1994 To part finance this scheme the company had come out with a rights and preferential equity issue in January 1994 Also DCL plans to come out with an euro GDR issue up to US $ 100 million to part finance its project for the production of polyester filament yarn (PFY) and polyester staple fibre (PSF) with an annual capacity of 63,000 tonnes of polymer—a project that would cost Rs 508 crore and to be commissioned in 1996 The company also plans to set up a 25 000 tonne per annum (TPA) plant for production of purified terephthalic acid (PTA) The company's R and D department has been making successful efforts in absorption, adaptation and innovation of the technology obtained and has tied up with known specialists The company has obtained process know how technology from EMS Inventa AG Switzerland for the manufacture of partially oriented yarn (POY)

BIRLA JUTE

Sluggish Demand

Birla Jute a company with a net turnover of about Rs 660 crore, has shown a mixed performance with its sales increasing by 21 per cent and net profit going up by 35 per cent accompanied by operating profits increasing only marginally by 2 per cent and gross profit actually declining by 17 per cent the latter the company justifies as due to the ongoing depression in the cement carbide and ferro alloy prices throughout the year coupled with the sluggish demand of Linoleum and Vinoleum products Saving on interest burden and reduced depreciation provision and with a massive reduction in tax provision have helped the company to post a rise in net profits with the other income also going up by about 16 per cent The company has maintained its dividend at 25 per cent

The company has been granted the PR1+, the highest credit rating for the issue of commercial paper The company now intends to issue CP for an amount aggregating Rs 25 crore The company claims that all its three cement divisions viz, at Satna, Durgapur and Chittor have done well recording a growth of 22 per cent both in production and despatches despite the severe competition and recession by the industry Birla Jute plans to expand its cement capacity by one million tonnes each at its Satna and Chittor plants

The company's jute mills have also registered a 11 per cent growth in production and a 31 per cent growth in sales during 1993-94 The jute industry had to face a shortage of raw materials due to poor jute crop thus pushing the prices high Bally Jute Mill a major jute division of the company, which had faced a closure was reopened in August 1993 With the commissioning of sophisticated export yarn unit and high value fabric unit, the Bally Jute Mills is expected to contribute better profits for the company's family of jute divisions As a follow-up of its diversification plans for the non conventional use of jute fibre for the forward integration of the company's intermediate products and for increased value addition, Birla Jute has collaborated with Germany's EMPR WERKE for the manufacture of automobile interior door panels based on jute fibre Maruti Udyog has selected these jute fibre based door panels for their Zen and Alto models and accordingly a memorandum of understanding (MOU) has been signed under which Birla Jute will develop and supply the same The company's synthetic division has also registered a 4 per cent growth in production and 13 per cent growth in sales Modernisation and technological upgradation has resulted in an 108 per cent increase in exports in 1993 94 The company's carbide division's production suffered due to the breakdown of a furnace In an intensified effort to improve the quality of linoleum technical assistance of a German linoleum manufacturer is being sought The company has done well on the export front with its exports rising by 41 per cent as compared to the previous year Assam Jute Supply with a turnover of about Rs 10 crore is the Birla Jute's subsidiary

FEDERAL EXPRESS

Fast and Massive Courier

Federal Express, the world's largest express transportation company and the international partner of Blue Dart Express, received the prestigious ISO 9001 registration for all of it's worldwide operations, making it the first global express transportation company to receive comprehensive and system-wide certification available through the ISO 9000 series system Federal Express also enjoys the distinction of being the first to be awarded the Malcolm Baldrige National Quality Award in the service category in 1990 The company enjoys a large business of delivering more than two million items in 188 countries each working day with 102,000 persons employed by it and operating a 464 aircraft and more than 31,000 vehicles in its integrated system The company reported revenues of $ 8 5 billion for its fiscal year ended on May 31, 1994

Film Censorship and Freedom

A G Noorani

Partly as a genuine reaction to the abuse of freedom for mercenary ends but largely as a manoeuvre which exploits the abuse for political ends, moves are afoot in New Delhi to curb the freedom of the film-maker. But there is no sign of any united effort to awaken the public to the dangers inherent in the government's plan.

THE noted film-maker, Shyam Benegal, spoke not a day too soon when, on September 17 in Calcutta, he attacked the Central Board for Film Certification for its consistent lack of cinematic sensibility, aesthetics and creativity. He was delivering the first Satyajit Ray memorial lecture presided over by Mrinal Sen. Benegal remarked that film censorship is "a cat-and-mouse game"—film-makers testing the censors to find out how much is too much. He was objective about the state of the popular cinema today—a frenetic melange of sensationalism in which sex and violence play a major part. The audience has become a willing participant in the manipulations of the makers of such films. "If good cinema is rejected today, it means rationality is rejected."

Benegal is right when he says that education is the only remedy. That holds good for the long term. But the immediate danger should not be overlooked. The frenetic melange of sex and violence can be combated in the press especially by reputed film critics. They need not be mere criticism but denunciation. That is part of democratic debate.

However another danger faces us. Partly as a genuine reaction to the abuse of freedom for mercenary ends but largely as a manoeuvre which exploits the abuse for political ends, moves are afoot in New Delhi to curb the freedom of the film-maker. But there is no sign of any united effort whether by film-makers or civil libertarians to awaken the public to the menace before the government's plans are finalised.

Responsible correspondents have revealed in detail precisely what is afoot. Usha Rai of *Indian Express* reported in July that "the new guidelines (under discussion) for film producers seek not only to eliminate vulgarity and violence in films *but the denigration of ministers*, police officers and others holding public office as well". The politician who attacks vulgarity in films uses the opportunity to ensure that his own vulgarities and worse are protected from public censure.

In October 1994 the Censor Board will be revamped and its chairman, Shakti Samanta, completes his term. The new guidelines were discussed by the regional officers attached to the Board of Censors at Bangalore. Its members were asked to send their reactions to the ministry of information and broadcasting. The guidelines were last revised in December 1991.

Around the same time Hasan Suroor of *The Hindu* (July 21) also reported these plans: "Is correct political censorship of films round the corner? This is the question doing the rounds of film circles following reports that among the proposals being discussed by the Censor Board to tighten censorship rules there is one that seeks to ban unflattering references to politicians and the police. ...If the proposal is finally accepted, films portraying politicians and senior police officers as anti-national or corrupt would have a difficult time getting the nod from the censors. And considering that corrupt politicians and police officers are as much a staple diet of both mainstream and parallel cinema as are sex and violence, film-making would either come to a halt or have to find a radically new expression, completely divorced from real life." The new guidelines to be sure, have the government's backing. It is only a matter of time before they are promulgated.

But that is not all. Also in the offing are plans for pre-precensorship of films as *The Hindu* reported on August 20. Film-makers will be "asked to submit a detailed script to the Censor Board even before they start shooting". Is this film censorship or literary censorship? Is there *any* country in the democratic world where such nonsense will even be contemplated? This exercise will be called 'pre-censorship advice'. But, of course, it would be in the 'interests' of film producers, as the minister of state for information and broadcasting K P Singh Deo told the Lok Sabha "This would be purely on an informal basis and without any binding on the producers *or the Board.*" So, what is the worth of the exercise? Apparently, even if the film producers dutifully carries out the cuts suggested by the Board after examining the script, there is no guarantee that the film will pass muster with the Board. Not only the dialogue but even the lyrics are to be "cleared by the Board before they are recorded".

This is a sure way to alert politically inconvenient films *quietly without the embarrassment of brutal cuts or refusal of certification.* Clearly the government of India "is closing in on political cinema" as the correspondent rightly summed up the motive behind the moves. The Supreme Court has ruled repeatedly that the fundamental right to freedom of speech and expression applies to films as well as T V. Only 'reasonable' restrictions can be imposed on the exercise of that right and then, too, only on any of the grounds specified in article 19(2) of the Constitution, for example, "public order, decency or morality... defamation or incitement to an offence". None of the curbs contemplated in respect of depiction of the misdeeds of politicians or the police fall within these categories. Some film-makers are under a handicap. They cannot go to court and annoy the government lest it withhold its patronage. This is the net result of inviting ministers to inaugurate film functions. The Indian state has acquired stranglehold over the country's arts and artists.

RESERVE BANK OF INDIA SERVICES BOARD, BOMBAY

Advt No 1/94-95

Telegraphic Address 'SERVBOARD' BOMBAY

Applications (Apps) are invited for following posts of Officers in Reserve Bank of India (RBI/Bank)

Sr. No.	Name of the post	No of posts	Reservation		
			Scheduled Castes (SC)	Scheduled Tribes (ST)	Other Backward Classes (O)
A.	Legal Officer in Gr.'B' in Legal Department	4	-	1	1
B.	Research Officer in Gr.'B' in Department of Statistical Analysis and Computer Services (DESACS)	14	2	1	4
C.	Research Officer in Gr. 'B' in Department of Economic Analysis and Policy (DEAP)	12	2	1	3
D.	Assistant Executive Engineer in Gr. 'B' (Civil)	4	1	-	1
E.	Assistant Executive Engineer in Gr. 'B' (Electrical)	3	-	-	1
F.	Assistant Engineer in Gr 'A' (Civil)	6	1	1	2
G.	Assistant Engineer in Gr. 'A' (Electrical)	1	-	-	-
H.	Security Officer in Gr. 'A'	10	1	1	3

Reserve lists may also be prepared

Note Reservation of 27% is provided in favour of OBC category However, no concession in matter of age, educational qualifications, examination fees or qualifying standards will be available to candidates belonging to this category

A. LEGAL OFFICER IN GR. 'B' IN LEGAL DEPARTMENT

a) Qualifications (As on 31.10.94)

Essential First Class Bachelor's Degree in Law from a recognised University / Institute or equivalent

Desirable Master's Degree in Law from a recognised University/ Institute or equivalent

b) Experience (As on 31.10.94)

Essential At least 2 years' experience as an Advocate or as a Law Officer in the Legal Department of a large Banking / Financial Institution and/or as a Lawyer in an Advocate's / Solicitor's Office

Desirable Special knowledge of Banking and Company Laws, Labour Laws, Constitutional Law and experience in documentation

c) Age Limit (As on 1.9.94)

Not exceeding 32 years (i e candidate must have been born not earlier than 2nd September 1962) Upper age limit is relaxable by 3 years in case of candidate possessing exceptional qualifications and / or experience of value to the Bank (Refer item J of detailed advertisement for age relaxation for specified categories)

d) Scheme of Selection

Written Examination will be held on **Sunday, the 4th December 1994** consisting of the following 2 descriptive type papers

	Duration (in hours)	Max. Marks
Paper I - General Knowledge of Law Jurisprudence, etc	3	100
Paper II - Commercial and Banking Laws	3	100
Total		200

Questions will be set to assess candidates general knowledge of Law and in particular Commercial Law, Banking Laws and Jurisprudence and their ability to apply legal principles to deal with problems in finance and banking (Refer detailed advertisement for Syllabus)

B. RESEARCH OFFICER IN GR. 'B' IN DESACS

a) Qualifications (As on 31.10.94)

Essential (i) Master's Degree in Statistics / Mathematical Statistics / Mathematical Economics / Econometrics from a recognised Indian or Foreign University / Institute with a minimum of 55% marks or equivalent grade, OR

ii) Master's Degree in Mathematics from a recognised Indian or Foreign University / Institute with a minimum of 55% marks or equivalent grade and one year Post-Graduate Diploma in Statistics or related subjects from an Institute of repute, OR

iii) M Stat Degree of Indian Statistical Institute with a minimum of 55% marks

For SC / ST candidate, Master's Degree as in items (i) (ii) and (iii) with a minimum of 50% marks or equivalent grade

Desirable (i) Candidate with a Doctorate in Statistics /Mathematical Statistics / Mathematical Economics /Econometrics from a recognised Indian or Foreign University / Institute will be given preference

(ii) Research or teaching experience and publication in standard journals will be considered as an additional qualification

b) Age Limit (As on 1.9.94)

Between 21 and 28 years (i e candidate must have been born not earlier than 2nd September 1966 and not later than 1st September 1973) (Refer item 'J' of detailed advertisement for age relaxation for specified categories)

i) Candidate having M Phil Degree or Doctorate Degree from a recognised Indian / Foreign University /Institute in the specified subjects will be eligible for relaxation in upper age limit by 3 and 5 years, respectively

ii) Candidate with research / teaching experience at a recognised Indian / Foreign University / Institute will be eligible for relaxation in upper age limit to the extent of number of years of such experience subject to a maximum of 5 years

However cumulative age relaxation will not be available if candidate is eligible under both the above categories as also under any other specified category mentioned in item 'J' of detailed advertisement

c) Scheme of Selection

Written Examination will be held on **Sunday, the 11th December 1994** consisting of the following papers

	Duration (in hours)	Max. Marks
Paper I - Objective Type	2	100
Paper II - Descriptive Type	2	100
Total		200

Syllabus

In both the papers questions would cover Mathematics, Statistics and Mathematical Economics (Standard of Papers would be that of Master's Degree examination of any Central University in India)

C. RESEARCH OFFICER IN GR. 'B' IN DEAP

a) Qualifications (As on 31.10.94)

Essential Master's Degree in Economics / Econometrics / Commerce from a recognised Indian or Foreign University / Institute with a minimum of 55% marks or equivalent grade

For SC / ST candidate, Master's Degree as above with a minimum of 50% marks or equivalent grade

(Continued on Page 2523)

(Continued from Page 2522)

Desirable: i) Candidate with Doctorate Degree in Economics / Econometrics / Commerce from a recognised Indian or Foreign University / Institute will be given preference.
ii) Research or teaching experience and publication in standard journals will be considered as an additional qualification.

b) Age Limit (As on 1.9.94)

Between 21 and 28 years (i.e. candidate must have been born not earlier than 2nd September 1966 and not later than 1st September 1973).
(Refer item 'J' of detailed advertisement for age relaxation for specified categories).
i) Candidate having M. Phil. Degree or Doctorate Degree from a recognised Indian / Foreign University / Institute in the specified subjects will be eligible for relaxation in upper age limit by 3 and 5 years, respectively.
ii) Candidate with research / teaching experience at a recognised Indian / Foreign University / Institute will be eligible for relaxation in upper age limit to the extent of number of years of such experience subject to a maximum of 5 years.

However, cumulative age relaxation will not be available if candidate is eligible under both the above categories as also under any other specified category mentioned in item 'J' of detailed advertisement

c) Scheme of Selection

Written Examination will be held on **Sunday, the 18th December 1994** consisting of the following papers

	Duration (in hours)	Max. Marks
Paper I - Objective Type	3	100
Paper II - Descriptive Type	3	100
	Total	200

Syllabus

Standard of both the papers would be that of Master's Degree Examination in Economics of any Central University in India

D. ASSISTANT EXECUTIVE ENGINEER IN GR.'B' (CIVIL)

a) Essential Qualifications and Experience (As on 31.10.94)

i) Bachelor's Degree in Civil Engineering or equivalent qualification from a recognised University / Institute with a minimum of 60% marks or equivalent grade
ii) At least 3 years' experience after graduation (of which at least one year shall be in a position of independent responsibility equivalent to that of Asst. Engineer) in a large organisation (preferably public sector) in planning /designing / construction / maintenance of large office building / housing projects including services and preparation and evaluation of tender papers

b) Desirable Experience / Qualifications

i) Specialisation in structural design, soilmechanics, public health engineering
ii) Experience of administering construction projects in all its various aspects and knowledge of PERT/CPM techniques.
iii) Working knowledge of computers with particular reference to analysis and evaluation of tenders / CAD / CAM and structural design
iv) Working knowledge of maintenance of electrical and electromechanical services.

c) Age Limit (as on 1.9.94)

Not above 35 years (i.e. candidate must have been born not earlier than 2nd September 1959) (Refer item 'J' of detailed advertisement for age relaxation for specified categories).

d) Scheme of Selection

Written Examination will be held on **Sunday, the 25th December 1994** and will consist of both Objective and Descriptive Type Papers as follows :

	Duration (in hours)	Max. Marks
Paper I - Objective Type Test of professional knowledge / job knowledge (Civil / Electrical*)	Details alongwith admission letter	100
Paper II - Descriptive Type Both the papers will cover syllabus of relevant Engineering disciplines viz. Civil / Electrical. Standard of the papers will be that of Bachelor's Degree Examination in Engineering (Civil / Electrical*) of an Indian University.	3	100
* Applicable to Electrical Engineer's post	Total	200

E. ASSISTANT EXECUTIVE ENGINEER IN GR.'B' (ELECTRICAL)

a) Essential Qualifications and Experience (As on 31.10.94)

i) Bachelor's Degree in Electrical Engineering or an equivalent qualification from a recognised University / Institute with a minimum of 60% marks or equivalent grade

ii) At least 3 years' experience after graduation (of which at least one year shall be in a position of independent responsibility equivalent to that of Asstt. Engineer) in a large organisation (preferably public sector) in planning /designing / execution of internal and external electrical installation work, large central air-conditioning plant, lift, communication system and / or other services involved in large modern and multi-storeyed building projects including preparation and evaluation of tender papers.

b) Desirable Experience / Qualifications

i) Working knowledge of electronics including both hardware and software aspects of micro-processor based mini and large computer system and electronic telephone exchange and communication systems
ii) Experience in maintenance of lifts, pumps, air-conditioning plants, etc
iii) Experience in administering construction projects in all its aspects and knowledge of PERT / CPM techniques.

c) Age Limit (as on 1.9.94)

Not above 35 years (i.e candidate must have been born not earlier than 2nd September 1959) (Refer item 'J' of detailed advertisement for age relaxation for specified categories).

d) Scheme of Selection

Written Examination will be held on **Sunday, the 25th December 1994** and will consist of both Objective and Descriptive Type Papers on the lines of item D (d) above

F. ASSISTANT ENGINEER IN GR.'A' (CIVIL)
AND
G. ASSISTANT ENGINEER IN GR.'A' (ELECTRICAL)

a) Qualifications (As on 31.10.94)

Bachelor's Degree in Civil Engineering / Electrical Engineering or an equivalent qualification from a recognised University / Institute with at least 60% marks or an equivalent grade

b) Age Limit (As on 1.9.94)

Not above 30 years (i e. candidate must have been born not earlier than 2nd September 1964) (Refer item 'J' of detailed advertisement for age relaxation for specified categories)

c) Scheme of Selection

Written Examination will be held on **Sunday, the 8th January 1995** and will consist of both Objective and Descriptive Type papers on the lines of item D (d) above.

H. SECURITY OFFICER IN GR. 'A'

a) Eligibility Criterion (As on 31.10.94)

An Officer with minimum 5 years Commissioned Service in the Army / Navy /Air force

b) Age Limit (As on 1.9.94)

Between 25 and 40 years (no relaxation for any category) (Candidate must have been born not earlier than 2nd September 1954 and not later than 1st September 1969)

c) Scheme of Selection

Selection by interview only. Board reserves the right to raise the minimum experience in order to restrict number ofcandidates to be called for interview commensurate with number of vacancies Decision of Board in this matter will be final and no correspondence will be entertained in this regard.
Application fees once paid will not be refunded even if candidate is prima facie eligible and not called for interview.

I. EXAMINATION/INTERVIEW - GENERAL INSTRUCTIONS

1. All candidates whose Apps. with prescribed fee (unless specifically

(Continued on Page 2524)

(Continued from Page 2523)

exempted) are received by the closing date will be admitted to Written Examination

2 Candidates applying for posts at B to G have to qualify in Objective and Descriptive Type papers separately Descriptive paper will be assessed only of such candidates who score in the Objective Test sufficiently high marks in order of merit Candidates for above posts as also for Legal Officer's post who score sufficiently high marks in order of merit on the basis of aggregate marks in Written Examination will be eligible to be called for interview merit for this purpose being decided by Board on the basis of the number of vacancies to be filled up Final selection will be on the basis of candidate s performance in Written Examination and Interview taken together

3 Question papers for Written Examination will be set in English and answers must be written in English

J. EXAMINATION CENTRES

Written Examinations will be held at the following centres The code numbers are in brackets

Ahmedabad (11) Bangalore (12) Bhopal (13) Bhubaneshwar (14) Bombay (15) Calcutta (16) Chandigarh (17) Guwahati (18) Hyderabad (19) Jaipur (20) Jammu (21) Kanpur (22) Madras (23) Nagpur (24) New Delhi (25) Patna (26) Trivandrum (29)

Candidate can select only one centre and must indicate centre and code number in the App Centres and dates of Written Examinations are liable to be changed at Board s discretion In the event of cancellation of Written Examination at any centre Board may at its discretion allot an alternative centre to the concerned candidates Candidate admitted to Written Examination will be intimated the date, time-table and venue of Written Examination by an Admission Letter (AL) Candidate to whom an AL has not been issued will not be admitted to Written Examination

Request for change in the centre will not be entertained

K. APPLICATION FEE

Rs 50/- (Rupees Fifty only) for each post payable separately No fee for SC / ST candidate Fee is payable by Demand Draft in favour of Reserve Bank of India payable at Bombay However candidate from unbanked areas may pay fee by crossed Indian Postal Order in favour of Reserve Bank of India payable at GPO Bombay Payment in any other manner will not be accepted Fee once paid whether in full / part / excess will not be refunded or held in reserve for any other examination / selection

L. SERVICE CONDITIONS / CAREER PROSPECTS

i) **PAY SCALE**

For Gr 'B' - Rs 2400-150-3600-175-4125-EB-175-5175

Depending upon the place of posting total initial monthly emoluments will vary between **Rs 5900/-** and **Rs 6000/-** at present

For Gr. 'A' - Rs 2225-150-3575-175-3925-EB 175-4800

Depending upon the place of posting total initial monthly emoluments will vary between **Rs 5550/-** and **Rs 5650/-** at present

In case of candidate possessing very high academic or professional qualifications / experience of significant value to Bank it may at its sole discretion consider granting additional increments (not exceeding four)

ii) The posts also carry benefits of contributory Provident Fund Pension Gratuity Leave Leave fare concession (with facility to encash leave) and Medical facilities etc

M. HOW TO APPLY

Those who satisfy eligibility norms may apply in specimen format given below duly completed in all respects and typed or neatly handwritten in Hindi / English on white foolscap paper (on one side only and approximately of 33 5 cms x 21 cms size) after affixing a recent passport size signed photograph on the App The App should be addressed to **The Secretary, Reserve Bank of India Services Board, Hongkong Bank Building, 6th floor, Mahatma Gandhi Road, Hutatma Chowk, Post Bag No. 10009, Bombay 400023.** The cover containing the App should be superscribed App for the post of * ______ "Centre"** ______ Code No ______ and sent by Ordinary post

* Name of the post applied for

** Centre for Written Examination chosen by the candidate

Those who intend to apply for more than one post must send separate App with separate fee for each post if payable A combined App or combined fee for more than one post will render the application invalid

N. CLOSING DATE

Completed App with enclosures must reach the Board's Office at Bombay on or before **31st October 1994 (14th November 1994** for applicants residing abroad in Ladakh Divn of J & K State Sikkim, Pangi Sub-Dvn of Chamba Lahaul and Spiti districts of Himachal Pradesh, States / Union Territories in the North Eastern region and in the Andaman and Nicobar Islands and Lakshadweep) Apps received after closing date will not be considered Candidates may drop their Apps in closed cover in the box specially kept for the purpose at Board's Office

Note The above posts are also open to staff candidates who satisfy the eligibility criteria separately laid down by Bank for them and who apply within the stipulated date

CANVASSING IN ANY FORM WILL BE A DISQUALIFICATION

FOR FURTHER DETAILS REGARDING ELIGIBILITY SCHEME OF SELECTION JOB REQUIREMENT SERVICE CONDITIONS, CAREER PROSPECTS RELAXATION IN UPPER AGE LIMIT, GENERAL INSTRUCTIONS ETC CANDIDATES SHOULD REFER TO DETAILED ADVERTISEMENT APPEARING IN **"EMPLOYMENT NEWS"** AND **"ROZGAR SAMACHAR"** DATED **1ST OCTOBER, 1994.**

FORMAT OF APPLICATION

RESERVE BANK OF INDIA SERVICES BOARD, BOMBAY

Advt No 1/94-95

Affix a signed copy of your recent passport size photograph 5 cms x 7 cms

1 Post applied for ______

2 Examination Centre ______

Code No ______

3 Particulars of Demand Draft / Postal Orders enclosed

Denomination of Postal Order(s) / Name of Drawee Bank in case of Draft	Postal Order(s) / DD's details (No date etc)	Amount (Rs)
	Total	

4 Name Shri / Smt / Kum (in block letters with surname first) ______

5 Date of Birth ☐☐ ☐☐ 1 9 ☐☐

6 Age (as on 1 9 94) ____ Years ____ Months ____ Days (Details of age relaxation claimed if any Give particulars with documentary evidence)

7 Postal Address for communication with Pin Code ______

Nearest Railway Station ______

8 Indicate the category to which you belong by ✓

A General (G) ☐ Scheduled Caste (C) ☐ Scheduled Tribe (T) ☐ Other Backward Class (O) ☐

B Staff Yes / No Ex-serviceman Yes / No

Migrant / Repatriate Yes / No

9 Permanent Address with Pin Code ______

10 Academic Qualifications (Graduation onwards) / Professional Qualifications

Examination passed	Year of passing	University / Institute	Main Subjects	Division with % marks

11 Details of Experience etc For the posts at A to G

Name and address of employer	Designation	Period			Nature of experience
		From	To	Total	

(Continued on Page 2525)

(Continued from Page 2524)

New Drug Policy

Prescription for Mortgaging Drug Industry

Amit Sengupta

Once again the government has yielded to pressure from industry and moved towards easing control mechanisms for pharmaceuticals in the new drug policy The impact of the policy on the production of drugs and their prices should be assessed against the background of the government's earlier moves to progressively minimise controls

IN August 1992 the government (department of chemicals and petrochemicals, ministry of chemicals and fertilisers) circulated a note to members of parliament regarding proposed changes in the 1986 Drug Policy titled Background Note on Review of Drug Policy 1986 This started fuelling rumours about a new drug policy being on the anvil and the opportunity was used by the industry to focus on its demands for fewer controls and higher margins of profitability These basic demands were not new and have been raised by the industry from time to time In fact the argument that the present system of price and production controls are responsible for lower production of essential drugs, has been raised many times in the past

After more than two years the government has finalised the draft for a new policy and has clearly decided to go along with the demands of the industry The number of price controlled drugs is to be slashed from 142 to 73 Greater profitability will be allowed even in the price controlled category The number of drugs reserved for the public sector is to be further reduced Further 51 per cent foreign equity participation will be allowed automatically in all sectors of bulk drug production

One of the reasons identified, in the note for the need to review the 1986 policy is the fact that major changes have been made in the New Industrial Policy This is obviously not the place to resort to polemics regarding the advisability of India s structural adjustment programme But it needs to be emphasised that even developed market economy countries treat the drug industry differently from consumer goods industries Price and production control mechanisms are in place in all these countries except probably to an extent in the US Significantly, one of the main election planks of president Bill Clinton was the promise to bring a semblance of order in the US drug industry In the US today increasing concern is being expressed on the rampant increase in health care costs The World Bank in a recent document has also voiced fears "that in many third world countries structural adjustment programmes have been set in motion without having in place a 'safety net ' (i e, measures to protect the most needy from the vagaries of the market) for the poorest sections Is it not ironic that we wish to initiate changes which are under question in the same countries and by the same agencies at whose behest India s economic liberalisation programmes are being carried out?

In the past too especially since the 1978 Drug Policy the government has reacted to such demands of the industry by gradually easing control mechanisms Today when similar points are being raised earlier attempts at reducing controls merit a closer look At the same time it needs to be understood that the Indian drug industry is composed of a number of sectors—MNCs public sector Indian organised sector small scale sector etc—each with their own sectoral interests Hence the role played by various sectors at different points of time, would also be of interest

At the turn of this century the Indian drug industry was set up through the pioneering work of Indian scientists like Acharya P C Ray and T K Gajjar However the Indian market was soon taken over by multinational corporations, mostly of British origin All these companies merely acted as trading centres who imported drugs from their parent countries and little attempt was made to start production facilities in India This situation continued after independence and the Indian market continued to be dominated, overwhelmingly by MNCs With the advent of the antibiotic era these companies earned tremendous profits by over pricing their products In this period, the Indian government went shopping for technology to produce vital drugs indigenously to all the MNCs and western nations However, antibiotic production finally started indigenously when Hindustan Antibiotics was set up with help from the World Health Organisation (WHO) and the UNICEF in 1954 Subsequently, IDPL was set up with the help of Soviet technology in 1961

With the setting up of the Indian public sector, antibiotic prices came crashing down—in some cases by 60 to 70 per cent The MNCs, in order to survive in the Indian market, slashed their prices Interestingly, it was precisely in this period that they started production of bulk drugs in India for the first time (Table 1) In the 1960s, the Indian private sector also started growing Unlike the foreign sector, they also set up substantial capacities for indigenous production of bulk drugs However, the former, in view of their superior marketing network, managed to keep a stranglehold on the Indian market

It was against this background that the Hathi committee was appointed by the government in 1974 to undertake a thorough analysis of the Indian drug industry Though the committee submitted its report in 1975 it came to light only in 1977 The Hathi committee made some extremely important observations and recommendations Some of them would bear repetition here The Hathi committee Unequivocally decried the role played by MNCs in the industry attempted for the first time a formulation of an essential drug list recommended a gradual shift to generic names from brand names a package of price control measures to make life saving and essential drugs affordable production control measures to ensure production of essential drugs immediate dilution of foreign equity in drug firms to 40 per cent and progressively to 26 per cent In fact by a majority decision the Hathi committee recommended nationalisation of all foreign drug companies, a leading role for the public sector, and a sectoral reservation in the industry to encourage growth of the Indian sector The Hathi committee was sharply critical of the foreign sector because of its reluctance to produce bulk drugs in the country as well as its non-performance in producing essential drugs At the same time, it was noted that these firms were more interested in producing inessential drugs or those requiring low technological inputs

The Drug Policy of 1978 and the Drug Price Control Order (DPCO) 1979, were

TABLE 1 DRUG PRODUCTION IN RESPONSE TO PRICING POLICY

(Per cent)

DPCO Category	1978	1979	1980
I (Life saving)	4 5	4 2	3 6
II (Essential)	16 7	14 8	13 2
III (Marginal)	67 1	67 0	68 6
IV (Decontrolled)	11 7	13 2	14 6

Source The Indian Pharmaceutical Industry—Problems and Prospects' by P L Narayana, NCAER

based, albeit partially, on recommendations of the Hathi committee. For the first time, comprehensive price control was introduced in the drug industry (though some price control measures had been in force since 1970) The new DPCO categorised drugs into four categories—I (life saving), II (essential), III (less essential) and IV (non-essential/simple remedies) Of these, the first three categories were price controlled with mark up (profits allowed) of 40 per cent, 55 per cent and 100 per cent respectively The philosophy behind this graded system of price control was to make more essential drugs cheaper While it is possible to fault, in some cases, the process of categorisation, an attempt was at least made to come up with a graded essential list of drugs The 1978 policy also reserved major areas in the market for different sections in the Indian sector—both private and public Further, it stipulated that the process of shift to generic names would be started with five drugs, analgin, ferrous sulphate, aspirin piperazine and chlorpromazine These measures led to a rapid growth of the Indian sector, which rapidly gained the capability of producing most essential drugs In fact, UNIDO, in 1980, identified India as one of the countries with capacity to produce all essential drugs indigenously

The foreign sector continued to produce principally in low technology areas and increased production of inessential drugs They showed little inclination towards increasing bulk drug production while increasing their production of formulations enormously In essence they continued to play the role of trading centres In fact, the small-scale sector was engaged in producing more bulk drugs than the whole foreign sector put together So much for the claim of MNCs that they bring in new technology There appears little justification in the continued presence of the MNCs if they are to produce vitamins, tonics, syrups and rubs and balms

In the aftermath of the 1978 Drug Policy, the organised Indian private sector created a solid base for itself in the drug industry Having done so, it joined the MNCs in the campaign for reversal of the 1978 policy Before going into that aspect, it would be interesting to recapitulate how loopholes in the 1978 policy were utilised to make large sections of the policy infructuous

A major lacuna in the 1978 policy was the lack of production control measures This was contrary to the Hathi committee recommendations But the 1978 policy had no clause to compel manufacturers to produce essential drugs This, when coupled with the graded pricing structure, proved to be disastrous. Companies reduced production in categories I and II, where the mark ups allowed were lower Table 1 illustrates this point

At the same time, the whole concept of sectoral reservation was diluted as the Hathi committee recommendation for equity dilution was ignored FERA companies, under the 1978 policy, were required to dilute their foreign equity to 40 per cent in order to be treated at par with Indian companies Most FERA companies readily complied, as it is always possible to control a company with 40 per cent block holding of shares, provided the other shares are widely dispersed This is precisely how equity dilution was done by most FERA companies Today, almost all major foreign firms like Glaxo, Hoechst, May & Baker, Parke Davis and so on are treated at par with Indian companies The shift to generic names was blocked by Hoechst, Cyanamid and Pfizer, which obtained orders from the Delhi High Court in 1981 The case is now pending with the Supreme Court and a final judgment is still awaited

During this period, the public sector came to be increasingly marginalised Due to bureaucratic and administrative bungling as well as rampant inefficiency and corruption, public sector units ran up huge losses and were in no position to play a leading role This was indeed unfortunate as a strong public sector could have been used to counter the arm-twisting tactics by the rest of the industry While lip-service

Table 2 Shortfall in Production of Essential Drugs

Name of Drug	Unit	1982-83 Demand Estimate	1982-83 Total Availability	1986-87 Total Availability	1991-92 Demand Estimate	1991-92 Total Availability
Penicillin	MMU	370	360 32	305 97	330	255 79
Streptomycin	T	270	247 87	276 32	180	167 98
Chloramphenicol	T	300	111 46	98 12	200	107 02
Ampicillin	T	200	142 27	258 17	456	360 58*
Vitamin A	MMU	77	52 00	93 64	110	77 19
INH (anti TB)	T	250	288 40	57 84	333	25 45*
Chloroquine	T	200	194 57	140 10	200	196 22
Dapsone (anti leprosy)	T	200	86 90	51 50	58	13 30
Diptheria anti toxin	MU	800	653 57	136 00	na	na

Note * Major production in small scale sector which is not reflected here

Source *Indian Drug Statistics* 1984 85, GOI, and *Annual Report* Department of Chemicals and Petrochemicals 1987 88, 1988-89 and 1992-93

Table 3 Growth in Sales and Profits of Top Drug Companies

(*Rs crore*)

Company	Sales	Per Cent Change	Profit	Per cent Change	Dividend Per Cent
Total	7028	25	605	46	
Ranbaxy	688	22	79	71	40
Glaxo	551	28	32	49	27
Hoechst	351	23	32	136	25
Sandoz	290	1	22	3	25
Alembic	262	56	5	1	
Cipla	244	24	24	21	32
Torrent	229	39	25	54	30
Ambalal Sarabhai	220	7	11	783	
Pfizer	214	25	20	86	30
Procter and Gamble	206	41	-17		
Dr Reddy's	175	31	33	23	30
Burroughs Wellcome	169	20	10	61	22 5
Kopran	159	18	18	59	
Boots	154	18	16	23	38
Gordan Herbert	142	188	4	101	20
Ipca Labs	140	22	15	49	25
Parke Davis	137	7	17	13	35
Wockhardt	136	38	22	46	
Smithkline	123	-15	14	25	24
E Merck	121	2	9	85	15
Nicholas	108	19	22	38	22 5
TTK Pharma	103	32	6	48	
Unichem	103	11	5	76	60
Lyka Labs	103	20	5	39	
Core Parenters	103	127	28	114	40

Note Per cent change calculated against previous year

Source *Economic Times*, August 22, 1994

was paid to the questions of formulating an essential drug list and weeding out hazardous/irrational drugs, no significant progress was made

By the early 1980s, the industry, led by the MNCs, started making belligerent noises for reversal of the 1978 policy—for decreased controls The industry argued that drug production was becoming unprofitable and even proceeded to deliberately reduce production of essential drugs In this campaign, they were joined by large companies in the Indian private sector, which had by now consolidated their position in the industry The government gave in, first by delicensing a number of drugs This led to even greater anarchy of production and in fact actually led to decreased production in many vital areas

The 1986 policy, in one sweep, reduced the span of price control from 347 bulk drugs to 166 drugs It decreased the number of controlled categories to two and increased the mark up in these to 75 and 100 per cent This was in addition to various liberalisation measures initiated by the government from time to time The implementation of the DPCO of 1987, based on the 1986 policy, led to an immediate hike in drug prices Pious pronouncements that it would increase production of essential drugs were belied (Table 2)

If we look back at the various policy initiatives and their impact on essential drugs the following stand out

(1) A differential price control mechanism in the absence of production controls has led companies to shift production to non-essential areas where returns are higher

(2) Because of the proliferation of large number of formulations (an estimated 40,000 - 80,000) and drug manufacturers (an estimated 800-1,200) the government has consistently reduced the drugs under price control in order to make its task more 'manageable'

(3) The foreign sector has 'created' a market for many of its irrational and inessential branded products, and has chosen to concentrate on these low-technology areas

Some discussion on the product-mix of the Indian drug industry would be of use here While the Indian drug industry has grown considerably, a disturbing trend is discernible today Most manufacturers have today started vying for the up-market section of the Indian consumer who can pay heavily to 'buy' health care Thus the indifference shown by companies towards production of low cost essential drugs In doing so the industry is also in danger of falling into a self-destructive loop where 1,000 manufacturers fight for the market for drugs among 5 per cent of the population who can pay This need must act as a major constraint to further development of the industry. The question here is not of making production of essential drugs remunerative The issue is that the industry finds production in certain areas *more* remunerative But ultimately if 1,000 manufacturers continue to neglect 95 per cent of the market, the survival of the industry—or large parts of it—will be at stake

Further the issue of proliferation of irrational drugs has to be seen not only in the context of health needs but also in terms of the impact it has on the regulatory bodies Such proliferation makes it virtually impossible to impose price control mechanisms on all drugs The government and the industry argue that the way out is to keep most drugs outside price control A more rational solution is to restrict the kind of formulations that are to be allowed, so as to make controls for all drugs feasible

Are Drug Companies Incurring Losses?

In the new policy the government is set to grant major concessions to the industry in terms of reduced price and production controls As mentioned earlier such concessions shall include slashing down of the number of drugs under price control, an across the board increase in mark-up, increase in returns allowed for bulk drug manufacture and freedom to companies to automatically revise formulation prices without prior government approval All these four measures will lead to price escalation while, given the dynamics of the industry discussed earlier, none of them can in any way boost production of essential and life-saving drugs A proposal to automatically allow 51 per cent foreign equity participation has also being cleared and the number of drugs reserved for the public sector are also sought to be reduced—a further attempt at

Table 5 Household Expenditure on Medical Care (January 1985)

(*Rs crore*)

Region	Drug Costs	Total Health Care Costs	Per Cent of Drug Costs
Rural	240 7	443 42	54 28
Urban	705 22	1100 72	64 06
Total	945 92	1544 14	61 26

Source NCAER Study quoted in report of the committee on category II Drugs August 1987 GOI

Table 4 Financial Performance in Different Sectors of Industry 1993 94
(Half Year Figures)

Group	Sales	Per Cent Growth	Profits	Per Cent Growth	Ratio
Diversified	12059 0	17 7	1356 0	38 4	11 2
Auto M/HCV	3841 0	26 1	258 0	151 7	6 7
Drugs	3653 0	31 9	348 0	84 1	9 5
Petrochemicals	3639 0	734	226 0	−10 5	6 2
Cement	3100 0	10 7	150 0	17 0	4 8
Tyres	2909 0	14 0	105 0	−7 3	3 6
Textiles manmade	2868 0	22 4	344 0	133 2	12 0
Steel	2698 0	31 7	152 0	−23 2	5 6
Cigarettes	2683 0	−6 2	237 0	18 4	8 8
Fertiliser	2664 0	26 0	309 0	65 2	11 6
Health care	2469 0	15 9	301 0	49 6	12 2
Domestic appliances	2321 0	31 2	198 0	181 2	8 5
Solvent extraction	2302 0	31 9	94 0	28 6	4 1
Power	2208 0	27 0	211 0	44 4	9 6
Textiles cotton	2109 0	29 8	229 0	81 0	10 9
Electrical equipment	2094 0	21 9	141 0	34 8	6 7
Auro car/LCV	2078 0	54 6	123 0	2410 0	5 9
Paper	1948 0	34 0	153 0	30 4	7 9
Auto ancillaries	1768 0	32 0	184 0	52 4	10 4
Auto 2/3 wheelers	1767 0	26 1	278 0	93 2	15 7
Leasing	1581 0	49 6	618 0	80 1	39 1
Textiles others	1552 0	7 5	186 0	59 9	12 0
Engineering heavy	1429 0	29 6	154 0	51 1	10 8
Steel strips	1391 0	61 1	109 0	95 7	7 8
Breweries	1278 0	51 7	118 0	75 3	9 2
Sugar	1276 0	42 6	206 0	133 3	16 1
Textiles spinning	1157 0	21 1	148 0	37 4	12 8
Tea	1128 0	−37 5	141 0	−43 1	12 5
Cables	1127 0	13 0	159 0	58 1	14 1
Steel mini	1127 0	97 8	104 0	137 4	9 2
Chemicals organic	1079 0	20 7	73 0	−14 3	6 8
Aluminium	1072 0	−4 4	178 0	16 8	16 6
Steel tubes	1041 0	37 1	94 0	109 4	9 0
Total	102681 0	24 9	10587 0	52 2	10 3

Note Per cent change has been calculated between 1992-93 and 1993 94 Ratio refers to gross profits to sales ratio Figures are in Rs crore

Source *The Economic Times* June 21 1993 and *The Economic Times*, August 22 1994

emasculation of the public sector is thus to be set in motion. Thus all the positive points in our drug policy emanating from the Hathi committee are going to be reversed.

The basic plea from the industry (to which the new policy has reacted positively), is that the drug industry should be decontrolled—both with regard to production and pricing. To first address the issue of profitability Table 3 shows the profitability of top drug companies. Profits as well as turnover of drug companies have shown a large increase over the previous year and the companies are paying large dividends to shareholders. Drug companies have tried to obfuscate the issue by claiming that the ratio of profits to sales turnover is not adequate. To buttress their point they have tried to compare this ratio with that of certain other industries. This is a fraudulent argument as inter-industry comparisons of this kind are meaningless. The pharmaceutical industry is not a capital-intensive industry. The committee on Category II Drugs, 1987 says "compared to other industries, this is much less capital-intensive. ...capital invested for drugs and pharmaceutical industry... works out only Rs 94,000 per labour...in comparison in industries such as fertilisers, petrochemicals and synthetic fibres where capital invested per labour employed works out to Rs 61 lakh, Rs 38.9 lakh and Rs 24.1 lakh." Hence a relatively small capital investment can produce a large turnover. Even a comparison with other sectors of industry shows that both sales and profits have been growing at a faster rate in the pharmaceutical industry. And the ratio of gross profits to sales is near the all industry average. Table 4 shows performance in the top sectors of industry turnover of Rs 1,000 crore or over (half-yearly figures).

Another argument used by the industry is that drug costs account for a small percentage of health care costs and hence to reduce expenditure on health care other costs are more important, viz, doctors' fees, diagnostics, hospital expenses. While it is true that there is scope for reduction of health care expenses in other areas, Table 5 shows the actual position in regard to ratio of drug costs to total health care costs.

Table 6 gives us a sectoral overview of production patterns of bulk drugs. This study of 58 monitored bulk drugs shows the following: In the case of 14 drugs the main production is in small-scale sector and in one case the small-scale sector has a significant contribution. The top 20 MNCs which account for 31.5 per cent of the market share (source: *Indian Express*, March 30, 1993) have over 50 per cent share in eight drugs, over 25 per cent in four drugs and over 10 per cent in 5 drugs. Of the eight drugs in which it has major share one is totally inessential, Vitamin E, and one is hazardous, Baralgan. The top 20 Indian companies which

Table 6: Sectoral Production of Bulk Drugs (1989-90)

(Per cent of total production)

Drugs	MNC	Indian Top 20	Public Sector	Other Indian
Antibiotics				
Penicillin	—	34.6	38.7	26.7
Cloramphenicol Palmitate	(Production mainly in small-scale sector)			
Tetracycline	15.5	—	42.5	42.0
Ampicillin	—	56 9	6.5	36.6
	(Significant production also in small-scale sector)			
Erythromycin	25.9	66.0	—	8.1
Amoxycillin	—	81.6	0.7	17.7
Gentamycin	—	—	100	—
Cloxacillin	—	100	—	—
Phenoxymethyl Penicillin	—	—	100	—
Cephalexin	—	99.6	—	0.4
Sulphas				
Sulphamethoxazole	(Over 50 per cent production in small-scale sector			
Sulphadimidine	0.1	—	99.9	—
Sulphacetamide	—	—	76.9	23.1
Sulphaguanidine	—	—	—	—
Vitamins				
Vitamin A	86.5	—	13.5	—
Vitamin B1	—	—	100	—
Vitamin B2	—	—	100	—
Vitamin B12	—	100	—	—
Vitamin C	—	36.1	—	63.9
Vitamin E	100	—	—	—
Folic Acid	—	—	100	—
Analgesics/Antipyretics				
Aspirin	—	—	—	100
Paracetamol	(Production mainly in small-scale sector)			
Ibuprofen	75.8	—	—	24.2
Baralgan	100	—	—	—
Anti TB				
Streptomycin	—	—	46 5	53 5
PAS and its salts	(Over 50 per cent production in small-scale sector)			
Thiocetazone	—	100	—	—
INH	(Production mainly in small-scale sector)			
Rifampicin	(Over 50 per cent production in small-scale sector)			
Ethambutol	—	90.4	—	9.6
Pyrazinamide	(Production mainly in small-scale sector)			
Anti Parasitic				
Chloroquine	34.2	7.1	17.6	41 1
Metronidazole	(Over 50 per cent production in small-scale sector)			
Tinidazole	(Over 50 per cent production in small-scale sector)			
Dilaxonide Furoate	22.3	—	—	77.7
Furazolidone	(Production mainly in small-scale sector)			
Anti Diabetic				
Chlorpropamide	42.5	—	—	57.5
Tolbutamide	17.2	—	—	82.8
Glibencamide	100	—	—	—
Insulin	100	—	—	—
Anti Asthmatic				
Ephedrine	—	—	—	100
Salbutamol	11.8	—	—	82 2
Terbutaline	—	—	—	100
Theophyllin	—	40.5	—	59.5
Aminophyllin	—	—	—	100
Cardiovascular				
Propanolol	(Main production in small-scale sector)			
Digoxin	100	—	—	—
Methyl Dopa	—	—	9.1	90.9
Frusemide	100	—	—	—
Anti Helminthic				
Piperazine	(Over 50 per cent production in small-scale sector)			
Mebendazole	(Over 50 per cent production in small-scale sector)			
Pyrental Palmoate	49.4	50.6	—	—
Tranquilliser/Anti-Convulsant				
Phenobarbitone	—	—	100	—
Diazepam	(Over 50 per cent production in small-scale sector)			
Vaccines				
Triple Vaccine	14.9	—	—	85.1
Tetanus Antitoxin	—	—	28.1	71.9
Dip antitoxin	—	—	—	100

Source: *Handbook of Companywise Production of Monitored Bulk Drugs*, Ministry of Chemicals and Petrochemicals, GOI, 1991 and *Annual Report*, Ministry of Chemicals and Petrochemicals, 1992.

account for 31.5 per cent of the market share have over 50 per cent share in nine drugs and over 25 per cent share in three drugs. The public sector has over 50 per cent share in eight drugs, over 25 per cent in four drugs and over 10 per cent in two drugs. The Indian sector companies (not in top 20) have over 50 per cent share in 13 drugs, over 25 per cent in four drugs and over 10 per cent in three drugs. Thus 40 top companies, which account for 63 per cent of the formulation market share have over 50 per cent share in only 17 out of 58 drugs.

This clearly shows that larger companies are not interested in producing bulk drugs, but prefer to act as mere traders and middlemen by concentrating on the formulations market. In such a situation there can be no justification in liberalising production controls. In fact more stringent production controls are called for.

Increase in Prices on Anvil

The government's assumption that market forces would work to keep prices of drugs stable is not borne out by previous experience. After the last round of price decontrol through Drug Price Control Order of 1987, there has been a spiralling rise in prices of drugs. Table 7 gives some examples. Further, the market forces logic is even less applicable to the pharmaceutical industry than other sectors. Unlike consumer goods, drugs are not purchased by the consumer on the basis of his choice or preference. They are purchased/consumed on the advise of the medical profession. The drug companies have built a market for their drugs through their extensive marketing network. The consumers have little or no choice in such a 'rigged' market and are forced to buy anything and everything that doctors are 'induced' to prescribe by the 'friendly neighbourhood' medical representative. This is surely not the best climate for market forces to stabilise prices. Table 8 also exposes the argument that there is enough competition in the industry to ensure competitive pricing. What we have is a tendency towards cartelisation with a few companies holding monopoly share of particular segments of the industry.

Further, the proposal to allow automatic price increase (in order to offset input cost increase), will have a spiralling effect on drug prices. We have no evidence that would reassure us that this facility will not be grossly misused by manufacturers to arbitrarily increase drug prices. Even when such a system was not in use, companies have repeatedly overcharged. The baralgan ketone case involving Hoechst with the company charging over 10 times the notified price exemplifies this. It took the government many long years to recover even a part of this 'unintended' profit. Allowing automatic price increase will only legitimise loot.

With rapid developments in science and technology there has been an explosion in the number of drugs which are available in the market. Unfortunately only a small number of these drugs entering the market offer therapeutic advantage over existing drugs. For example of the 348 new drugs from the 25 largest US drug companies between 1981 and 1988, the US FDA said that at the time of introduction: 3 per cent (12 drugs) made an "important potential contribution to existing therapies"; 13 per cent made a "modest potential contribution"; and 84 per cent made "little or no potential contribution". A French study of 508 new chemical entities marketed in the world between 1975 and 1984 found 70 per cent offered no therapeutic improvement over existing products. The situation in India is no different and probably worse, given the fact that our drug control mechanisms are much more lax than in developed countries. Moreover, very few drugs are actually developed in this country, but are introduced here after their introduction in the west.

As a consequence there are an estimated 60,000 to 80,000 brands of various drugs available in the Indian market. In this situation of extreme anarchy the task of an already overstretched drug control authority becomes almost impossible. A majority of the estimated 80,000 products in the market are either hazardous, or irrational or useless. The problem is compounded by the fact that there is almost no source of regular unbiased authentic information on drugs available in the country. A bulk of medical practitioners depend on promotional material supplied by pharmaceutical conpanies. In this context a WHO report says "there is an inherent conflict of interest between the legitimate business goals of manufacturers and the social, medical and economic needs of the providers and the public to select and use drugs in the most rational way" (*Clinical Pharmacological Evaluation in Drug Control*, EUR/ICP/DSE 173, Copenhagen, WHO, 1993).

The need to increase drug production to Rs 15,000 crore by 2000 AD from the present Rs 7,000 crore has been repeated *ad nauseam* both by the industry and the government. But no thought seems to be given to what kind of drugs this large volume would include. Drugs are not like cereals or cars or washing machines! In the absence of a clear-cut policy to ensure and channelise drug production in a certain direction, what is to prevent a major share of the production from being diverted into non-essential areas? The new policy has no ideas to offer in this regard and only talks of liberalisation as the answer. More liberalisation may well mean licence to produce more hazardous, irrational and inessential drugs.

It is thus important for the government to step in, to control and regulate the growing

Table 7: Price Increase of Drugs

(In Rs)

Drug	No of Tabs	Dose	Price before DPCO 1987	Price after DPCO 1987	Per Cent Increase
Antacides					
Digene Gel		210 ml	7.61	11.91	56.50
Polycrol Forte Gel		400 ml	13.18	21.30	61.61
Laxatives					
Agarol		400 ml	20.71	40.76	96.81
Cremaffin		210 ml	9.20	20.25	120.11
Dulcolax	100	5 mg	16.00	49.50	209.38
Cardiovascular Drugs					
Inderal	10	40 mg	4.10	6.87	67.56
Norpace	10	100 mg	16.63	27.40	64.76
Isoptin	30	40 mg	16.17	26.58	64.38
Aldomet	10	250 mg	9.77	13.00	33.06
Anti Coagulant					
Acitrom	10	4 mg	1.83	5.53	202.19
Hormonal/Oral Contraceptives/Corticosteroids					
Ovral	21		4.84	16.56	242.15
Duphaston	10	5 mg	23.48	115.00	389.78
Antibiotics					
Althrocin	10	250 mg	18.02	26.66	47.95
Campicillin	10	250 mg	14.72	20.40	38.59
Doxt	4	100 mg	6.80	9.07	33.38
Paraxin (chloromycetin)	10	250 mg	5.72	10.36	81.12
Novamox	12	250 mg	19.44	26.71	37.40
Septran	10	480 mg	6.48	8.56	32.10
Anti-Asthmatics					
Beclate Inhaler			45.00	75.00	66.67
Anti TB					
Rifampicin	3	450 mg	6.93	11.70	68.83
Anti Malaria					
Nivaquine	10	200 mg	2.75	5.96	116.73

Source: Calculated from different issues of *Monthly Index of Medical Specialities* (MIMS).

business of medicine as is done the world over by the FDAs The fundamental right of trade in the business of medicine cannot be a cause for the drug control authorities to behave otherwise Instead, today, paeans are being sung to the virtues of decontrol Table 9 shows the kind of irrational and hazardous drugs which enjoy a large market share, contrary to any evidence that medical science today provides, based solely on the ability of pharmaceutical manufacturers to push their products through a mammoth marketing network With further decontrol such a situation can only worsen

The new policy is to base itself on the note on 1986 Drug Policy that was circulated in 1992 among members of parliament Many of the proposals outlined in the note will have grave consequences for the self reliant growth of the drug industry in India The review note derives satisfaction from the positive trade balance achieved by the industry What is glossed over is the fact that the figures quoted actually conceal the *increased* dependence on imports in bulk drug production The government's note itself claims that almost the entire formulation demand is met indigenously meaning that almost the entire imports are for bulk drugs Thus the relative figures for bulk drug production and imports (in Rs crore) would be as follows

	Production	Imports (Estimated)	Availability	Per Cent of Imports
1980 81	240	100	340	29 4
1990 91	700	650	1 350	48 2

Formulation production is a relatively much simpler exercise and even countries like Bangladesh are relatively self sufficient in this area Self reliance in bulk drug production is actually the true indicator of self reliant development of the drug industry If the above trend continues India may soon become like any Banana republic depending largely on imported bulk drugs This is a matter of shame given the fact that as far back as in 1984 UNIDO had categorised India amongst those countries with necessary technology to produce almost all essential bulk drugs from basic stage

It is proposed in the note that tariff mechanisms will ensure manufacture from basic stage We have noted earlier that there is an increased tendency towards dependence on imports in bulk drug manufacture What tariff measures will reverse this trend is not at all clear especially as the review note talks about import liberalisation Further, the world prices of bulk drugs keep on fluctuating constantly How will tariff measures keep pace with such fluctuations? We fear that the measures proposed will open the way for more imports and write an epitaph to indigenous manufacture of bulk drugs

The review note also puts forward the proposal to do away with ratio parameters linking bulk drug manufacture to formulation activity It needs to be understood that large companies have a stranglehold on the market due to the brand images of their formulations With this step, there will be even less incentive for large companies to produce bulk drugs This will further aggravate the trend towards bulk drug imports

The government would do well to go back to the Hathi Committee report of 1975 detailing the sins of omission and commission of the foreign sector in the drug industry, when it is set to allow 51 per cent equity participation by MNCs Nothing has changed since then, in fact the situation has worsened The foreign sector are the worse offenders when it comes to production of irrational and hazardous drugs and the non-production of essential drugs In fact the small scale sector produces more bulk drugs than the foreign sector The measures in the 1978 Drug Policy restricting this sector, is the single most important factor responsible for the growth of the Indian drug industry in general and the Indian sector in particular The foreign sector has never in the past brought in new technology and will not do so in the future Allowing concessions to them will only result in emasculation of the Indian drug industry

The review note summarily dismisses the role of the public sector and in fact talks of further denuding it Let it not be forgotten that it was the public sector which started production of vital drugs like antibiotics in this country which led to drastic fall of drug prices until then marketed only by MNCs Deliberate neglect mismanagement, corruption and sabotage at various levels has brought the public sector to its present pass Instead of thinking about measures to revitalise it the government wishes to initiate its funeral rites Today when the global pharmaceutical industry is poised for a new

TABLE 8 OLIGOPOLY IN DRUG INDUSTRY

(In Rs 000)

	Therapeutic Group	Total Market of Group	Share of Top Brands	Percentage Share	Brand (Nos)	Companies (Nos)
1	Antacid etc	1790065	694646	38 81	5	5
2	General Nutrients	758531	264545	34 88	3	2
3	Vitamins	2353495	1004507	42 68	8	5
4	Anti Anaemic	1038274	364094	35 07	3	3
5	Tonics	460426	69413	15 08	1	1
6	Mineral Supplements	392072	167675	42 77	2	2
7	Topical Antibiotics	335372	219387	65 42	2	2
8	Topical Steroids	794162	313139	39 43	3	2
9	Systemic Steroid	554532	269697	48 64	2	2
10	Anti TB	1382519	622082	45 00	4	2
11	Anti Inflam	2035595	628168	30 86	4	4
12	Analgesics	1144683	481458	42 06	5	5
13	Anti Spasmodic	426096	131772	30 93	1	1
14	Anti Parasitic	1166858	235602	20 19	3	3
15	Anti Asthmatic	775677	81812	10 55	1	1
16	Rubs and Balms	355200	262211	73 82	3	3
17	Cough and Cold Preps	1857988	589023	31 70	6	6
18	Anti Histaminic	684380	226826	33 14	2	2
19	Antibacterials	1757643	1077863	61 32	7	4
20	*Antibiotics*	7353705	3688295	50 16	31	
20 1	Tetracyclines	737617	438846	59 50	4	4
20 2	Chloramphenicols	330974	100145	30 26	1	1
20 3	Ampi/Amoxycillin	2515369	1191674	47 38	10	10
20 4	Cephalosporins	1254491	462061	36 83	3	3
20 5	Cotrimoxazole	961144	673516	70 07	4	3
20 6	Erythrocin	652952	490152	75 07	3	3
20 7	Streptomycin/Comb	111315	83541	75 05	1	1
20 8	Penicillins	329365	172413	52 35	2	2
20 9	Pen Strep Comb	173052	151741	87 69	2	2
20 10	Others	287426	68139	23 71	1	1
21	Digestive Enzymes	545152	203111	37 26	3	3
22	Antiseptics	265384	130053	49 01	2	2
23	Sex Hormones	766729	141067	18 40	2	1
24	Oral Electrolytes	203395	168333	82 76	1	1
25	Anti Diabetic	493109	181844	36 88	2	2
26	Anti Epileptic	340099	193402	56 87	2	2

Note The above table is based on an analysis of ORG statistics of 120 top selling products in December 1992 The table shows the market share enjoyed in each therapeutic group by these top selling brands as well as the market share of companies owning these brands It will be appreciated that the market share of top companies is likely to be higher as the above statistics pertain to only top 120 products It may also be mentioned that though there are 60 80 000 brands in the market the top 120 brands account for 35 3 per cent of the market

revolution with the help of biotechnology, only the public sector has the capacity to compete with MNCs and ensure a self-reliant growth. No company in the private sector has either the inclination or the will to make the kind of investments necessary to keep pace with technological developments in frontier areas.

Steps to encourage R and D in the drug industry, mentioned in the note, are welcome. But two facts have been ignored in the discussion. First, it is well known that the strength of the R and D base in the drug industry lies in the area of process technologies. If the Indian Patent Act is changed in line with the GATT agreement, this base will become meaningless. Today the industry is not, by and large, in a position to invest in development of new product technologies. Pious wishes aside, it needs to be understood that the investment required to develop a new product with definite therapeutic advantage is far in excess of the total turnover of most Indian companies. Thus in our present stage of development the major thrust in R and D has to be in the area of process technologies. Any change in the Indian Patent Act will make the whole exercise of giving incentives for R and D meaningless. Secondly, the major contribution to development of process technologies comes from the CSIR laboratories. Merely giving incentives to drug companies which use technologies developed by CSIR laboratories is not going to give a boost to our R and D efforts.

The GATT agreement has a direct bearing on the drug industry in the country. In fact drug industry is one of the key areas which are being directly targeted by the agreement. In brief, following are some of the likely fall-outs of the GATT agreement. The Indian drug industry has built up a base for production of almost all bulk drugs from basic stage using innovative process technologies. The CSIR played a major role. This has been possible because of Indian Patent Act of 1970 which allows process patents and not product patents in vital areas including durg production. One of the clauses in the GATT agreement is that India change its Patent Act to include product patenting for a period of 20 years.

Change to a product patent regime will mean that the whole R and D base in the area of drugs will become useless. We will become dependent on technology imports, which in turn will seriously affect the growth and even sustenance of the Indian sector. It is true that some large Indian companies, who are going in for joint sector ventures with MNCs, today support a change in the Indian Patent Act. But these companies do not represent the interests of the vast majority of Indian companies.

There is a danger of regressing to the pre-1970 situation when the Indian drug market was controlled by MNCs and drug prices in the country were one of the highest (in real terms) in the world. The American Senate Committee (Kefauver Committee) had in fact cause to comment on this situation in the 1950s. The situation then was to an extent saved by the development of a strong Public Sector (HAL and IDPL) especially in antibiotic production. With progressive emasculation of the public sector even that 'safety net' does not exist.

The implications of a product patent regime are not limited only to the area of technological self-reliance. Technological dependence on MNCs is the proverbial 'thin edge' which will be used by the MNCs to establish their suzerainty over the Indian drug market once again (a position they had lost after the mid-70s). Drugs which have shown the maximum rise in sales in the last few years are in categories which include the overwhelming majority of drugs still under product patent or whose product patents have expired recently. In other words if we had a product patent regime today, the drugs showing fastest growth would have been priced way beyond the capacity of the average consumer.

It has been argued that the 10-year transition period to a product patent regime will ensure that we build up technological self-reliance in product technologies. This can at best be described as a fond hope that is not borne out by facts and previous experiences. The R and D investment required for development of new products is way beyond the reach of Indian companies. With the public sector being increasingly marginalised, the only sector capable of such focused investment, is ruled out.

Another argument is that by signing GATT, prices of essential drugs will not be affected. This again is not borne out by facts. There is no absolute entity called essential drugs. New drugs are constantly being introduced and old drugs become obsolete. It is totally unacceptable to argue that the poor people of India shall have to remain satisfied with old, near obsolete drugs even when better alternatives are available in the world market.

The drug industry has to be viewed differently from other industries. Market demand is not regulated by prices of drugs, as demand primarily depends on prescription habits of doctors, disease profiles, drug resistance, etc. Hence the market cannot ever be a proper mediator of prices of drugs. Further, this is compounded by the oligopolistic nature of the industry where a few companies have monopoly within various therapeutic groups. In such a situation abandoning price and production controls with the fond hope that the market shall regulate prices can only lead to unjustified rise in prices. The use of tariff measures or price control mechanisms to regulate production cannot work and specific production control measures are necessary. Concessions to the foreign sector are aimed, not at improving the health of the nation, but at improving the health of the balance sheets of MNCs. It is indeed unfortunate that the government has chosen to sell-out the interests of the Indian people to the interests of profiteers in the industry and the MNCs.

TABLE 9: SALES OF IRRATIONAL DRUGS IN 1992

Rang	Drug	Description	Sales (Rs crore)	Growth (Per Cent)
6	Becosule	Irrational vitamin combinations	23 92	0.5
10	Dexorange Plus	Tonic	20.11	17.0
16	Liv 52	Useless liver drug	17.80	15.8
17	Neurobion	Irrational vitamin combinations	15.88	31.0
20	Electral	Irrational oral rehydration	16.83	24.4
24	Revital	Oral ginseng tonic	15.05	19.0
26	Corex	Irrational cough mixture	13.83	12.2
28	Benadryl	Irrational cough mixture	13.56	2.1
30	Ampoxin	Irrational antibiotic combinations	13.30	0.3
32	Baralgan	Hazardous anti spasmodic	13.17	10.2
35	Cobadex Forte	Irrational vitamin combinations	12.88	39.3
36	Combiflam	Irrational analgesic combinations	12 78	23.4
38	Polybion	Irrational vitamin combinations	12.48	10.4
41	Phensedyl	Irrational cough mixture	11.96	1.2
44	Gellusil MPS	Irrational antacid combinations	10.72	21.0
48	Novalgin	Hazardous analgesic	10.53	15.3
56	Complan	Food product (non drug)	9.23	6.0
63	Vicks Vaporub	Useless cold remedy	8.71	27.6
66	Ostocalcium	Irrational calcium combinations	8.67	6.3
71	Haem-Up	Irrational tonic	8.50	18.2
72	Enteroquinol	Hazardous antidiarrhoeal	8.43	16.5
77	Macalvit	Calcium syrup	8.09	6.3

Note: Of the 80 top selling products, 23 are either irrational, or hazardous or both. The combined sales of these was Rs 286.63 crore, i e, almost 10 per cent of the turnover of drugs. This is only the tip of the iceberg as the above analysis is of only the top selling products, while there are hundreds of other such products in the market.

Source: ORG, January 1993.

Kamani to Kanoria

Marxists and Workers' Co-operatives

A K Roy

Workers' co-operatives have proved to be a viable alternative to the state's current response to industrial sickness: Left parties and their affiliates would do well to actively support these efforts.

THE crackdown of the rail and road blockade on September 9 at Uluberia near Calcutta did not close the chapter once started by the workers of Kamani Tubes in Bombay in 1989 and now highlighted by 3,000 workers of Kanoria Jute Mill after they broke open the lock put by the management, to reopen the mill on December 19, 1993. The government has no solution to the problem of sickness and closure of industries. Even nationalisation has failed, with many public sector units awaiting the guillotine at the hands of the Board of Industrial and Financial Reconstruction (BIFR). The opposite step, privatisation now popular, has also failed to evoke confidence as most of the sick industries are in the private sector. The recent privatisation of the oxygen plant of Heavy Engineering Corporation, Ranchi, shows that these private 'doctors' are trained to treat only healthy units. A seven-member Onkar Goswami Committee set up by the present government, however, has come out with a solution and that is the speedy scrapping of sick industries. But killing rather than curing as the way of speedy disposal of cases can hardly be accepted as the desired solution. So the problem remains.

The media, both the right and the left, has done great disservice to the Kanoria struggle by projecting the issue as a confrontation between the Sangrami Shramik Union (SSU) spearheading the movement and the state government though the leaders have repeatedly pointed out from the very beginning that their target is the owner of the mill and not the state government. One wonders, how the Left Front gains if the Kanoria struggle crumples and its owner S S Pasari returns victorious to the mill. Similarly, insistence on accepting one private promoter with 60 per cent equity is also mysterious when the workers' co-operative is ready to take responsibility of production with 100 per cent equity. The proposals to substitute owners by workers as promoters to start closed units may upset private industrialists. But why should that unnerve a Left Front government?

Many explanations are afloat for the strange behaviour of the state government. The most publicised one is the pressure of organised trade unions apprehensive of their leadership if the SSU succeeds. This means, sick industries have sick trade unions needing the government help for their rehabilitation. If we are to dismiss this as a canard the next explanation that comes which appears more dignified is that the West Bengal government is developing 'friendliness' with the private capitalists and the multinationals to invite 'capital' and the backing of SSU may thwart the process. This leads to a basic question: What is 'Capital'? Is the definition of 'Capital' same for a Marxist as for a capitalist? Does it mean that Karl Marx has written all the volumes on capital in vain which is now not accepted even by the Marxists in West Bengal? Moreover, the problem before the country is not the lack of capital but idle capital, as the 'hand' is too sick to handle. If the development strategy of the Marxists is the same as that of the centre, i e, importing 'capital' by wooing the capitalists and multinationals then why the movement against the New Economic Policy? This explanation then should also be brushed aside as a conjecture. The only explanation therefore would be that the idea of having workers' co-operatives to fight industrial sickness and capitalists ills is not a Marxist one; so the Marxists of the country whether in Bombay or Calcutta are not interested in Kamani or Kanoria.

Before going into the historical premises of this theoretical question about the Marxist way and workers' co-operatives, the immediate practical dimension of the problem affecting the people should be kept in view. In December 1980 there were 24,450 sick units including 409 big ones. In 1987 the number increased to 1,59,938 and 1,712 According to the Gandhi Labour Institute about 65 factories are falling sick or being closed every day or 25,000 a year. The Onkar Goswami Committee stated that in 1989, 2,269 large and medium factories with a total bank credit of Rs 6,926 crore were sick. At present the total number of sick units—small, medium and big would be around 3 lakhs blocking Rs 15,000 crore and affecting the job of 5 million people, i e, more than double the numbers employed in all the PSUs. This number with the exit policy of the government, has 'jacked up' the number of the unemployed in the country's employment exchanges to 3.6 crore in the last one-and-half decades, from less than one crore, creating a severe social strain now threatening the unity and integrity of the country in the form of communalism, regionalism, etc. On the causes of industrial sickness the Tiwary Committee appointed by the Reserve Bank of India revealed that while 52 per cent of the units were sick due to mismanagement, 46 per cent due to infrastructural problems and only 2 per cent due to 'labour problems'.

Industrial sickness has spread to PSUs as well. Out of a total 244 PSUs about 100 are incurring losses, 58 perennially which including, of course, 46 units taken over from the private sector where they fell sick. IISCO, MITCO, IL, HFC, etc, are to be auctioned. However, profit-making concerns like Maruti were privatised or given to the multinationals. Even after displaying impressive show of police power against the Kanoria workers or Dala workers in UP sometime back, the government has no solution to this problem. Vain raids of the houses of some Provident Fund defaulters including that of the owners of Kanoria Jute Mill may create a front page news but that can hardly feed the empty stomachs of jobless workers. The Industrial Dispute Act also does not help with the sections 25 (O) and 25 (N) which the Onkar Goswami Committee want to delete as the government cannot stop closures; at best it can institute prosecution cases which hardly worry employers with high court judgments being so biased.

Moreover, the government policy itself is the first cause of sickness. The Constitution could not ensure the right to work even after enshrining the right in Article 43(A) of the Directive Principles but has provided the right to closure to the employers. Even the Sick Industrial Companies (Special Provisions) Act 1986 with BIFR has only been able to touch the tip of the iceberg and that too with the precise aim of winding sick units up. Thus with all avenues leading nowhere the organised trade unions are consoling themselves by organising seminars, bandhs and periodic trips to Delhi whose routine repetitions are making those steps even more ineffective.

Kamani Message

It is against this background the message of Kamani to Kanoria is to be read and fitted to the theoretical premises of the Marxist strategy to be applied to the country. If an industry is techno-economically bankrupt, then that should be scrapped if not it should be revived. If the employer fails and the government falters the workers have the right to step in. The Calcutta High Court by permitting occupation but denying production has gone only halfway while the Allahabad High Court in its historic judgment by Justice P. S Dhawan on October 15, 1992 in the matter of Kripal Ispat, Gorakhpur, declared the workers' right of ownership of such units for which the Kanoria workers are fighting.

The judgment says "The factory has been closed and the workers have not contributed to this There is neither closure nor a lock-out This under the law and equity (and this equity is justice) their salaries will be computed as being in arrears unless they are paid in totality The arrears against their salary is their investment as the equity in the company " After acquiring the right to run the factory the workers may need some working capital which they would repay by the value created by their labour power

The state as the banker for the workers was the 'discovery' of Louis Blanc (1813-82) who connected pre-Marxian utopians with post-Marxian socialists which conceived the 'workers' co-operative The issue was discussed by Karl Marx and favoured by all socialists The *History of the International Working Class Movement* published in the erstwhile Soviet Union (1981) has a chapter on 'The Co operative Movement' in the second volume which says "The workers used producers co-operatives as a means of withstanding the onslaught of the capitalists and win an improvement of their living standard The founders of scientific communism gave a clear-cut assessment of co-operative movement's significance to the proletariat They noted that it constituted the 'first breach' in the old forms of runnning the economy " The co operative movement grew significantly in the 1880s with its political orientation dependig on the character or working class movement In England the co-operative proclaimed its autonomy in regard to political parties In Germany, Austria and Italy, though structurally autonomous, the co-operatives were influenced by the parties of the working class But in Belgium, Netherlands and France, the co-operatives were directly linked to socialist parties From Kamani to Kanoria the workers' co-operatives may be classified in the second category

Co-operation is the basis of socialism Marx, the father of scientific socialism, was a great advocate of all co-operative endeavours In the Volume I of *Capital* he devoted a whole chapter to co-operation, where he said, "the offensive power of a squadron of cavalry is essentially different from the gun of the offensive of individual cavalry" and "productive power developed by labourer while working in co-operatives is the productive power of capital" In the Vol III of *Capital*, Marx wrote on workers' co-operative clearly upholding what the workers of Kamani and Kanoria are trying to highlight

"Co-operative factories furnish proof that the capitalist has become no less redundant as a functionary in production as he himself, looking down from his high perch finds the big landowners redundant" In a co-operative factory the antagonistic nature of the labour supervision disappears because the manager is paid by the labourers instead of representing capital counterposed to them." It is manifest from the public accounts of the co-operative factories in England (1864) that—after ' ...cting the managers' wages which ' ...m a part of the invested variable capit... much the same as the wages of other l...bourers—the profit was higher than the average private manufacturers"

Frederick Engels added in the footnote "In a case known to me, following the crisis of 1868, a bankrupt manufacturer became paid wage labourer of his own former labourers The factory was opened after the bankruptcy of its owner by a labour co-operative"

While one is not sure whether the workers of Kanoria would agree to employ S S Pasari their owner as a wage-labourer if their movement succeeds, the performance of the workers' co-operatives in India corroborates what Marx recorded more than a century ago After the takeover of the management by the workers co-operative in 1989 Kamani Tubes is running successfully for the last four years Overcoming all odds and unfair competition, production has increased The workers received Rs 120 lakh and Rs 155 lakh as wages in the first two years and the government was paid Rs 173 lakh and Rs 220 lakh respectively by way of excise duties and other taxes Between 1989-90 and 1991 92 the turnover increased from Rs 1,063 27 lakh to Rs 1,454 34 lakh and the operating profits were Rs 84 36 lakh and Rs 61 34 lakh

Not only the western zone but even the much maligned eastern zone is also not lagging behind New Central Jute Mill, Calcutta, is also being run by the workers' co-operative since 1989 and its turnover has increased by 50 per cent from Rs 56 crore in 1988 89 to Rs 84 crore in 1991 92 with operating profit for that year being Rs 4 69 crore In small-scale sector the results of nine units surveyed around Calcutta show encouraging results both in terms of return and employment

Emphasising the importance of workers' co-operatives both as a model to understand the social dynamics and as an alternative, what Marx says in the same *Capital* should be a guide to all his disciples including those ruling in West Bengal "The co-operative factories of the labourers themselves represent within the old form the first sprouts of the new, although they naturally reproduce and must reproduce everywhere in their actual organisation all the shortcomings of their prevailing system But the anti-thesis between capital and labour is overcome within them, if at first, only by enabling them to use the means of production for employment of their own labour They show how a new mode of production naturally grows out of an old one, when the development of the material forces of production have reached a particular stage "

So there could also be a co-operative mode of production in between the capitalist and socialist mode of production This has great relevance to India with a complicated social milieu failing to connect work ethics with class struggle where even proletarian politics is in the hand of the parasitic class Thus when the country is debating the public sector vs private sector for a national choice for economic development, the struggles of Kamani and Kanoria workers have posed a third alternative The workers' sector; making the working class the future architect of the Indian economy replacing the private industrialists, multinational companies, NRIs and even the state—till the state itself comes under the leadership of the working class Not only is this a Marxist proposition deserving all round support from the left but perhaps the only Marxist alternative to the new economic policy of the centre in the present context Encouraged by this prospect many voluntary organisations such as Workers' Solidarity Centre in Bombay, Nagarik Manch in Calcutta and Centre for Workers' Management in Delhi have come forward in support of workers' co-operatives

This does not mean that the workers' co-operative alone can bring about social change, cure sickness and eliminate workers miseries The First International (1864 66) noted in its minutes 'To convert social production into one large and harmonious system of free and co operative labour, general social changes are wanted changes of the general conditions of society never to be realised save by the transfer of the organised forces of the society, viz, the state power, from capitalists and landlords to the producers themselves ' Lenin regarded the co-operatives as an instrument to achieving some improvement of the working people's material conditions, but noted that "improvement secured by co-operative societies are confined within very narrow limits as long as the means of production and distribution remain in the hands of the man whose expropriation is the chief aim of socialism" Nevertheless, if fructified with the correct politics of struggle and construction, as the late Shankar Guha Neogy showed in Dalli Rajhara, at least in India the workers' co-operative can provide a new starting point, breathe fresh air, and emancipate and raise the working class to the leadership of the politics now pushed to the background under the pressure of caste and religion Even with all limitations and running a constant risk of itself becoming the victim of capitalist ills, it is definitely better than the present-day trade unionism where the leaders have become pleaders and the workers bargainers, holding the red flag for bonus and the bi-coloured for votes

he delivering historic judgment in the case of Kamani Tubes, on September 19, 1988 in the Supreme Court, Justice M P Thakkar said "Tens of thousands of similarly situated workers would be watching with anxious eyes the outcome of the experiment undertaken by the workers of KTL. I, therefore, not only hope and trust but also beseech them to rise to the occasion and do their best to make it a success." The Kamani workers did rise to the occasion, so the movement has spread and reached West Bengal, where it has an immense potentiality and with a Marxist government in the saddle, to develop an alternative economic line to that of the centre. From Kamani to Kanoria is a long march to reach the goal. Will the Left Front government rise to the occasion to make that mission a success?

World Summit on Social Development

Choice of Agenda Issues

Manu N Kulkarni

The World Summit on Social Development is far too important an event to be ignored to NGOs. Only with their active participation can issues relevant to the local level be brought on to an international platform.

WORLD summits are now getting popular. From World Summit for Children in 1990 to Earth Summit in 1992 to the Population Summit in 1994 and then Social Summit in 1995—UN Agencies have generated enormous information and world wide thought processes and actions and also gained expertise in holding such summits. Agenda 21 of the Earth Summit was a massive document and even now nations which ratified several agreements and conventions have still to understand the implications of the agreements which they signed leave apart the implementation of these conventions. Preparations for the Social Summit have been launched with the release of UNDP's *Human Development Report (HDR) 1994*. In fact the report itself reads like an agenda for the Social Summit and the choice of issues for discussion in the Summit is thrown open to the world audience. Unfortunately the kind of euphoria which Earth Summit generated even at the time of prepcoms is not to be seen in the case of Social Summit. The NGOs stole the limelight not only in the prepcoms but also in the Earth Summit at Rio. In fact the suggestion to constitute an Independent Commission for Sustainable Development was from the NGOs.

If the World Social Summit has to be 'owned' by the people of both the developed and developing countries then NGOs have to be in the forefront in the forthcoming Social Summit. But from a careful reading of the *HDR 1994* one gets a feeling that the Social Summit will be packed with UN bureaucracies and donors/creditors and the third world debtor/countries would be onlookers in the Summit.

The UNDP has suggested a seven point agenda for the forthcoming Social Summit in March 1995. These are (1) Approve a world social charter as a new social contract among all nations and all people. (2) Endorse a new development paradigm of sustainable human development with economic growth centred on people and sustainable from one generation to another. (3) Give the UN the mandate to draw up a comprehensive blueprint for ensuring global human security and protecting people from threats in their daily lives like poverty, unemployment, etc. (4) Agree on a targeted reduction of 3 per cent a year in global military spending for the decade 1995-2005 and credit the savings thus accrued to global security fund. (5) Approve a human development compact of 20 20 for the next 10 years by countries and agencies. (6) Recommend to ECOSOC that it examines the feasibility of various forms of global taxation—especially taxes on global pollution and speculative movements of capital to raise adequate financing for setting up a new global fund for human security. (7) Urge international community to strengthen UN in socio-economic field by establishing what is called UN Economic Security Council to manage the new dimensions of human security.

This itself is a complex and exhaustive agenda, and if in this Summit the world leaders either agree or come to some sort of consensus then it would be an achievement. Otherwise the Summit is a failure. Nobody disagrees with the concept of human security—job security, income security, health security, environmental security and security from crimes. The *HDR 1994* has captured the people's feeling of security (p 23). A woman in Nigeria says "My security is only in the name of Lord who has made heaven and earth. I feel secure because I am at liberty to worship whom I like, how I like and also because I can pray for all the people and for peace for all over the country."

A secondary school child in Mongolia says "Before, education in this country was totally free, but from this year every student has to pay. Now I do not feel secure about finishing my studies." A man in Ecuador says "What makes you feel insecure above all is violence and delinquency as well as insecurity with respect to the police. Basic services are also an important part of security." Insecurity arises basically from threats from the state (physical torture) threats from other states (war) threats from other groups of people (ethnic tensions) threats from individuals (crime and street violence) threats against women (rape and domestic violence) threats to children (child abuse). Ensuring safety and security to the citizens in any given country is not just the look out of the state but also of the citizens as well. Many developing countries have poor record of human rights protection. Developed countries are abetting the crimes by setting up one ethnic group against the other. How can the leaders in the Social Summit agree to ensure security to its citizens? Human and civil rights activists are always in loggerheads with the states. What is going to be the consensus in the summit? Will there be an international civil/human rights commission to oversee the security problems of civilians in the developing countries? Yes we want security but how do we ensure it? Such questions need deliberations by a wide section of human rights activists across the world before the Social Summit to bring practical orientation to the issue of security in the summit. The *HDR 1994* does not throw light on such questions on how to go about in the business of providing life protection and security? This issue will be hotly debated in the summit if civil rights activists have their way!

Global military spending declined between 1987 and 1994 at an estimated average annual rate of 3.6 per cent yielding a cumulative peace dividend of $ 935 billion—$ 810 billion in industrial countries and $ 125 billion in developing countries. "But it is difficult to track where these funds went. And there has been no clear link between reduced military spending and enhanced expenditure on human development." Of the current arms supplies 86 per cent originate from the five permanent members of the Security Council. India and Pakistan accounted for more than 18 per cent of world's arms imports—nearly twice as much as Saudi Arabia's share. The Report has made radical suggestions to reduce the military spending make aid allocations dependent on the recipient country's ratio of military

to social spending—progressively reducing aid as the ratio becomes greater than 1" But what is the prospect of enforcing this? Who will sign this treaty? When the *HDR 1994* says we do not know where the peace dividend went, how will we know from time to time what is the arms reduction taking place? Defence is a highly secretive business and even the most professional NGOs have no access to this information We will have to depend on the governments and the heads of the state and when there is no transparency there is no accountability and no peace dividend Armament industry provides the biggest kickback to the politicians and the bureaucrats alike One wonders how in the forthcoming summit any decision will be taken at all on this sensitive issue

Oscar Arias, winner of 1987 Nobel Peace Prize says in the *HDR 1994* that a global demilitarisation fund should be established to add dynamism to the current demilitarisation trend by rewarding primarily, but not exclusively the efforts of developing countries, to disarm and demobilise their armed forces promote arms control, reintegrate military personnel into society, etc These are very laudable ideas but are not implementable or enforceable We have to learn from Earth Summit experience What is happening to Global Environmental Facility (GEF) We have yet to see what it is doing and who is benefiting from GEF in developing countries These initiatives would attract bureaucratisation and the original intentions are never realised Defence issues are generally beyond the understanding of common people and unless these are discussed in a transparent manner the ideas never get translated into action

Human development programmes are person-intensive and not capital intensive It is true that 20 20 compact is a good tool for investing in human development programmes by aid agencies and national governments but the problem is not with initial 20 per cent but the subsequent 30 or 40 per cent needed for maintenance of human development structures like school buildings, health centres, water facilities, etc It is a common sight to see broken school buildings, health centres without drugs and water pipes without water in all third world countries Maintenance burden in human development programmes is heavy How can we address this? No answer is forthcoming in the *HDR 1994* Global prescriptions are not relevant for local problems for, unfortunately, human development is more local than global Can the Social Summit provide answers to these local problems?

The use of existing foreign aid in the recipient countries is a more serious issue than the quantum of aid The development funds of UN (UNDP, UNICEF, UNFPA, IFAD, WFP) provides nearly $ 5 billion a year to developing countries If all this had been used effectively, by now, mortality and quality of life would have improved significantly in many developing countries But the capacity of aid-receiving countries to improve their systems and procedures of handling and using aid has been poor In fact the World Summit should discuss more seriously developing countries' capacity in using aid effectively

The agenda on global taxation, economic security council and ideas like establishing global safety net, world income tax and Tobin tax on foreign exchange movements, Islamic Science Foundation are all grandiose but are they implementable? In the words of Abdus Salam, Nobel Laureate in Physics who has proposed this Foundation, "The Foundation would be sponsored by Muslim countries and operate within them It would be non political, purely scientific and run by eminent people of science and technology from the Muslim world ". Salam also suggests that it would build links with UNESCO and other UN bodies In the days of secular movements worldwide one wonders whether moves to create 'Islamic-science' and 'Jewish science' and 'Hindu science' and 'Christian science' are really the right steps

If the World Summit is going to discuss science and technology for human development it should also include in the agenda the role of religion in human development because religious institutions have played critical roles in promoting human excellence in many developing countries In the Earth Summit at Rio, Buddhists monks from Thailand, Bahai International and Ramakrishna Missions, Christian missionaries played a significant role in providing inputs to various sessions All these issues need to be widely discussed among a cross-section of the people around the world to make the World Summit people-oriented

[These are the personal views of the author and not of its organisation]

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REVIEW OF AGRICULTURE

Agrarian Changes and Attached Labour

Emerging Patterns in Haryana Agriculture

Surinder S Jodhka

Explaining the phenomenon of attached labour in the post-green revolution agrarian context has been a contentious issue among the students of agrarian change in India. Characterisations of attached labour varies from 'unfree slaves' to a 'privileged class'.

Based on an intensive field study of three villages of a green revolution district of Haryana, this paper argues that far from being a privileged class, attached labourers are the most deprived category in the agrarian society of Haryana. Attached labour functioned more as a labour mortgage system *for interest free credit rather than a subsistence guarantee arrangement.*

However, though attached labour is still perpetuated through prolonged indebtedness and obviously has elements of unfreedom, counter-tendencies are also significant. Along with other factors, weakening of the ideology of patronage and loyalty, availability of employment outside agriculture and, most importantly, growing dislike of the relationship among labourers has given rise to tensions and conflicts leading to a gradual decline of the system.

I
Introduction

ONE of the central questions in the literature on agrarian transition during the post-independence period has been the nature of changes in relations between the landless agricultural labourers and the landowning employer farmers. Perhaps the most contentious issue in this literature is that of explaining and conceptualising the phenomenon of attached labour.

In the conventional understanding of the agrarian question, development of capitalism or 'modernisation' of agriculture should lead not only to an increase in productivity and integration of agriculture into the broader national market, but also bring about a fundamental change in the social relations of production leading to freeing of agricultural labour from all kinds of patronage and institutionalised dependency relationships.

Some scholars did argue that such a change was under way in Indian agriculture, particularly in the regions where green revolution had been a success. Breman, for example, reported that in south Gujarat the traditional dependency and bondage relations were undergoing a fundamental change. He called this process of 'freeing' of agricultural labourers as 'depatronisation' [Breman 1974]. In a later study he again argued that the inter-generational bondages characterised by extra-economic coercion no more existed in south Gujarat and the existing system of attached labour was not similarly an unfree relation [Breman 1985: 131, 306-13]. Similarly, though Bhalla found elements of continuity, she observed that in Haryana countryside the relations between farmers and attached labourers were changing into formalised contractual arrangements [Bhalla 1974].

Taking the clue from Bhalla's study, Bhaduri in an important contribution highlighted the elements of continuities in production relations in the green revolution region of Haryana and provided an opposite interpretation. He argued that the presence of attached labour and debt dependencies meant that the mode of production even in the green revolution belt of Haryana was 'semi-feudal' [Bhaduri 1984: 115].

Bardhan and Rudra, however, strongly refuted the formulation that prevalence of attached labour necessarily meant 'semi-feudal' mode of production. "This kind of careless labelling is worse than inaccurate" [Bardhan 1984: 159]. Bardhan argued that the feudal institution of bonded labour marked by hereditary and long-term indebtedness, entailing continuous and exclusive work for the creditor employer and some form of extra-economic coercion is very different from the present day forms of attached labour which is 'voluntaristic' rather than a coercive arrangement. "The modernisation of agricultural technology", Bardhan reported, "had in fact increased the demand for attached labourers as they were seen to be useful in overseeing the work of casual labourers. Farmers found the two-tiered labour system useful in keeping possibilities of the emergence of class solidarity among farm workers in check" [Bardhan 1984]. Bardhan not only finds attached labour functional for the modern capitalist form of agriculture but also claims that attached labourers enjoyed superior status compared to their counterpart casual daily wagers.

Rudra too contends that working for a specific employer on continuous basis does not necessarily imply semi-feudal relations. He argues that the semi-attached workers in Bengal enjoyed much better economic conditions than daily labourers while paying no cost in terms of their freedom [Rudra 1987: 858-59]. He goes to the extent of comparing the working conditions of attached labourers (not being free to leave the employer) with those employed in the organised sector/government jobs [Rudra 1990: 260]. Bhalla had also claimed that the attached labourers ('naukars') in Haryana received better wages than the casual labourers and they generally came from marginalised land-owning households while the casual labourers often belonged to landless lower castes. This 'privileged' position kept the attached labourers at a distance from the casual labourers belonging to menial castes in their attempt to mobilise agricultural labourers for higher wages [Bhalla 1976: A-28]. Bhalla, Bardhan and Rudra seem to agree with Byres who had expected that shift towards capitalist agriculture was likely to generate a new demand for attached labour. Far from stressing on the elements of unfreedom in the system, Byres had called the attached labourers a 'privileged class' who "to a certain extent, will participate in the prosperity of the green revolution" [Byres 1972: 105, 109].

In a recent article, Brass has contested the claims made by Breman, Bardhan and Rudra and has strongly argued against their theoretical formulations that try to provide positive conceptualisations of attached labour and consequently eliminate the elements of unfreedom in the relationship. He contests the validity of their central assumption, i e, voluntarity on the part of the labourer to join the relationship. "While the recruitment may itself be voluntary, in the sense that the labourer willingly offers himself for work, it does not follow that the production relations will be correspondingly free in terms of the worker's capacity to re-enter the labour market" [Brass 1991: 55, foot note No 2]. In contrast, he argues that "long- or short-term worker attachment is a form of unfreedom, the object of which is to discipline (not habituate), control, and cheapen labour-power by preventing or curtailing both its commodification and the growth of a specifically proletarian consciousness. At a general level the existence of attached labour cannot be understood without regard to the

class decomposition/recomposition (or restructuring) that accompanies class struggle, a process which ...amounts to the deproletarianisation of agricultural labour" [Brass 1991: 37].

In the labour abundance region of Tamil Nadu, Harriss observed the unfreedom of labourers being still institutionalised through the ideology of patronage which created a comparable effect, i e, the recreation of a supposedly traditional institution in order to extend control over the agricultural labour process [Harriss 1992: 208]. Similar view has been expressed by Ramachandran in his study [Ramachandran 1990].

II
The Argument

Based on an intensive field study of three villages of a developed district (Karnal) of Haryana,[1] this paper contends the following:

(i) Far from being a 'privileged class', attached labourers are perhaps the most deprived category in the agrarian society of Haryana today. They are more indebted than their counterpart casual labourers, they have more difficult working conditions and most of them strongly dislike working as attached labourers.

(ii) Even though there was no case of intergenerational bondages or generational debt transfers and, as such, the labourers entered the contract voluntarily, the elements of unfreedom were quite obvious in the relationship. Unless there was a serious compulsion, rarely did any labourer want to work as an attached labourer. The compulsions always arose out of a need for credit, required, in most cases, for weddings in the family, house repairs, illness or at times even for consumption Attached labour functioned more as a labour mortgage system for interest free credit rather than a subsistence guarantee arrangement.

(iii) Though Brass seems to be right when he says that attached labour is an unfree relationship, it is difficult to sustain his argument when he claims that there is a process of deproletarianisation of agricultural labour along with capitalist development in Haryana agriculture. Brass seems to function in a rather closed system of the agrarian structure. There are several factors that work against the kind of process that Brass has envisaged. First, labourers clearly have negative preference for attached labour and they strongly dislike the "loss of freedom" involved in working as attached labourers. Not only that, they try to mobilise all possible resources to come out of the relationship and some of them do succeed. The average number of years a labourer worked as attached labourer seems to be coming down. Second, there has been a significant change in the power structure at the local and the regional level that, to some extent, had eroded the dominance of the landowning caste/class over the 'low caste' labourers.[2] This has also been accompanied by a nearly complete erosion of the ideology of patronage and loyalty. In the absence of a viable source of legitimising the dominant-subordinate relationships, tensions and conflicts have multiplied among the farmers and attached labourers. Third, development of capitalism has also meant growth of communication networks and linkages to the urban centres which provide opportunities to the landless to find employment outside the village.

All this is leading to a decline in the system. The number of labourers available for attached labour has been decreasing.

III
Attached Labour in Haryana: Historical Context

As in other parts of the country, agrarian structure of Haryana was marked by dependency relations between absentee landowners and cultivating tenants and attached labourer. These unequal relations were sustained partly by the ideology of patronage and partly through perpetual indebtedness of the landless and tenant tillers. The system of attached labour was locally known as the 'sajhi' or 'siri' system.[3] A 'sajhi' generally worked on a plot of or on the entire land of the landowner and received a share from the total farm yield.

'Sajhis' were generally employed by the Rajput landlords who did not touch the plough. Employment of sajhis became more generalised during early 20th century with expansion of production and growth of rich peasantry in the region [Bhattacharya 1985: 123-25]. 'Sajhis' were almost always indebted to the landlords they worked with. Occupation of agricultural labour being associated with 'Kamins' (the untouchable) most of the attached labourers came from menial castes

Agrarian changes during post-independence period brought about significant changes in the agrarian social structure and the system of attached labour. Though attachment *per se* continues, it has undergone formal as well as substantive changes. In her study in early 1970s, Bhalla observed a gradual shift from keeping 'sajhis' on share basis to employing 'naukars' on a fixed annual wage. A significant change that she observed was the institutionalisation of formalised contract system where the mode of payment, its periodicity, duration of contract and advances to be made were all entered in the landlord's account book and the agreement was formalised in presence of three witnesses. A practice of advance payment of wages was built into the system [Bhalla 1976: A-25]. Bhalla had also reported that 'sajhis' continued to be a significant sub-category of the permanent labour class.

In the late 1980s, when I conducted field study in three villages of Haryana, there were no 'sajhis' working in two of the three villages. There were two labourers working as 'sajhis' in the third village but both were rather peculiar cases. One of them was a migrant from a less developed district of the state and in the other case the landowner was physically disabled.

What brought about the change? Perhaps the most important factor was increase in productivity of land following the introduction of HYV seeds, chemical fertilisers and mechanisation.

The big landowners, who earlier leased out their land to tenants or employed attached labourers on share basis, were the first to adopt the green revolution technology. This led to a shift to self-cultivation. Tractors and other machines made it possible to manage a much bigger operational holding. New technology also brought in multiple cropping systems. Net impact of the changes was a manifold increase in the productivity of land.

Keeping 'sajhis' on share basis meant sharing benefits of the new technology with the labourers. Farmers had become too calculative to find the old system economically desirable. Initially the form of the relationship remained the same but share of the 'sajhis' came down from one-fifth to one-fourteenth or in some cases to one-sixteenth—depending upon the operational holding of the farmer. This arrangement, however, could not last for very long.

In the old system, a 'sajhi' also shared expenses on the crop. Mechanisation increased inputs and overall expenses on land multiplied. Seeds, fertilisers, pesticides and diesel, etc, had all to be bought from the market. The accounts of these expenses were obviously kept by the farmers. Labourers often complained that farmers manipulated accounts. And in cases of crop failures, the 'sajhis' were made to share the expenses but they received nothing if the farmer got any "compensation" money from the government Consequently, tensions mounted and labourers themselves wanted a more formalised system. Now most of them preferred working as 'naukars'.

IV
Attached Labour in Study Villages

Out of the total 75 case studies of agricultural labourers, 30 were currently working as attached labourers and among the other 45 'casual labourers', 26 were those who had worked as 'naukars' or 'sajhis' for some time in their career. So, out of the 75 case studies, as many as 56 or nearly 75 per cent were either working as attached labourers or were ex-attached labourers.

Working life of an attached labourer started quite early. Most of them (48 out of 75 respondents, i e, 64 per cent) had started their regular working life before they were 15 years of age. There were only six labourers who reported that they started working

regularly after they were 18 years of age. Many of them started their career as 'palis' (herdsmen).[4]

For a deeper understanding of the phenomenon it may be relevant to raise questions regarding the working conditions of attached labourers, their perceptions on different aspects of attached labour, such as, why did a labourer choose to work as attached labourer? Was it out of compulsion or preference that made a labourer work as attached labourer? Was it possible for a labourer to come out of the attachment if he so desired? What was the extent of their indebtedness; what were their sources of credit and did their indebtedness lead to prolonged and compulsive attachments which can be described as conditions of 'semi-bondage'.

Why Did They Work as Attached Labourers?

It is interesting to note that only rarely did a landless labourer prefer working as attached labourer. Among both the categories of labourers—attached and casual workers—perceptions on attached labour were quite negative. Out of 75 labourers, only nine preferred attached labour over casual labour. As many as 60 (80 per cent) preferred working as casual labourers. Out of these 60, 22 saw attached labour as bad as 'bondage' where labourer was left with no freedom. One of the respondents said, "Working as 'naukar' is like being wife of the farmer over whose body the farmer has complete control".

Working conditions of an attached labourer are much more difficult than those of a casual labourer. He is committed to his farmer for almost 24 hours of the day. On an average an attached labourer works 10 to 14 hours in a day even during lean seasons. The burden of work further increases during peak seasons. Only in a few cases were they entitled to a few days off in a year.[5] Monetarily also a casual labourer could earn as much as an attached labour did and in some cases even more. And most importantly, labourers were not only aware of this fact but also felt strongly about it. So, obviously, labourers worked as attached labourers only under some compulsions and the immediate compulsion in almost all the cases was a need for credit.[6]

Getting credit from the local informal credit market is quite difficult for an agricultural labourer. It is more difficult when they need more than a few hundred rupees. They hardly have any access to institutional credit, particularly for the kinds of needs they have, and they cannot get credit from informal sources without offering collateral security which they rarely possess. Even if a labourer can manage it, the interest rates are very high (ranging between 2 and 5 per cent monthly).

So, the only viable source available to the landless labourers in the rural society are the big farmers and the only way that a labourer can mobilise credit is through mortgaging his labour power by accepting to work as attached labourer.

The most attractive element in attached labour system is the interest-free advance payment of the annual wage. In most cases the annual wage itself took care of the immediate credit needs of the labourer. And if he needed more credit he could get from the farmer on a monthly interest of 2 per cent.[7]

And interestingly the farmers who had been advancing credit on regular basis also reported that they advanced to landless mainly with the intention of tying them for attached or peak season labour.[8]

Need for Credit

Though the landless needed credit for various purposes, critical situations arose when there was a wedding in the family, or a house needed to be renovated or when a family member had to be treated for a serious and prolonged illness. They could easily get small amounts of credit required for consumption needs or for visiting a relative in a nearby village/town from petty shopkeepers or big farmers. Petty shopkeepers advanced to get regular customers or earning interest, the farmers lent with a hope that labourer would work for them during the peak season when there is a scarcity of labour in the village. However, when the need was a few thousand rupees, the only way they could mobilise cash was through mortgaging labour power, i e, accepting to work as attached labourers. Among the 56 respondents who were either working or had been attached labourers at some time in their career as many as 26 reported that they needed cash for their weddings and another 24 required money either to renovate/construct a house or clear off the debt availed for the purpose. There was only one among those working as attached labourers who reported that he had no such compulsion and had not borrowed anything in advance from the farmer.

Attached labourers were not only the most critically indebted category in the study villages, their sources were also generally local-informal where rates of interest are much higher than the institutional sources. Their access to institutional sources was almost negligible.

As shown in Table 1, standing average informal debt of the attached labourers was the highest. And on an average only 12.1 per cent of their total outstanding debt had been borrowed from institutional sources.[9]

At the other extreme, though the middle and big/very big farmers were also indebted, more than 75 per cent of their standing debt was from institutional sources which also implied that they borrowed mainly for productive investments—to buy a tractor or install a tubewell on the farm.

Compulsions and Continuities

Perhaps the most contentious issue in the discussions on attached labour has been the elements of compulsions and continuities in the relationship. It is not only the extent of continuity that is important, the ability of attached labourer to come out of the relationship if he so desires, is also crucial.

Table 1: Average Indebtedness to Institutional and Informal Sources of the Various Categories of the Respondents

(Rs)

Category	Standing Average Institutional Debt	Standing Average Informal Debt	Average Standing Debt
Attached labourers	797	5,787	6,584
	(12.1)	(87.9)	(100)
Casual labourers	2,111	3,024	5,135
	(41.1)	(58.9)	(100)
Small and marginal farmers (less than 5 acres)	2,162	5,649	7,811
	(27.7)	(72.3)	(100)
Middle farmers (5 to 10 acres)	12,773	4,000	16,773
	(76.2)	(23.8)	(100)
Big farmers (10 to 25 acres)	14,774	4,871	19,645
	(75.2)	(24.8)	(100)
Very big farmers (more than 25 acres)	15,500	2,100	17,600
	(88.1)	(11.9)	(100)
All respondents	6,745	4,323	11,068
	(60.9)	(39.1)	(100)

Table 2: Villagewise Information about the Number of Years Worked as Attached Labourers (All Respondent Labourers)

Village	Less than 5 Years	5 to 9 Years	10 to 14 Years	15 to 19 Years	20 Plus	Never	Total Years
I	4	6	3	2	2	8	25
II	3	6	5	2	4	7	27
III	4	3	5	3	4	4	23
Total	11	15	13	7	10	19	75

Though a significant proportion of casual labourers interviewed (26 out of 40) had worked as attached labourer and the fact that they were presently working as casual labourer implied that many did manage to come out of the relationship, the element of continuity was also not insignificant. Most of those who once entered attachment had to work as attached labourers for considerable number of years (Table 2). Those who had worked/were working for more than five years were as many as 45 out of the total of 56 respondents in the category (80 per cent). And those who had worked/were working for more than 10 years were 25 (45 per cent). There were 10 of them who had worked/working for more than 20 years as attached labourers.[10] This obviously reflects a significant continuity in the relationship.

Considering the fact that a large majority of labourers perceived attached labour negatively and did not prefer working as attached labourers, the continuity obviously implies compulsions. And as mentioned above, compulsions always arose out of a need for credit to finance a wedding, house repair or illness in the family.

Since the annual wage received in advance is required for a special need, the labourer had to keep borrowing from the farmer for his regular consumption and social needs throughout the contract year. By the time the contract year ended, the labourer had a substantial outstanding debt to the farmer. Since he had no alternative source of income or credit, he had no choice but to continue working as attached labourer with the same farmer or with another farmer who agreed to advance enough money to clear off the outstanding debt of the previous farmer.

Conflicts and Emerging Patterns

Though the picture presented above does seem to suggest that the existing attachment relations in Haryana agriculture are very close to what may be described as debt bondage, there are also counter tendencies.

Labourers have been increasingly becoming conscious of the difficult working conditions of attached labour. This is also reflected in their strong negative perceptions on attached labour. The fact that many of them reported that they chose to work as attached labourers only under compulsions, makes a lot of difference. The ideology of patronage and loyalty has largely been eroded from the minds of agricultural labourers. All this has led to mounting of tensions between labourers and the employer farmers.

Big farmers often abused their attached labourers in the informal chats among themselves. During group interviews also they expressed dissatisfaction and anger against the labourers. They said they could no more trust the labourers. Some of them reported that when a labourer was left alone in the field he would often let his castemen cut fodder from the farm. Since the two came from completely different caste groups, the divisions between labourers and farmers were very sharp.

Views expressed by labourers in similar group interviews conducted in their caste 'mohallas' were even more bitter. While farmers abused labourers for not working to their satisfaction, labourers expressed their discontent by calling them cheats and exploiters. They often got angry during the interviews and tried to tell how oppressive the farmers were. Narrating the story of a fellow labourer, one of them reported:

> All big farmers are cheats. They are extremely selfish. Dina, a big zamindar had employed Joga Jhimmar as an attached labourer. He also gave five acres of land for sharecropping paddy to Joga's father. Joga, once, cleaning the canal by chance cut a few plants of paddy. Dina on noticing it, became furious and slapped Joga. In reaction Joga refused to continue working with the 'zamindar'. Dina is so shameless that he took away the five acre land shared-out to his father without paying anything for the labour Joga's father had put in the crop.

In village III an attached labourer had temporarily left the farmer because he had been badly abused by the farmer. During a detailed interview, he expressed his anger against the big farmers. As he said: "...this whole 'kaum' is that of cheats. They suck our blood." When asked, whether by 'kaum' he meant caste of the farmer with whom he was working, he replied: "No, all these 'zamindars' (implying the class of big farmers)".

Cases of scuffles and physical fights particularly between attached labourers and big farmers were reported to be becoming frequent. At least three such cases in village I and two each in village II and III were reported to have occurred in the recent past. And there were at least five cases where the labourers were either absconding with a debt outstanding to the farmers or they were staying in the village but had refused to repay the amount. Some cases of physical fights between farmers and labourers were even taken to the police and labour courts by the labourers.

One of the consequences of these growing tensions was a tendency among the labourers, to some extent also desired by their employer farmers, to shift from one farmer to another after every one to two years. Out of the 30 respondent attached labourers, in 10 cases, it was their first year and in another 11 cases it was their second year with the farmer they were working with at the time of the field study. There were only three cases where the labourers were working with a specific farmer for more than five years.

When asked whether it would be possible for them to stop working with their employer farmer after the completion of the year, 28 out of 30 respondents replied in the affirmative. There was only one respondent who said that unless his debt was cleared, he would not be able to leave his farmer. Another reported that it would be difficult for him to arrange the amount which would have to be returned to the farmer before he could leave.

However, as stated above, most of them had borrowed more than their annual wages and those who had borrowed only up to their annual wage or less than that were likely to borrow more before the end of the year. This meant that only rarely was a labourer without debt at the time of completion of his contract year. How did they return the standing amount if they chose to stop working with the farmer? Out of 28 respondents who felt that they could easily stop working with the present employer, in 18 cases, they reported that they could borrow the amount from some other farmer and shift to him. So in these cases, the attachment *per se* continued. In eight other cases, the labourers reported that they could either borrow from a petty moneylender/shopkeeper and return the amount, or felt that it would not be compulsory for them to clear their debt at once if they did not want to work with the farmer next year. They could gradually return the amount with interest. The remaining four were sure that they would not be indebted to the farmer at the end of the contract year.[11]

Bhalla in her study of 'New Relations of Production in Haryana Agriculture' conducted in early 70s, had found that the attached labourers ('naukars') came from marginalised landowning households while the casual labourers came generally from the menial castes. This also divided the labourers [Bhalla 1976: A-28]. The present study contradicts Bhalla's findings. Except for three, all attached labourers interviewed belonged to menial castes. Same was the case with casual labourers. She also reported that when the contract was signed between the 'naukar' and the farmer, the latter sought at least three witnesses who often were the ones who had position of power and authority in the village and could evoke feelings of submission and obedience from the labourer. This, in her view, reflected "on the relations of power in Haryana village... The witnesses are all presumed by the villagers to stand on the side of the hirer, and that no case was found where a witness was included who was considered a representative for the labourer" [Bhalla 1976: A-26]

The picture observed in the three study villages was again very different. Out of 30 respondent attached labourers, not in all cases was a contract signed. In nine cases, the contract was oral. In another four cases, where contract was signed, no witnesses were sought. In rest of the cases generally a single witness was taken who always came from the caste of the labourer—usually his

relative. This also reflected an erosion in authority of traditionally dominant sections. The farmers preferred a witness who could put social pressure on the labourer in cases of default.[12]

V
Conclusions

Discussions on the phenomenon of attached labour in the post-green revolution agriculture have ranged from characterising attached labourers as 'privileged class' to 'unfree slaves'. The field data and the discussion presented above makes it abundantly clear that attached labourers neither enjoyed the kind of status that made them privileged among the poor nor did they see their position as being so. Attached labour functioned more as a labour mortgage system where the labourer, in some sense, had to give up his freedom in order to avail an interest free credit. Implications of such an argument are many. Though it is a voluntary arrangement, in the sense that labourer chooses to enter the relationship, it cannot be compared with employment in the organised sector as has been argued by Rudra. Here the labourer is compelled to choose an alternative that he not only dislikes but also finds economically less rewarding. And the source of his compulsion lies in his weak economic position. Hence, the indebtedness and consequent compulsion to continue working as attached labourer does imply that there are elements of dependency and unfreedom in the relationship.

This, however, should not lead to the conclusion that nothing has changed as far as dependency relations are concerned. There has not only been a formal change in the system of attached labour, substantially also the relationship has changed considerably. Development of capitalism in agriculture has been accompanied by a near total erosion of the ideology of patronage and loyalty. This also has eroded the unquestioned power of the dominant castes and landlords in the rural society. And the growing integration of rural society into the broader national economy has meant opening up of possibilities of employment outside agriculture and the village.

These changes have also created tensions and conflicts in the relationship. Growing dislike for the relationship has made them try to mobilise alternative sources of credit and come out of the relationship as soon as they could. These ranged from dependence on wife's employment/earnings for subsistence needs of the family and minimising borrowings more than the annual wage from the farmers to utilising the money received under IRDP schemes to clear off the outstanding debt and defaulting the bank loan. Despite the compulsions and continuities, it was difficult to identify a process of deproletarianisation as argued by Brass. On the contrary, there was sufficient evidence to suggest that the phenomenon of attached labour was on a decline. Though no quantitative evidence could be gathered, the impressions and opinions expressed by farmers and labourer respondents confirmed it. And this was mainly because of growing reluctance on the part of the labourers to work as attached labourers.

Notes

[I am grateful to D N Dhanagare and P N Pimpley for their comments on an earlier draft of this paper. Errors and omissions are obviously mine.]

1 This paper is a part of a broader study of agrarian change and debt dependency in Haryana agriculture. Field work for study was conducted in three medium size villages of an agriculturally developed district (Karnal) of Haryana. The field work was carried out during 1988-89 over a period of six months. Apart from observations and interviews with various people, 185 case studies of farmers and labourers representing different categories were conducted [see Jodhka 1990].

2 In a recent article, Mendelsohn has argued on more or less similar lines. His argument is based on a field study of Rajasthan. See, Mendelsohn (1993).

3 'Sajhu/siri' literally means a partner or sharer. However, it is used only for the landless labourer and never for the farmer.

4 A 'pali' is usually a child labourer between 12 and 17 or 18 years of age or an aged labourer, who is unable to work as a regular casual or attached labourer. When a labourer is 17 or 18 years old, he starts working as a regular labourer—casual or attached. A 'pali' is always paid less than a 'naukar'. A 'naukar' received an annual wage ranging from Rs 3,500 to Rs 5,000 plus meals or a fixed amount of wheat, a 'pali' got meals and an annual wage ranging between Rs 1,000 and Rs 2,000 depending primarily on his age.

The number of those who started their working life as 'palis' was more among the attached labourers (20 out of 30 respondents in the category) than the casual labourer respondents (14 out of 45).

5 Out of 30 attached labourer respondents only 12 reported that they could avail leave up to 12 days in a year. This was written in the contract. In rest of the cases the labourer had to either give a replacement or had to forgo wage of the day.

6 Out of 30 attached labourers only 7 reported that they worked as attached labourers because it offered regular employment and better wages. Rest all reported that they needed credit for wedding (11), house repair (3), to clear off another standing debt (7) or for consumption (2).

7 Twenty-eight out of 30 respondent attached labourers reported that they could easily get advances more than the annual wage from their employers. The other two said they could get only up to the annual wage. This was the single most important attraction for a labourer to accept attached labour.

8 Among the 58 farmers out of the 110 interviewed who regularly lent out a part of their surplus in the local informal credit market, as many as 41 reported that they lent either exclusively to tie labour (23) or with the dual purpose of earning interest and also tying labour (18).

9 In most cases, the institution loan meant the outstanding loaned amount received under an IRDP scheme. Same is true of casual labourers' institutional debt.

10 It may be important to note that a labourer rarely could get employment after the age of 50 to 55 and he starts working at the age of 18 or 20. So the total working life of a labourer is around 30 to 35 years.

11 Two important sources used by labourers to come out of attachment were, first the IRDP schemes where the labourer utilised the money for clearing off the debt in place of buying an asset and second, depending on wife's casual labour income for daily expense of the family and minimising borrowings from the farmer.

12 Also see Mendelsohn 1993.

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Economic Diversification in Rural Areas

Review of Processes with Special Reference to Gujarat

Rakesh Basant

Recent evidence of diversification of rural employment structure away from agriculture has generated interest among researchers. This article examines the determinants of rural non-agricultural activities in Gujarat within the wider perspective of other salient changes at the macro level.

INSOFAR as economic development involves a process of specialisation and diversification, a decline in the share of the agricultural workforce and an increase in non-agricultural employment is only to be expected. There can be some cause for concern if economic diversification in rural areas is a result of a sustained squeezing of labour from the agricultural sector, rather than as a response to a vigorously growing non-agricultural sector. Of course, at a point in time both types of processes may be at work. However, the dominant forces need to be identified.

The identification of the dominant forces at work is a complex and difficult task. The analytical difficulties mainly arise from the simultaneous operation of a variety of 'push' and 'pull' factors determining the size of the rural non-agricultural sector. Since time-series data are not available and interpretation is essentially based on a few point-of-time estimates, a variety of transient factors confound the relationships under study. Given the complexity of the processes at work, any inferences drawn on the basis of available data can only be tentative. Besides, there are likely to be significant regional variations in the nature and dynamics of the emerging rural non-agricultural sector. The major findings of our research summarised below have to be seen in this context.

Section I briefly outlines various diversification processes at the conceptual level. The growth of the rural non-agricultural sector is viewed here as one of the many interesting changes that have taken place in the last two decades. The findings of the GIDR study are summarised in Section II within the wider perspective of other salient changes at the macro level. To the extent possible, an effort is also made to compare and complement these findings with the results of other studies. The final section lists some areas for further research.

I
Processes of Diversification: Some Hypotheses

Economic diversification in rural areas is one aspect of the macro-economic changes taking place in the economy as a whole. Consequently, many factors which influence such diversification may originate outside the rural location. To encompass the wide variety of influences, the distinction made by Saith (1991) between alternative approaches to rural diversification/industrialisation is useful. The location approach defines rural industry by its location in a designated rural area. This approach views rural industrialisation as a policy instrument to reduce urban industrial concentration. Through specific government policies, the relocation of urban industries to rural centres is encouraged, as is the establishment of new industrial enterprises in rural areas.

The alternative linkage approach to rural industrialisation views the rural non-agricultural sector from the rural end. The key criterion for defining an industrial enterprise or any other economic activity as 'rural' is whether it generates significant development linkages with the rural sector [Saith 1991: 464]. These forward and backward linkages can take the form of capital and labour flows, production linkages for inputs and outputs for agriculture and consumption linkages generating demand and supply for a variety of goods and services.

Most studies have focused, directly, or indirectly, on the linkage approach to analyse rural diversification processes. However, industrial location policies may have played an important role as well, at least in certain areas. Combining the two approaches, four categories of economic activities can be defined (Saith 1992): (a) Rural located, rural linked (Rloc-Rlink); (b) Rural located, urban linked (Rloc-Ulink); (c) Urban located, rural linked (Uloc-Rlink); and (d) Urban located, urban linked (Uloc-Ulink). Obviously, these categories do not form watertight compartments and a lot of overlap is expected. The categories help to highlight analytical and policy issues. The three categories connected through location or linkage with rural areas cover a wide variety of activities and enterprises. What generates and sustains such activities and enterprises is the basic analytical and policy issue.

Diversification Induced by Agricultural Growth

The relationship between agriculture and rural non-agricultural activities is perhaps the most important in understanding the Rloc-Rlink category of non-agricultural activities. The linkages between agriculture and industry have always been a subject of economic theorising, especially the issue of resource transfer across sectors and its role in economic development. The rural-urban dichotomy was not very crucial to these formulations; the major focus being on sectoral linkages. Some recent theoretical studies have brought in the locational dimension more explicitly into the analysis [e g, Ranis and Stewart 1993]. In most of these theories agriculture was seen to play a subsidiary role; a source of mobilising surpluses of food and raw materials, labour and savings for financing industrial growth (Rutten, 1991).

Mellor (1976) put agriculture on centre stage and argued that rapid growth in agricultural production, through effects of linkages with non-agriculture, can stimulate expansion of productive and employment-intensive, small scale rural industrialisation. The logic is that increased food production, based on cost decreasing "green revolution' technology, results in a large net increase in national income. If this income accrues to relatively large farmers, who do not spend the entire additional amount on foodgrain consumption or on capital or import-intensive commodities, the demand for local non-agricultural goods and services will be stimulated. Thus, increased agricultural production by the wealthier landowning classes will generate demand for non-agricultural production of a labour-intensive variety. Growth of such non-agricultural consumption expenditure was seen by Mellor as the main driving force behind rural diversification. However, he also envisaged the possibilities of productive reinvestment of agricultural surpluses by large commercial farmers to take advantage of the rural non-agricultural investment opportunities that were created by increased demand.

What Mellor envisaged, therefore, was the possibility of endogenous, demand-led growth in a green revolution area, derived from its increased prosperity and driven on by the higher levels of rural (consumption) expenditure [Dunham 1991: 2]. Following Dunham (1991: 2-3), the mechanics of this process generated through income additions induced by agricultural growth can be outlined by five testable hypotheses.

(1) The increased demand of large commercial farmers is crucial for the subsequent expansion of non-agricultural activities.
(2) Consumption linkages are more important than production linkages.
(3) The additional incomes generate a demand for labour-intensive goods and services that can be locally produced on a small-scale basis.
(4) The savings of these wealthy households are an important source of investment in non-farm activities.
(5) The indirect effects from agricultural growth will be effective in generating employment, mopping off rural surplus labour and reducing rural poverty

Apart from the possibility, discussed later, that the rural enterprises are of the Rlock-Ulink variety, there can be other reasons for the absence of a monotonic relationship between agricultural growth and rural non-agricultural sector. On the basis of some data from West Bengal, Chandrasekhar (1993: 245-46) describes three likely phases of this relationship. In the pre-Green Revolution era, there is some local demand for the products of primitive manufacturing, repair, personal services and minor trading requiring little investment. The share of non-agricultural workers is low. Subsequently, as a region enters the early Green Revolution phase, the increased demand for labour in agriculture and the wage levels in agricultural activities may reduce the elasticity of labour demand in the non-agricultural sector. While the demand for supportive non-agricultural activities will also increase in rural areas with more productive agriculture, the net result may be a shift of workers into agriculture. Finally, as the agricultural sector matures, attaining higher levels of per hectare and per capita productivity, the increased demand for more specialised higher quality goods and services would raise the share of non-agricultural employment in total rural employment, especially if it is accompanied by lower elasticity of labour demand with respect to agricultural output. Some of this demand may also be met by activities located in urban areas. More on this later. Such a scenario results in an inverted U-shaped 'time profile' when cross-section data on per capita output (X-axis) and share of non-agricultural employment (Y-axis) are plotted. The available evidence from other sources suggests that the U-shaped relationship is not generalisable. Some of this evidence is discussed in the next section.

Distress-diversification can also vitiate the relationship between agricultural growth and economic diversification in rural areas. Lack of agricultural growth means that rural workers who are not absorbed fully in agriculture are forced to undertake unproductive non-agricultural activities [Vaidyanathan 1986]. Such participation in non-agricultural activities is seen as a survival strategy of poor households with under and unemployed labour.

> Such a strategy involves a joint pattern of activity on the part of several households involving seasonal and technological dovetailing of multiple occupations, most of which are practised at exceedingly low levels of productivity. The poor substitute for their missing capital by expending disproportionately large quantities of their labour, thus accepting an implicit wage rate (for artisanal or domestic production work) which is often well below the wage rate in the casual agricultural labour market... and often below what could be deemed a poverty line wage rate... On account of the very low levels of labour productivity (for technological or labour market reasons), poor peasant households... which are working exceptionally long hours on a regular basis in their multiple non-farm occupational pursuits might still be classified income-unemployed since they are still unable to make up a subsistence level of income [Saith 1991: 470].

The interpretation of data on unemployment to discern distress, therefore, is problematic once poor workers have spilled into non-agricultural pursuits. Besides, while self-employment can conceal under-employment in a non-viable enterprise, wage labour in non-agriculture is unlikely to be a low productivity-employment stretching activity, the latter having an implicit capitalist basis. Of course, the productivity or relative earnings from rural non-agricultural activities will reflect the 'distress' or 'growth' orientation of these activities. Further, distress diversification might not necessarily take place into non-agriculture and there can be other strategies for survival as well. These strategic choices get reflected in work participation rates, number of activities per household/worker and composition of these activities. These issues are discussed in some detail later

Rural Urban Interface

As mentioned above, it is being increasingly recognised that the employment linkages generated by investments in urban areas could be stronger than those from agriculture. Besides, even under good agricultural growth scenario an important component of increased aggregate demand can come from urban growth [Dunham 1991: Hariss 1987]. Alternatively, in the mature phase of agricultural growth, rural demand for non-agricultural goods produced in urban areas may increase faster than for goods produced locally [Chandrasekhar 1993]. Rural-urban interface is therefore important and to view rural areas as bounded spaces may be analytically misleading [Basu and Kashyap 1992; Visaria and Basant 1994]. The Rloc-Ulink and Uloc-Rlink type of activities, therefore, gain significance.

Urbanisation can influence the growth of rural non-agricultural employment in various ways [Visaria and Basant 1994]:

(a) Over time, several rural localities are classified as towns although a few former towns get declassified. Also, the boundaries of cities are periodically extended to include the surrounding 'rural areas'. Such expansion of urban areas is likely to lead to an apparent decrease in the magnitude of rural non-agricultural activities. This is so because the share of the non-agricultural sector in those rural areas which get classified as urban is more than in other rural areas.
(b) Urbanisation and the associated improvements in infrastructure may render some rural non-agricultural activities, especially in the manufacturing sector, non-viable through the competition of better or less expensive substitutes.
(c) Urbanisation and the growth of infrastructure may expand the market for rural enterprises and encourage non-agricultural activities both in the secondary and tertiary sectors in the neighbouring rural areas to satisfy non-local demands. As noted above, such developments can encourage both local and non-local capital to flow into rural areas to exploit local resources for viable non-agricultural activities.
(d) Better and relatively inexpensive transport facilities make it possible for many members of rural households to shift to non-agricultural occupations without changing their residence through commutation.

The processes of urbanisation may have a differential impact on different types (secondary/tertiary) and forms (household/non-household) of non-agricultural activities. In an urbanised area, growth of agricultural productivity can encourage demand for

Table 1: Employment Elasticities with Respect to Value Added by Sectors of the Economy: 1972 to 1983

Sector	1972-73 to 1977-78	1977-78 to 1982-83	1972 to 1983
All sectors	0.51	0.41	0.47
Mining and quarrying	1.00	0.75	0.96
Manufacturing	0.80	0.61	0.68
a Unregistered	—	—	0.75
b Registered	—	—	0.28
Trade	0.95	0.60	0.86
Transport	0.63	1.01	0.93
Services	0.43	0.49	0.46
Agriculture and allied	0 40	0.28	0.35

Source: Papola (1990).

tertiary sector construction and repair services based in rural areas; while demand for manufactured goods may be met by the produce of urban areas. Also, different sized towns can influence the structure of the rural non-agricultural activities in a differential manner [Shukla 1994]. Therefore, the patterns of urbanisation in a region may play a very important role in determining rural-urban linkages. *Ceteris paribus*, a more equitable pattern of urbanisation will probably be more conducive to the growth of rural non-agricultural sector than a less equitable one. It will be argued later that decentralised urban development may have encouraged the growth of rural non-agricultural sector.

A Framework for Analysis

The analysis of primary data contained in the GIDR study [especially Basant 1994; Unni 1994], underlines a broad framework for analysing processes of economic diversification. In what follows we summarise the basic elements of this analytic. It needs to be emphasised at the outset that we still have a long way to go before we can adequately capture the complexity of these processes. The variety of linkages enumerated above constitute the socio-economic forces to which households respond, given their household characteristics. What gets reflected in aggregate statistics is the net outcome of the choices made by households regarding the nature and extent of their participation in economic activities.

The household is, therefore, seen as the basic decision-making unit for the allocation of family labour between various economic and non-economic activities. The available primary and secondary data, analysed extensively in the GIDR study, suggest that rural (as well as urban) households undertake, often simultaneously, a variety of agricultural and non-agricultural activities. Consequently, their participation in non-agricultural work cannot be adequately analysed without understanding the relation between the agricultural and non-agricultural activities.

Further, the available data also show significant inter-regional variations in the (i) worker population ratios; (ii) number of economic activities undertaken by a household or an individual and (iii) the composition of these activities. While analysing the survey data, it is emphasised [Basant 1994; Unni 1994] that the decisions about these variables are often taken simultaneously. A variety of factors which influence the supply and demand of labour affect these decisions. These are, therefore, seen as three interlinked components of economic diversification in rural households. Thus a shift towards non-agricultural activities is only one element of the diversification process envisaged above.

The nature of participation of household members in economic activities is influenced by their access to land and other human and physical assets and the amount of surplus they produce. It has already been argued that the emergence of non-agricultural work opportunities in rural areas itself depends upon the pace and process of accumulation in the village or regional economy. This, in turn, may be influenced by the growth in agricultural productivity, and consequent rise in income levels, availability of infrastructural facilities and links with urban areas. The nature and extent of the rural-urban linkages will depend on the dynamics of change in the nearby towns.

A preliminary effort is made to translate this heuristic framework into econometric terms in one of the chapters of the GIDR study [Unni 1994]. Decisions to participate in economic activities and the nature and number of such activities are analysed as a set of choices made by an individual, given the household and regional characteristics.

II
Processes of Diversification and Their Macro Context

Certain macro features of the Indian economy may provide a useful context to the analysis of changes in the nature and quantum of the rural non-agricultural sector in Gujarat and in India as a whole. These changes may also provide clues about the nature of linkages which have induced the generation of non-agricultural activities in rural areas. Most of the macro-trends noted below are based on discontinuous series of data. As mentioned above, inferences drawn from such a series need to take account of transient factors such as drought, impact of scarcity relief works, etc [Visaria and Minhas 1991]. Since the focus of our project was Gujarat, we try to identify the peculiarities of the state's macro-economic scenario *vis-a-vis* that of the country as a whole.

Various chapters in the GIDR study analyse a wide variety of issues and use data from different sources. This section summarises the major findings of the study and of some other related studies in the context of these macro-economic changes and relates them to our earlier discussion on the processes of economic diversification.

Composition of Rural Employment

Detailed analyses of NSS and census data highlight the following changes in the rural workforce. Unless stated otherwise, the patterns are the same for India and Gujarat. To save space, the relevant tables are not reported here; they are available in two chapters of the report [Basant and Kumar 1994a; Basant and Parthasarthy 1994a].

Table 2: Estimated Sectoral Employment Elasticities with Respect to Sectoral Gross Domestic Product

Sector	Period I 1972-73 to 1977-78	Period II 1977-78 to 1983	Period III 1983 to 1987-88
1 Agriculture	0.54	0.49	0.36
2 Mining	0.95	0.67	0.85
3 Manufacturing	1.05	0.68	0.26
4 Construction	0.35	1.00	1.00
5 Electricity, gas and water	1.67	0.74	0.48
6 Transport, storage and communications	0.76	0.92	0.35
7 Services	0.80	0.99	0.42
8 All sectors	0.61	0.55	0.38

Source: Planning Commission, 1991, *Draft Eighth Five Year Plan*, Vol II, New Delhi; Computed from NSS employment data on the usual principal plus subsidiary status basis and CSO National Accounts Statistics; Quoted in S Bhalla (1993b).

Table 3: Average Annual Growth Rates of Employment in Organised and Unorganised Sectors of Economy

	1973-77		1977-83		1983-87		1973-87	
	O	UO	O	UO	O	UO	O	UO
Agriculture	2.4	2.3	1.1	1.2	1.5	0.6	1.6	1.4
Mining and quarrying	5.5	–3.8	2.7	28.1	0.2	21.0	2.8	14.8
Manufacturing	2.4	6.3	1.7	4.5	0.1	2.8	1.4	4.6
Ele, gas and water	3.0	—	3.5	—	3.3	—	3.4	—
Construction	–2.1	3.6	1.7	9.7	1.3	16.7	0.4	9.7
Transport, storage and communication	1.7	13.2	2.2	12.8	1.1	4.3	1.7	10.2
Services including trade	3.0	4.0	3.1	5.5	2.1	2.7	2.8	4.1
All sectors	2.5	2.8	2.4	2.2	1.4	1.6	2.1	2.2

Notes: O = Organised; UO = Unorganised.
Source: Planning Commission (1990), Tables 3 and 4.

(i) The share of rural non-agricultural sectors in the total rural workforce has increased. The trend is more clearly observed for male workers than for female workers. This trend was observed in all but three districts of Gujarat.

(ii) Overall, the bulk of the increase in the rural non-agricultural sector is explained by the increase in the proportion of casual non-agricultural workers; the increase in the share of the self-employed in non-agriculture has not been significant. The major shift was observed from self-employment in agriculture to non-agricultural activities, especially as casual workers.

(iii) Both secondary and tertiary sectors in rural areas have experienced relative growth. In India as a whole, the increase in the tertiary sector seems to be sharper than that in the secondary sector for male workers. For female workers in rural India and Gujarat, the patterns are not very clear. For male workers in Gujarat, the two sets of data showed divergent trends: the increase in the secondary sector was sharper according to the census data but smaller according to the NSS estimates. But overall, the secondary sector in rural Gujarat (especially manufacturing) has been more dynamic than in rural India as a whole. In most of the districts in Gujarat where the share of rural male workers has increased, the increase has been sharper in the secondary than in the tertiary sector.

(iv) Within the secondary sector in rural areas, manufacturing has increased according to both sets of data. However, while non-household manufacturing has grown, the share of the household sector has declined. In most districts of Gujarat, the increase in the share of non-household manufacturing has more than offset the decline in the share of household manufacturing. Significantly, the share of male non agricultural workers in the rural workforce has declined only in those three districts where the growth of non-household manufacturing was not significant enough to compensate for the decline in the household sector.

These macro-changes in the composition of the rural workforce form the background to our subsequent discussion on the nature of the diversification processes underway in rural areas, especially in Gujarat.

Agricultural Growth-Related Processes

The elasticity of employment with respect to production in Indian agriculture has experienced a decline [Tables 1 and 2, also see Bhalla 1989]. This decline is partly a result of productivity raising technological change. Besides, the use of 1987-88, a drought year, as the terminal year for the calculation of elasticities may generate a downward bias in these estimates. The decline in the employment elasticities was accompanied by an increase in the subdivision and fragmentation of holdings and in the casualisation of labour in rural areas. [Basu and Kashyap 1992; Basant and Kumar 1989]. These overall trends, however, conceal significant variations in the patterns at the regional level [see Bhalla 1989; 1990].

Gujarat, Maharashtra and Andhra Pradesh were the only states which experienced high rates of growth of labour absorption and labour productivity during the trienniums 1971-74 and 1981-84. In the case of Gujarat, almost the entire increase in agricultural employment during this period was due to increases in labour intensity per unit of land [Bhalla 1989, Tables 9 and 12]. Consequently, on an average, it is unlikely that workers were being pushed out of agriculture on any significant scale during the period when the share of non-agriculture in the rural workforce was on the rise. It needs to be mentioned, however, that marginalisation of landholdings has proceeded at a faster pace in Gujarat than in India as a whole during 1961-82 [Patel 1991:46] and the rates of casualisation have also been higher in rural Gujarat than in rural India. Part of the increase in the casual labour force was also a result of the severe drought during 1987-88 which forced self-employed cultivators to participate in scarcity relief works as casual workers

As argued earlier, casualisation of the workforce does not necessarily signify distress as casual non-agricultural workers may command higher earnings than agricultural workers. Papola (1992) has argued that unless the earnings in casual non-agricultural employment are adequate, persons self-employed in agriculture are unlikely to shift to such activities as the latter provides a safety-net for survival. We shall return to the issue of earnings later.

Overall, the empirical evidence on the relationship between agricultural growth and the development of rural non-agricultural sector is mixed. At the aggregate cross sectional (NSS regions) level, indices of agricultural development are positively related to the proportion of rural non-agricultural workers [Unni 1991]. However, the relationship is more significant if the share of rural non-agricultural workers is regressed on the per hectare agricultural productivity at the NSS regional level [Dev 1990; Unni 1991] and at the district level in UP and Maharashtra [Singh 1994; Shukla 1994]. Surprisingly, another indicator of rural prosperity, agricultural output per capita of agricultural workers, showed a significant positive relationship with the share of rural non-agricultural workers only at the state level [Vaidyanathan 1986] and not at the NSS regional level [Dev 1990; Unni 1991] and district levels [Jayraj 1994, Singh 1994]

Prima facie, agricultural productivity per capita is likely to be a better index of rural prosperity than productivity per hectare. The data however, seem to suggest, otherwise. Agricultural development may improve the

Table 4: Estimates of Number of Enterprises and Workers Engaged in Unorganised Manufacture in NSS Rounds, All India

(in Lakhs)

	29th Round (1974-75)	33rd Round (1978-79)		40th Round (1984-85)	
No of Enterprises					
Rural OAEs	NA	57.3		134.4	
Rural NDMEs	NA	5.0		10.2	
All	64.9	62.3	(63.7)	144.6	(146.4)
Urban OAEs	NA	14.6		36.5	
Urban NDMEs	NA	4.5		11.3	
All	23.2	19.1	(21.0)	47.8	(50.8)
No of Workers					
Rural OAEs	NA	92.3		219.1	
Rural NDMEs	NA	13.9		23.6	
All	115.6	106.2	(125.0)	242.7	(262.6)
Urban OAEs	NA	24.1		53.1	
Urban NDMEs	NA	13.7		26.6	
All	42.9	37.8	(57.1)	79.7	(106.7)

Notes. 1 OAE = Own Account Enterprises; NDMEs = Non-Directory Manufacturing Enterprises, NA = Not Available.
2 Figures in parentheses include estimates of directory establishments (DEs). Conceptually the 29th Round estimates covered DEs as well (see, Basant and Kumar 1990a, for details).

Sources: 1 *Sarvekshana*, Vol III, No 4, April 1980.
2 NSSO (1987), 33rd Round (1978-79), No 343, *Tables with Notes on Survey of Unorganised Manufacture: Non-Directory Establishments and Own Account Enterprises*, Government of India, Department of Statistics, New Delhi (Revised).
3 NSSO (1989), 40th Round (1984-85), No 363/1, All India *Tables with Notes on Survey of Unorganised Manufacture: Non-Directory Establishments and Own Account Enterprises*, Government of India, Department of Statistics, New Delhi (Draft).
4 Central Statistical Organisation (undated), *Directory Manufacturing Establishments Survey, 1984-85: Summary Results*, Department of Statistics, New Delhi, (Table 2.2).

efficiency of the rural non-agricultural enterprises without necessarily increasing their number [Papola 1987]. Besides, to cross a threshold level of land productivity may be a necessary though not a sufficient condition for the emergence of growth induced non-agricultural sector [Kashyap and Desai 1990].

Bhalla (1993b) analyses these relationships at the district-level using the 1961, 1971 and 1981 census data for 274 districts. She did not find any evidence for 'attributing systematic causation from the side of agriculture-related growth rates', regardless of whether it is defined in terms of rates of growth of farm output or rates of growth of agricultural output per male agricultural workers [Bhalla 1993b: 432]. The inverted U-shaped formulation does not work either in terms of rates of growth or in the cross-section version for different years.

Analysis of the correlates of inter-regional variations in the share of rural non-agricultural workforce in the talukas and districts of Gujarat [Basant and Parthasarthy 1994b] brings out the complexity of the processes at work. Interestingly, none of the conventional explanatory variables except irrigation and to an extent urbanisation emerge as significant determinants of rural non-agricultural sector in Gujarat. Analysis of survey data at the village level [Basant 1994] also suggests weak links with agriculture of the rural non-agricultural sector.

Levels and growth of land productivity, per capita agricultural output, non-food crops, etc, are not significantly related to rural non-agricultural employment at the taluka and district level. This may imply that *ceteris paribus* growth of land productivity (or per capita output) based mainly on cropping pattern changes may not generate adequate impulses for the development of rural non-agricultural activity. It may be partly because the processing of output is likely to be concentrated in urban areas and the techniques of production may be capital-intensive. The stability provided by irrigation to levels and growth of output is perhaps crucial to generate viable and long-term opportunities for such diversification.

Two findings of Bhalla (1993b) are very revealing. First, low productivity districts have tended to become increasingly concentrated in agriculture, an indication that agricultural involution is the rule in poor districts, rather than distress diversification. Secondly, the influence of the urban centres on the workforce diversification in the surrounding countryside has been growing. Both these results are consistent with the findings of our survey. Analysis of primary data at the village levels suggests that except for scarcity relief work other non-agricultural activities were not primarily a result of distress diversification. Indeed, distress conditions, in the absence of a viable market for non-agricultural activities result in higher WPRs and higher number of activities per worker, most of which relate to agriculture [Basant 1994].

The evidence on consumption and production linkages, though meagre, is also mixed. While consumption linkages are found to be important in some areas [Haggblade Hazell and Brown 1989], production linkages played a more important role in others [Harriss 1987]. There is also some evidence that larger farmers invest their surpluses into non-agricultural activities, especially those relating to processing and trade [Rutten 1991; Harriss 1987; Hariss 1991; Basant and Joshi 1991]. But neither were such surpluses only invested in local industry nor did the money which came to rural industry come only from agriculture. Dunham (1991) after a review of various studies on this theme concludes that while agricultural growth may stimulate industrial expansion, it is not always local industry which benefits, and that when the industry is local, it is not necessarily small-scale, nor indeed labour-intensive.

At an aggregate level, participation in non-agricultural activities declines with a rise in size of landholding [Basant and Kumar 1989; 1994a]. The analysis of primary data at the individual level suggests that participation in non-agricultural activities increases in households with very large landholdings. This suggests that agricultural surplus is being reinvested in non-agricultural activities by these large landholders; a result consistent with Rutten's (1991) for parts of Gujarat.

The macro- and micro-level analysis, therefore, suggests that the linkages between rural non-agricultural activities and levels and growth of agricultural productivity in the regions of Gujarat have been weak. Apparently, extra-local links are important to satisfy the demands generated by agricultural growth. Consequently, Rloc-Ulink activities perhaps play a more dominant part than the Rloc-Rlink non-agricultural activities. The analysis of survey data at the village level [Basant 1994] also brings out the significant and positive influence of proximity to towns on rural non-agricultural activity. This takes us to the evidence on rural-urban linkages which impinge on activities categorised as Rloc-Ulink and Uloc-Rlink.

Urban Employment: Unorganised Sector

As in the case of agriculture, the elasticity of employment with respect to value added declined for most other sectors in India as a whole, during the period 1972-88. Construction and mining are the only two sectors where the elasticity of employment increased during this period (Tables 1 and 2). Significantly, within each non-agricultural sector, employment in the unorganised segment grew at a much faster pace than in the organised industry (Table 3). Apart from mining and quarrying, employment in unorganised construction and transport, etc, increased at a fast rate. Basant and Kumar (1994a) show that the share of these and most other non-agricultural sectors increased in both rural and urban areas, the increase being more significant in the rural areas. Therefore, the growth of the non-agricultural, especially tertiary, activities in both rural and urban areas seems to have taken place

Table 5: Share of the Unorganised Sector in Total Manufacturing Employment and Value Added

Sector	Share in Employment		Share in Value Added	
	1974-75	1984-85	1974-75	1984-85
Unorganised Sector	72.6	82.4	35.7	37.6
Rural	53.0	58.6	NA	16.6
Urban	19.6	23.8	NA	21.0
Organised (factory) sector	27.4	17.6	64.3	62.5
All	100.0	100.0	100.0	100.0

Sources: Sundaram and Tendulkar (1988); Kashyap (1992); Sources cited in Table 4 and ASI volumes for the year 1984-85.

Table 6: Characteristics of Unorganised Manufacturing Enterprises: Some Estimates from 29th and 40th Round Data

Characteristics	Rural Areas		Urban Areas	
	1974-75	1984-85	1974-75	1984-85
Employment per enterprise	1.8	1.7	2.1	1.7
Value added per enterprise (Rs)	1,549	3,385	5,295	9,055
Output per enterprise (Rs)	2,565	6,159	12,600	17,862
Fixed assets per enterprise (Rs)	990	12,695	2,905	26,381
Value added per enterprise (Rs)	870	2,059	2,583	5,433
Percentage of part-time workers	29.9	14.5	10.2	8.5

Source: Same as in Table 4.

mainly in the informal sector. A trend increase in the informalisation of employment can be more clearly seen in the case of manufacturing sector for which more detailed data are available.

Table 4 shows that there has been a significant increase, especially during the early 1980s, in the number of unorganised enterprises engaged in manufacturing activities in both rural and urban areas. This increase can only partly be attributed to the likely under enumeration of unregistered enterprises in the 29th and 33rd rounds [see for details Basant and Kumar 1990a]. The number of unorganised enterprises increased by about 10.4 lakhs during the decade 1974-75 to 1984-85 (Table 4). As a result of this increase the share of the unorganised sector in total manufacturing employment increased from about 73 to 82 per cent—the maximum gains going to the rural unorganised sector. However the unorganised sector's share in the total value added in the manufacturing sector rose only marginally from about 36 to 38 per cent (Table 5).

It has been shown elsewhere that employment in modern industry groups is growing at the expense of traditional industries in rural areas and in small household industries in urban areas [see Bhalla 1993b, Papola 1992, Basant and Kumar 1990]. A detailed examination of the secondary data on the composition of rural manufacturing in Gujarat [Basant and Kumar 1994b] shows that in some traditional occupations and industries (e g, foodstuffs, leather products, etc) the non-household production has increased at the cost of household production. Within the household manufacturing sector while the traditional industries show a decline, the modern industries (electrical goods, etc) have grown. All constituents of the non-household manufacturing have grown. The increase, however, seems to be much sharper for modern industries as compared to traditional ones. The micro level analysis of artisanal production [Parthasarathy 1994] also suggests that some traditional artisan groups like potters, basket weavers, spinners and shoe makers face more difficult market conditions than carpenters and tailors who could diversify into products with growing demand. If the growth of casual non-agricultural workers observed earlier has taken place in the modern non-household manufacturing enterprises, it reflects positive forces.

Available evidence also shows that productivity levels of the unorganised sector units have improved during the decade 1974-75 to 1984-85 in both rural and urban areas. While the number of workers per enterprise and part time involvement have declined, value added per enterprise and worker and value of fixed assets per enterprise have increased during this period (Table 6). In fact, the value of fixed assets per enterprise has increased very sharply. This is somewhat surprising and needs to be probed. Overall, however, the growth of the informal sector does not seem to be primarily induced by distress. The units are probably kept small to avoid factory and other legislation.

Estimates of changes in employment in the unorganised manufacturing sector at the state level (Table 7) show that the bulk of the increase in this sector came from three states: Uttar Pradesh, West Bengal and Bihar. In fact, of the total increase of about 16.4 lakh in the number of workers, about 39 per cent (6.4 lakhs) had occurred in UP alone. The shares of West Bengal and Bihar were about 16 and 9 per cent respectively. Most of the increase in these and other states, except Andhra Pradesh and Tamil Nadu, took place in rural areas. The other states which show a relatively high increase in informal manufacturing sector are Tamil Nadu, Orissa and Andhra Pradesh. It is significant that Orissa, Bihar and parts of UP have had a bad agricultural growth profile [Bhalla 1990].

Surprisingly, the employment in the unregistered manufacturing sector declined in Gujarat in both rural and urban areas. Since employment in manufacturing increased in Gujarat during this period [Basant and Kumar 1994a], the increase was apparently concentrated in the organised sector. These trends for Gujarat are surprising because many textile mills in the state were closed during this period. The validity of these data needs to be assessed but a few interesting observations regarding the growth of the unregistered sector can be made:

(i) At the aggregate all India level, the unregistered segment seems to be growing faster than the registered segment for almost all sectors of the economy. Such informalisation of economic activity is taking place in both rural and urban areas.

(ii) The capital labour ratios and productivity levels in the unorganised manufacturing units have increased during the period in which this sector grew rapidly.

(iii) For the manufacturing sector, for which detailed data are available, the growth of the unregistered sector seems to be concentrated in a few states such as UP, West Bengal and Bihar. The reasons for this concentration need to be explored. The quality of data collected during the 29th Round (1974-75) may not be as good as in the subsequent surveys, as it was the first time when such data were collected.

TABLE 7: CHANGES IN EMPLOYMENT IN UNORGANISED MANUFACTURING: MAJOR STATES

(in Lakhs)

State	Change in Employment Between 1974-75 and 1984-85			Percentage Change in Workers
	Rural	Urban	Total	Rural + Urban
Andhra Pradesh	4.7	4.6	9.3	53.1
Assam	3.0	0.4	3.4	566.7
Bihar	13.9	1.4	15.3	151.5
Gujarat	-1.1	-1.0	2.1	56.4
Haryana	NA	NA	NA	NA
Himachal Pradesh	NA	NA	NA	NA
Jammu and Kashmir	0.4	0.5	0.9	81.8
Karnataka	1.5	1.3	2.8	31.5
Kerala	1.9	2.6	0.7	6.7
Madhya Pradesh	2.7	3.2	5.9	80.8
Maharashtra	5.2	0.1	5.3	43.1
Orissa	11.1	0.7	11.8	214.5
Punjab	NA	NA	NA	NA
Rajasthan	4.3	2.1	6.4	120.8
Tamil Nadu	6.9	6.7	13.6	67.0
Uttar Pradesh	71.4	7.7	63.7	382.1
West Bengal	20.1	6.7	26.8	178.7
All States	127.1	6.8	163.9	103.4

Source: Same as in Table 4.

TABLE 8: URBAN POPULATION BY SIZE CLASS OF TOWNS: GUJARAT AND ALL INDIA, 1981

Size Class of Town (Population)	Gujarat		India	
	No of Towns	Population (in '000)	No of Towns	Population (million)
Class I (100,000+)	11 (4.3)	5,316 (50.1)	216 (6.7)	94.5 (60.4)
Class II (50,000-99,999)	27 (10.6)	1,802 (17.0)	270 (8.3)	18.2 (11.6)
Class III (20,000-49,999)	57 (22.4)	1,783 (16.8)	738 (22.7)	22.4 (14.3)
Class IV (10,000-19,999)	86 (33.7)	1,216 (11.5)	1,053 (32.4)	14.9 (9.5)
Class V (5,000-9,999)	61 (23.9)	451 (4.3)	739 (22.8)	5.6 (3.6)
Class VI (Less than 5,000)	13 (5.1)	34 (0.3)	229 (7.1)	0.8 (0.5)
All towns	255 (100.0)	11,602 (100.0)	3,245 (100.0)	156.4 (100.0)

Sources: Visaria (1994), Visaria, Kothari and Kumar (1985), Visaria and Kothari (1985).

(iv) If growth of the unregistered segment within the manufacturing sector is any indication, the growth of the informal sector does not seem to be very significant in Gujarat in both rural and urban areas. Apparently, the processes which result in the growth of economic activity conducted on an informal basis are relatively weak in the state.

Patterns of Urbanisation

Lack of job opportunities in rural areas can result in rural-urban migration of job seekers. And such migration can result in higher levels of urbanisation. We have already noted an increase in the share of urban informal sector where such migrants are likely to find jobs. However, the extent to which such migration and the growth of urban informal sector is a result of distress conditions in rural and urban areas is difficult to ascertain. We have already indicated that the productivity levels in the unorganised manufacturing sector have increased along with the growth of this sector. We do not have information about the productivity changes in the unregistered units involved in tertiary activities.

The rate of urbanisation and the proportion of non-agricultural workers in rural areas are found to be positively related at the cross sectional level [Dev 1990; Unni 1991; Singh 1994; Jayaraj 1994]. We find similar evidence at the taluka level in Gujarat [Basant and Parthasarthy 1994b]. Evidently, the net impact of the processes associated with urbanisation is positive. However, the positive relationship does not hold when the change in the share of non-agricultural employment in rural areas was related to the change in the level of urbanisation [Singh 1994; Jayaraj 1994]. Analysis at the micro level brings out the complexity of the relationship between rural and urban areas.

The data show that urbanisation has slowed down during the 1980s [Visaria 1994; Mohan 1993]. It is possible that the policies to encourage the location of new industrial unit outside relatively large cities and other incentives to developed backward areas have contributed to the slowing down of the growth of urban employment opportunities. The tariff structure and labour laws may have also induced high capital-labour ratio in the registered manufacturing sector [Mohan 1993]. The stagnation in the registered sector employment has already been noted. While the validity of the estimates needs to be evaluated, capital-labour ratios seems to have increased within the unregistered manufactured sector (Table 6) even though employment growth in the sector has been significant.

However, growth of job opportunities within rural areas can reduce the flow of rural-urban migration. And, rural-based workers can commute to work in urban areas. A recent study shows that while the major factor contributing to urban growth is natural increase (about 59 per cent of total urban growth), the share of net rural-urban migration in the urban growth during 1981-91 was a little higher than during 1971-81. Yet, urbanisation has slowed down during the 1980s because (a) some decline in the pace of reclassification of localities from rural to urban; (b) a somewhat higher rate of natural increase in rural than in urban areas; and (c) an evident rising incidence of rural-urban commutation during the 1980s than earlier [Visaria 1994].

The pace of rural-urban migration increased during the 1980s despite the slowing down of urbanisation. Differentials in rural-urban levels of living continue to attract migrants to urban areas and this process was not arrested during the phase of stagnant employment growth in the urban formal sector and the expansion of the rural non-agricultural sector. Of course, the urban informal sector also has expanded rapidly during this period.

The evidence about commutation is very interesting as the locations of work and residence are being increasingly separated. The NSS 43rd Round, [see Chadha 1993, Table 10], data suggest that about 1.8 per cent of rural male workers commute to nearby towns to work; the percentage of such workers among females is much lower (0.2). The proportion of such workers among rural non-agricultural workers would be significantly higher as was found during our survey of Gujarat villages; about 25 per cent of male non-agricultural workers in our survey villages commuted to urban areas for work [Basant 1994].

Urbanisation and development of infrastructure, which often are complementary processes and occur simultaneously, do influence economic diversification in a variety of ways. The importance of rural-

Table 9: Average Real Wage Earnings Per Day (Rs 0.00) of Adult (15-59 Years) Casual Workers in Rural Areas, Males, 1977-78 Prices

State	Agricultural Labour			Non-Agricultural Labour		
	1977-78	1983	1987-88	1977-78	1983	1987-88
Andhra Pradesh	3.6	4.7	5.6	4.4	5.9	7.8
Assam	5.2	7.2	6.6	5.5	11.4	8.3
Bihar	3.5	4.3	5.1	4.6	6.8	7.3
Gujarat	4.1	5.4	4.6	5.9	10.8	6.5
Haryana	6.0	8.4	8.2	6.0	8.9	8.7
Karnataka	3.1	4.0	4.8	4.4	6.2	6.3
Kerala	6.7	10.4	10.6	6.9	11.4	11.7
Madhya Pradesh	2.9	3.6	4.5	7.2	5.4	6.3
Maharashtra	3.2	4.7	5.0	4.6	5.6	7.3
Orissa	3.1	3.6	4.4	3.8	4.1	5.2
Punjab	7.7	8.7	9.5	7.8	15.8	10.5
Rajasthan	4.6	5.7	6.8	5.4	9.8	6.4
Tamil Nadu	4.0	6.1	6.4	4.5	7.0	8.0
Uttar Pradesh	3.8	4.5	5.1	5.4	6.3	7.6
West Bengal	4.2	6.2	6.4	5.6	7.3	7.5
All States	3.8	5.0	5.8	5.3	7.2	8.1

Source: Computed from Jacob (Undated), Table 2.

Table 10: Average Real Wage Earnings (Rs 0.00) Per Day of Adult (15-59 Years) Casual Workers in Rural Areas, Females, 1977-78 Prices

State	Agricultural Labour			Non-Agricultural Labour		
	1977-78	1983	1987-88	1977-78	1983	1987-88
Andhra Pradesh	2.3	3.2	3.6	2.9	3.8	4.4
Assam	5.2	5.6	5.7	4.3	4.2	5.1
Bihar	3.2	3.7	4.3	2.9	3.3	4.8
Gujarat	3.6	4.7	4.4	3.6	5.3	4.6
Haryana	4.8	8.5	6.6	3.9	5.5	8.1
Karnataka	2.0	2.8	3.1	2.8	2.9	4.0
Kerala	4.2	7.0	7.0	3.2	4.5	5.0
Madhya Pradesh	2.7	3.0	3.7	2.6	3.9	4.7
Maharashtra	2.0	2.7	3.1	2.4	3.3	4.0
Orissa	2.3	2.7	3.2	2.3	3.0	3.6
Punjab	5.1	6.8	7.3	4.6	4.7	5.4
Rajasthan	3.2	3.8	4.8	3.4	4.1	4.4
Tamil Nadu	2.3	3.3	3.7	2.4	3.2	4.0
Uttar Pradesh	2.7	3.6	3.8	3.3	3.5	4.6
West Bengal	3.5	5.3	5.5	2.6	3.7	4.1
All States	2.6	3.4	3.8	2.8	3.5	4.7

Source: Computed from Jacob (Undated), Table 2.

urban linkages is brought out in various chapters of the GIDR study. One can argue that the nature of such linkages will be determined by the pattern of urbanisation. One important component of the urbanisation pattern is the size-structure of towns and the regional spread of these towns.

According to available evidence, the population of larger cities has not been growing faster than that of smaller towns [Visaria 1994; Mohan 1993]. However, there can be significant inter-regional variations in the distribution of urban population by size class of towns. The concentration of urban population in class I towns is significantly lower in Gujarat (50 per cent) than in India as a whole (60 per cent). Each category of smaller sized towns has a higher proportion of population in Gujarat than in India as a whole, class VI towns being the only exception (Table 8). The towns in Gujarat are also dispersed in different geographical locations. As mentioned earlier, the catalyst in the process of rural non-farm workforce development does not lie entirely in agriculture, or even in rural areas. Analysis of district level data suggests that certain cities have begun to emerge as focal points of diversification of the rural workforce [Bhalla 1993b; 1993c]. This certainly is true of Gujarat as various chapters in the GIDR study show and the urbanisation patterns in the state may have facilitated this process

Trends in Poverty and Unemployment Rates

Growth of rural non-agricultural employment has not been accompanied by increases in unemployment and poverty While the chronic rates of unemployment (usual status) have shown a marginal increase during 1972-88 for rural males the daily status unemployment rates had declined in the 1980s for both males and females in rural areas The unemployment rates in urban areas remained stable for males and fluctuated for females [Visaria and Minhas 1990].

Vaidyanathan (1986) observed a positive association at the state level between the level of unemployment rates and the incidence of rural non-agricultural employment after controlling for differences in per capita output and distribution of income The relationship persisted when over time (1977-83) changes in the share of non-agricultural employment were related to changes in unemployment rates. This evidence was interpreted to suggest that the growth of rural non-agricultural sector may be distress induced.

As indicated in the earlier section, the distress diversification hypothesis is difficult to test with such data. First, the conceptual problems make the interpretation of unemployment rates and changes in them extremely difficult (see for details Unni 1991). Besides, one observes only the ex-post phenomena, after all the adjustments have taken place. If unemployment-led distress forces persons to participate in non-agricultural activities, such participation itself reduces unemployment rate. Therefore, the balance of different processes weakens the positive relationship between unemployment rates and non-agricultural employment [Visaria and Basant 19[illegible] Besides, Vaidyanathan (1986) himself [illegible] noted that the ratio of non-agricultural to agricultural wage rates was not inversely related to the unemployment rate, a relationship implicit in the residual sector hypothesis. We shall revert to this issue of wage rates later.

The data on poverty also do not reflect increase in distress conditions in rural areas. The incidence of poverty in rural India has declined from 58.8 per cent in 1970-71 to 50.8 per cent in 1983 and 48.7 per cent in 1987-88. In the urban sector, the corresponding decline in poverty incidence was from 46 2 per cent (1970-71) to 39.7 per cent (1983) and to 37.8 per cent (1987-88) The absolute numbers of rural poor, however, increased during this period in India as a whole but declined in Gujarat during 1970-83 and increased slightly thereafter (perhaps because of the severe droughts of 1985-88). The number of poor in rural Gujarat was lower in 1987-88 than in 1970-71 [Minhas, Jain and Tendulkar 1991].

Our survey data show that the proportion of poor households was significantly lower among households engaged in non-agricultural activities than among agricultural households. The households primarily engaged in scarcity relief work were the only exception to this general pattern [Basant 1994] This finding is consistent with the evidence that the proportion of non-agricultural households increases with per capita household expenditure in rural India and Gujarat [Basant and Kumar 1989; 1990b].

Trends in Wage Rates

The rural wage rates in agriculture, which had remained more or less stable till the mid-1970s, have risen in all the major states thereafter. Between 1970-71 and 1984-85 the largest increase in real wages (52 per cent) came about in Gujarat [Jose 1988]. Bhalla's (1993a) analysis of the changes in the real wage rates at the state level shows:

> ... that over time rising labour productivity really did not make the decisive contribution to the observed rise in real wage rates. Instead, its role was that of an enabling factor... Thus, in the long term rise of real wage rates in India, beginning in the seventies, the prime mover in all states seems to have been workforce diversification, rather than growing labour productivity (p 455).

The growth of the rural non-agricultural sector, therefore, has not put downward pressure on agricultural wages; instead it has contributed significantly to the rise in real agricultural wage rates. This evidence is also inconsistent with the hypothesis of distress diversification. Analysis of our survey data show that, *ceteris paribus*, the probability of an individual's participation in non-agricultural activity increases with the rise in agricultural wage rate in the village [Unni 1994].

Basu and Kashyap (1992) review some case studies conducted in different parts of India. The evidence on the relative wage rates of rural (casual) non-farm workers, though rudimentary, does not suggest distress, in fact these wages were often higher than the peak agricultural wages Unfortunately, time series data on rural non-agricultural wage rates are not available Estimates of daily wage earnings in agriculture and non-agriculture can, however,

Table 11: Non-Agricultural Daily Wage Earnings as a Ratio of Agricultural Daily Wage Earnings, Adult Casual Labour

State	Male Workers			Female Workers		
	1977-78	1983	1987-88	1977-78	1983	1987 88
Andhra Pradesh	1.2	1.3	1.4	1.2	1.2	1.2
Assam	1.1	1.6	1.3	0.8	0.7	0.9
Bihar	1.3	1.6	1.4	0.9	0.9	1.1
Gujarat	1.5	2.0	1.4	1.0	1.1	1.0
Haryana	1.0	1.1	1.1	0.9	0.7	1.2
Karnataka	1.4	1.5	1.3	1.4	1.0	1.3
Kerala	1.0	1.1	1.1	0.8	0.6	0.7
Madhya Pradesh	2.[illegible]	1.5	1.4	0.9	1.3	1.3
Maharashtra	1.5	1.2	1.5	1.2	1.2	1.3
Orissa	1.2	1.2	1.2	1.0	1.1	1.1
Punjab	1.0	1.8	1.1	0.9	0.7	0.7
Rajasthan	1.2	1.7	0.9	1.1	1.1	0.9
Tamil Nadu	1.1	1.2	1.2	1.0	1.0	1.1
Uttar Pradesh	1.4	1.4	1.5	1.2	1.0	1.2
West Bengal	1.3	1.2	1.2	0.8	0.7	0.7
All States	1.4	1.4	1.4	1.0	1.0	1.2

Source: Computed from Jacob (Undated), Table 2.

be generated from various NSS employment-unemployment rounds. Such estimates for real wagerates for casual workers are reported in Tables 9 and 10 for three time points, viz, 1977-78, 1983 and 1987-88. State level estimates of consumer price indices for agricultural workers have been used to deflate the money wage earnings. As noted earlier, it is difficult to draw robust conclusions from these estimates because of the influence of transient factors like drought, etc. The estimates for 1987-88 may be vitiated by such conditions in states like Gujarat where drought conditions were severe.

The non-agricultural wage rates for casual workers are higher than those in the agricultural sector. In all states, except Assam, Gujarat and Haryana, the real daily wage earnings have shown an increase during 1977-88 for both male and female workers. For female non-agricultural workers also, the real wage earnings rose consistently; Gujarat was the sole exception. In the case of male non-agricultural workers, the real daily wage earnings increased during 1977-83 and declined thereafter in Assam, Gujarat, Haryana (marginally), Punjab and Rajasthan the remaining states experienced a consistent increase. As a result, the ratio of daily non-agricultural earnings to agricultural earnings declined in these states during this period, while it remained stable or increased in other states (Table 11)

The decline in the real wage earnings of the rural non-agricultural male workers during 1983-88 is somewhat surprising. One explanation can be that in 1987-88 a significant proportion of these workers may have worked on scarcity relief sites, where the wage rates are lower than in other non-agricultural occupations in the area, resulting in a lower 'average' wage earnings for rural non-agricultural activities. It is not possible to test this hypothesis with the available data.

While more work needs to be done in this area, distress does not seem to be the main driving force behind the growth of the rural non-agricultural sector, especially in Gujarat. This is not to suggest that distress conditions do not exist; given the absolute levels of poverty in our country such conditions are bound to be widely prevalent especially in regions where agricultural growth has been tardy. However, such conditions do not seem to have been major contributors to the growth of the rural non-agricultural sector; apparently, poor households have other strategies to cope with their poverty. These strategies may include higher WPRs and multiple activities within agricultural sector.

III
Areas for Further Research

The processes which bring about changes in the employment structure in rural and urban areas need to be explored further. A combination of macro and micro studies in various regions is needed to analyse different dimensions of the problem.

At the analytical level, there is a need to develop well defined hypotheses which can then be tested with purposive data collection and analyses. Longitudinal studies or resurveys may be better suited to analyse the dynamics of this sector than cross-sectional or one time-point surveys. The survey conducted by us showed that distress during a drought year resulted in significant participation in scarcity relief works. Such shifts in employment patterns also got reflected in aggregate NSS statistics, both at the all-India and the regional level [Basant and Kumar 1994]. It will be useful to find out the nature of activities performed by these households/workers in a normal year.

The other focus of future research can be specific activities, occupations or industries which have experienced significant changes in recent years. Our analysis has identified a variety of decaying and dynamic industries and occupations. We can learn a great deal about the processes of change from case studies of such non-agricultural activities. From a policy point of view, the dynamic activities should receive greater attention to identify critical policy initiatives to facilitate further growth of these activities in future.

The rural-urban nexus also requires more careful analysis. Apart from the relationships reflected in aggregate measures, one needs to analyse the quantum and nature of rural non-agricultural activities around towns of different sizes performing different functions.

The potential for rural growth linkages, for all the debate, remains comparatively unexplored. The extent and pattern of surplus generation and use among different types of farm households in various agrarian situations needs to be analysed in greater detail in a broad regional perspective. Only an indepth knowledge of these production and consumption linkages can form the basis for evolving any policy package to induce rural diversification.

If regional linkages (rural-urban/rural-rural) indeed play a crucial role of inducing growth of the rural non-agricultural sector, policies for rural diversification should perhaps be area based rather than individual based. One possible reason why IRDP has not played any significant role in rural diversification is that the beneficiaries were chosen 'in an *ad hoc* manner based on a casual assessment of self-employment possibilities in the neighbourhood' [Rao and Erappa 1987]. The public assets created by wage labour based programmes like NREP also did not create infrastructural assets in a systematic manner to enhance the viability of economic activities in specific regions.

The issue of regional linkages and rural diversification is intricately linked with the dynamics of the small enterprise sector in both rural and urban areas. Significant changes are taking place in the unregistered manufacturing sector in India. A rigorous analysis of these developments is also required. A related issue is that of spatial concentration of enterprises engaged in specific activities which has been observed in various parts of the country. The developments of such 'industrial districts' probably signifies more than simple agglomeration economies, technology transfer and diffusion, co-operation among enterprises through sharing of jobs, labour and machinery also goes on. These complex relationships among enterprises in industrial districts probably improve the viability of these districts as a whole. This has significant policy implications as issues relating to growth of non-agricultural employment are intertwined with aspects of technology transfer, labour relations and 'competitiveness' among enterprises. Resurgence of interest in this area [e g, Kashyap 1992] is welcome and needs to be translated into concrete research programmes. Perhaps, one should explicitly add the dimension of infrastructural growth into these studies. Besides, role of infrastructure by itself in the diversification process needs to be analysed in a systematic manner.

Very few studies explore the impact of government policies, e g, fiscal incentives to locate industries in rural areas. Similarly, other programmes undertaken by the government and voluntary agencies need to be assessed. Changes taking place in the rural non-agricultural sector are not independent of the developments in other sectors. Given the evidence on regional and sectoral linkages, policies to encourage non-agricultural activities in rural areas cannot be analysed in isolation. Policy research in this area has to link sector specific policies with the overall macro-economic policy environment. How to optimise sectoral and regional linkages is the key policy issue.

[This paper is based on the first chapter of the report of a long-term project on the trends and determinants of rural non-agricultural activities in Gujarat undertaken by the Gujarat Institute of Development Research (GIDR), Ahmedabad.

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Distribution of Landholdings in Rural India, 1953-54 to 1981-82

Implications for Land Reforms

H R Sharma

How has the concentration of land—both owned and operated—changed over time? At what level of the landownership hierarchy has land concentration tended to become more pronounced as a consequence of the so-called 'agrarian reshuffle'? How have changes in the distribution of landholdings benefited the holdings at the bottom of landownership hierarchy? Which categories of holdings have emerged comparatively better off? To what extent does the concentration of operated land differ from that of owned land?

IN poor agrarian economies, land is the most important asset. Unlike other assets, it maintains its capital value over time and offers more security. Its possession in these societies is a symbol of entitlement, power and privileges and is synonymous with not only the economic status of a household but its social status as well. As a matter of fact, "ownership of land determines to a considerable degree—widening in some case and restricting in others—the range of choices effectively open to different members of agrarian societies" [Raj 1975, p 7]. Again in agrarian regimes, "to own the land is the highest mark of esteem; to perform manual labour, the lowest" [Myrdal 1968, p 1057]. Furthermore, to those who possess land, especially the higher echelons among them, not only the local level institutions such as panchayats, co-operatives and so on are more easily accessible but a better negotiating is available to them to deal with the world outside. Landownership is also considered important for the purpose of effecting permanent improvements on land and is, thus, variously described as an essential prerequisite for technological changes in agriculture. A tenant cultivator may not generally undertake big investment like a landowning cultivator may do.[1]

At the national level, despite varying degrees of industrial development, the dependence of agrarian economies on agriculture has not diminished. For example, in the Indian context, Table 1 informs that in a majority of the states: (i) there has been practically no significant change in the labour force employed in agriculture; nearly 80 per cent or more of the rural workforce continues to depend on agriculture for a livelihood; (ii) more than one-third of the net state domestic product is contributed by agriculture; (iii) land accounts for more than 50 per cent of total assets of rural households. The importance of land both in terms of productivity and employment has increased further with the onset of new agricultural technology.[2] The study of changing land distribution pattern is, therefore, of great socio-economic importance in developing agrarian economies like India.

On the eve of independence, land tenure systems in rural India crystallised into three main varieties, viz, the zamindari, the ryotwari and the mahalwari tenures each accounting for 57 per cent, 38 per cent and 5 per cent of the total privately-owned agricultural land. Despite differences in the nomenclature, agrarian relations under all the three varieties were a variant of semi-feudal production relations characterised by extremely skewed distribution of land, rack-renting, sub-infeudation, usury, forced labour and so on [Malvia 1954; NCA 1976; Nanavati and Anjaria 1970; Sen 1962]. The net result of these archaic production relations was the impoverishment of the rural peasantry on the one hand and stagnation of agricultural production on the other [Blyn 1966]. These agrarian affairs, thus, entailed a complete restructuring of the agrarian relations both in the interest of liberating rural peasantry from the stranglehold of semi-feudal production relations and fostering the agricultural development.

Accordingly, immediately after the dawn of the independence, policy-makers initiated comprehensive agrarian reforms to accomplish the desired objectives. Indeed, these measures, *a la* Thorner constituted the largest body of agrarian legislation to have been passed in so a brief span of time in any country whose history has been recorded [Thorner 1976, p 18]. The most important measure was the abolition of zamindari system. Numerous criticisms of the legislation and its implementation notwithstanding, it has been indisputably hailed as a "thorough agrarian revolution liberating cultivators from a long period of subjugation" [Myrdal op cit, p 1306]. It is claimed that consequent to this measure, 20 million cultivators came into direct contact with the government [NCA op cit, p 50]. Other notable measures were the tenancy legislations followed by land ceiling legislations of Phase I (before 1972) and Phase II (after 1972). The effectiveness of these legislations in meeting their objectives has been elaborately examined both by individual scholars [Joshi 1995; Appu 1975; Bandyopadhyay 1986; Sharma 1992] as well as official agencies such as the Planning Commission.

In addition to the institutional reforms, Indian agriculture also experienced far-reaching technological changes in certain parts of the country since mid-1960s having profound implications for the whole gamut of agrarian relations in general and the distribution of landholdings in particular. For example, with agriculture becoming more and more remunerative, an increasing tendency for self-cultivation, subdivision of holdings participation of large farmers in lease market and growing concentration of operated land and so on are reported from many parts of the country [Bhalla 1977; Griffin 1979; Ghosh 1981; Vyas 1970; Rao 1972; Nadkarni 1976; Jodha 1984; Singh and Kahlon 1976; Singh 1989].[3] Unrelenting demographic pressure is yet another notable factor having direct bearing on land distribution such as growing marginalisation of holdings and/or growing landlessness and so on.

There has been no dearth of studies on the changing distribution of landholdings in rural India [Sanyal 1977, 1988; Singh 1976; Sirohi et al 1976; Vyas 1979; Dutt 1977; Rao 1972; George et al 1976, Raj 1971, 1976; Haque 1987; Nair 1990]. A critical review of these studies, however, reveals that they are at best disjointed bits. Not only that, some of these have drawn conclusions from non-comparable data [Sanyal 1979] besides being limited in coverage both in terms of time and space. To say the least, these studies do not weave a consistent temporal story of the changes in the distribution of landholdings since 1950s occasioned by the combined effect of institutional, technological and demographic factors. In more concrete terms, they provide no clear-cut answers to the following questions: How has the concentration of land—both owned and

operated—changed over time? At what level of the landownership hierarchy has land concentration tended to become more pronounced as a consequence of the so-called 'agrarian reshuffle'? How have changes in the distribution of landholdings benefited the holdings at the bottom of landownership hierarchy? Which categories of holdings have emerged comparatively better off? To what extent does the concentration of operated land differ from that of owned land? This article examines these issues

The article is organised in five sections. While Section I is devoted to analysing the nature of available data and their suitability in deciphering the temporal changes in the distribution of landholding, Sections II and III respectively analyse the changes in the distribution of ownership and household operational holdings Section IV sums up the major findings emanating from the study Implications for land reforms are indicated in Section V.

I
The Data

To look into the changes in the distribution of landholdings, the National Sample Survey Reports and the Agricultural Census Reports on Landholdings are the two major sources of data. However, the agricultural census emerged only after 1970-71 and not to speak of the latest being 1985-86—the 1980-81 reports for some states are still not available Also, as is well known, the agricultural census data are largely a carry forward of questionable and less reliable land revenue records at the grass roots level for most of the states. Again, not only the types of personnel involved in their tabulation but also the methodology adopted to arrive at the number of holdings leave much to be desired [Sanyal and Sinha 1977] [4] In comparison to this, the NSS data are the only source of information which extend from as early as 1953-54 (8th round) to as late as 1982 (37th round). In other words, the NSS data alone allow us to build the temporal profile of land distribution pattern since the early 1950s. In brief, the data thrown up by the National Sample Survey, although not completely free from conceptual deficiencies and definitional deviations, are based on more scientific methodology and are still the most satisfying lot of information. It may, however, be underlined that because of the reorganisation of the states in 1956, the inter-temporal comparability of the 8th round data with those of the later rounds was seriously jeopardised; as many as seven states, namely, Andhra Pradesh, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra and Tamil Nadu were affected. Data adjustment is, however, made, even though in a less than perfect form, on the basis of geographical area transferred from the unorganised states to the organised states.[5]

II
Ownerhip Holdings

In spite of some obvious limitations of gini coefficient as a tool to measure the extent of concentration, it is used most commonly to gain a bird's-eye view of the prevailing inequalities. Therefore, to begin with, we use gini coefficient for this purpose.[6] The changing values of gini coefficients both including and excluding landless households for ownership holdings are given in Table 2 The table throws up the following features.

The concentration of holdings, in terms of gini coefficient including landless households, declined markedly across the states during 1953-54 and 1961-62 However, if one were to go by the gini coefficients without landless households, the concentration of holdings declined only in 6 states, namely, Assam, Jammu and Kashmir, Karnataka, Kerala, Tamil Nadu and West Bengal; in all the remaining states, it increased by varying degrees As regards 1960s, the decline in the concentration of holdings in terms of gini coefficient including landless households was much less pronounced, in as many as seven states, namely, Assam, Gujarat, Karnataka, Punjab and Haryana, Tamil Nadu, Uttar Pradesh and West Bengal, the levels of inequalities remained practically unchanged. On the other hand, in terms of gini coefficients without landless households, the distribution of holdings became less iniquitous in a majority of the states. The decade of 1970s, however, marked a bold departure from the earlier trends inasmuch as the concentration of holdings by all reckonings either increased by varying degrees or stayed practically unchanged in a majority of the states. The only notable exceptions were Assam, Kerala, and Orissa where in terms of gini coefficients including landless households, it declined fairly noticeably.

In over all terms, the general impression which emanates from Table 2 is that the concentration of holdings including landless households declined across the states between 1953-54 and 1982, notwithstanding some increase in the values of gini coefficients for a majority of the states during 1970s. However, if one were to filter one's impression and judgment from the changing values of gini coefficients excluding landless households, the extent of inequalities in most of the states remained, by and large, unchanged.

It may, however, be mentioned that changes in the gini coefficients do not tell the complete story; as noted above, it gives only a surface view Our judgment, therefore, should not depend upon the changes in the values of gini coefficients alone A detailed

Table 1: Importance of Land in Indian Economy. Some Selected Indicators

States	Percentage Share of Agriculture in NSDP			Percentage of Rural Workforce Depending on Agriculture			Percentage Share of Land in Total Assets of Rural Households	
	1960-61	1970-71	1980-81	1960-61	1970-71	1980-81	1971-72	1981-82
1	2	3	4	5	6	7	8	9
Andhra Pradesh	59 63	54 90	38.56	82.20	82.71	83 14	68 00	60.70
Assam	67.32	57 57	47 80	—	—	—	60 00	50.00
Bihar	60.39	56 34	43.16	86.90	89.56	87 40	74.00	65.60
Gujarat	44.23	47 20	26.29	88.20	85.92	82.57	57.00	53.00
Haryana	66.76	64.43	46.06	83.70	78.46	76.39	72 00	63 90
Jammu and Kashmir	—	—	—	—	81.79	76.37	55.00	50 30
Karnataka	54.13	52.19	33.78	88.30	84.47	84.64	65.00	54.60
Kerala	56.33	46.44	35.12	60.30	64.59	66.44	63.00	68.20
Madhya Pradesh	62.54	58.85	44.19	91.00	90.63	89.20	65.00	61 20
Maharashtra	40.36	26.99	21.99	89.90	87.28	85.21	71.00	65.40
Orissa	59.95	63.24	57.36	87.10	85.14	84.18	66.00	64.30
Punjab	59.69	58 09	48.29	76.10	79.51	77.20	72.00	71.80
Rajasthan	53.62	60.69	53.20	91.00	87.45	84.77	56.00	53.20
Tamil Nadu	49.11	38.15	20.93	82.10	80.94	80.98	65.00	50.10
Uttar Pradesh	64.38	58.40	45.56	87.20	87.68	86.76	66.00	65.00
West Bengal	43.78	41.46	39.30	79.70	81.79	77.76	60.00	59.00

Sources: (i) Government of India (1989), *National Income Accounts* (New Series), Central Statistical Organisation, Ministry of Planning.
(ii) *Census of India*, 1961, Vol I, India, IIB (i), General Economic Tables, Table B-1 B-IV, Part A, B and C.
(iii) *Census of India*, 1971, Vol 1, Part II-A (ii), Union Primary Census Abstract; and *Census of India*, Series 1, Part II-B (iii), General Economic Tables: Table B-IV
(iv) *Census of India*, 1981, Series 1, Part II B(i), General Population Tables; and Census of India, Series 1, Part III-B(i), General Economic Tables.
(v) *All India Debt and Investment Survey Report*, 1981-82.
(vi) *All-India Debt and Investment Survey Report*, 1971-72.

analysis of changes in the concentration of holding is essential. For this purpose, it is advisable to ascertain as to what level of distribution the concentration of land has tended to grow or thin out. It needs to be underlined that an increase in the concentration of holding at different levels of distribution is the manifestation of the operation of different sets of forces. For example, while the swelling of bottom ranks signifies the growing marginalisation of holdings, evidence on the burgeoning incidence of landlessness would be a clear indication of the ongoing process of proletarianisation. Each of the above changes has different policy implications. For instance, if the concentration is growing at the levels of marginal/small holdings, measures to make these holdings economically viable by ensuring cheap and subsidised inputs may be called for. On the other hand, if it is becoming more pronounced at the level of medium holdings, policy measures such as lowering of ceilings, rationalisation of the policy of subsidising inputs and so on might need urgent attention.

Therefore, to be more precise as to what level of landownership hierarchy the concentration of land has tended to grow over time, we computed the share of 1 per cent, 5 per cent, 10 per cent and 20 per cent of the households at the top of landownership hierarchy, 40 per cent and 30 per cent at the middle level and 50 per cent at the bottom.[7] The results are given in Table 3. The table calls for the following observations.

Between 1953-54 and 1961-62, the decline in the top concentration of area owned at different levels across the states was accompanied by an increase in the concentration at the middle 30 per cent and 40 per cent levels. The share of area owned by the 50 per cent of the households at the bottom of landownership hierarchy remained practically unchanged in a majority of the states except Jammu and Kashmir, Karnataka, Madhya Pradesh, Rajasthan and Uttar Pradesh where some increase was in evidence. As regards the periods, 1961-62 and 1971-72, three broad patterns emerged. Firstly, in Andhra Pradesh, Bihar, Kerala and Madhya Pradesh decline in the top concentration at different levels was associated with practically no change in the bottom concentration but appreciable increase in the middle level concentration, secondly, three states, namely, Jammu and Kashmir, Orissa and Rajasthan recorded decline in the top concentration at various levels along with concomitant increase in the bottom and middle level concentration; thirdly, while in some states most notably, Gujarat, Punjab and Haryana and West Bengal top concentration at all levels increased by differing proportions along with some decline in the bottom and middle level concentration in four others, namely, Assam, Karnataka, Tamil Nadu and Uttar Pradesh the level of concentration at various levels remained, by and large, unchanged. Coming to 1970s, in four states, i e, Bihar, Kerala, Rajasthan and Tamil Nadu no clear-cut pattern was in evidence, whereas in three others such as Andhra Pradesh, Gujarat and Uttar Pradesh, the land concentration at various levels remained nearly unchanged. Among the remaining states, Assam, Orissa and Punjab and Haryana recorded decline in the top concentration at different levels along with attendant increase in the middle and bottom level concentration while opposite trends were discernible in Jammu and Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and West Bengal.

In brief, taking a long period view, it comes out clearly that decline in the top concentration at different levels across the board was accompanied by a fairly appreciable increase among the middle 30 per cent and 40 per cent households in the landownership hierarchy. Insofar as the proportion of area owned by the bottom 50 per cent of the households was concerned, it remained practically unchanged in a majority of the states except Assam, Jammu and Kashmir, Kerala, Orissa and Rajasthan.

Having analysed the trends in the concentration of ownership holdings from different angles, we take up the changes in the proportion of different categories of holdings and area owned by them. Such an exercise is essential to ascertain: (i) what proportion of holding is constituted by sub-marginal holdings (0.01-0.99 acre) and their proliferation over time; (ii) what proportion of holdings and area owned is accounted for by large holdings; and (iii) which categories of holdings have emerged stronger over time.

To avoid unwieldy descriptions and to facilitate inter-temporal and spatial comparisons, the different farm size groups given in NSS reports are condensed into five categories: (i) Sub-marginal holdings (0.01-0.99 acre); (ii) marginal holdings (1-2.49 acres); (iii) small holdings (2.50-4.99 acres); (iv) large holdings (15 acres and above).[8] The changing proportion of different categories of holdings along with area owned by them is set out in Table 4. The salient features emanating from the table are summarised below.

(i) The proportion of households owning no land declined across the states both during 1950s and 1960s; the magnitude of decline was, however, much less pronounced during the later period in comparison to the former. The decade of 1970s was marked by a significant departure from the earlier trends inasmuch as the incidence of landlessness increased by varing degrees in a majority of the states. It may, however, be noted that a major part of the decline in the porportion of landless households between the 8th round (1953-54) and the 17th round (1961-62) could be explained in terms of changes in the concept of ownership holding between the two NSS rounds; ownership holding in the 8th round included pure ownership holdings while subsequent rounds in addition to pure ownership holdings also included ownership-like possession [Cain 1983; Chadha-Sharma 1991; Sawant 1990; Sharma 1992]. Nevertheless, some decline in the incidence of landlessness during 1960s might

Table 2: Changing Concentration of Ownership Holdings in Rural India: Major States, 1953-54 to 1982

States	Gini Coefficient Including Landless Households				Gini Coefficient Excluding Landless Households			
	1953-54	1961-62	1971-72	1982	1953-54	1961-62	1971-72	1982
1	2	3	4	5	6	7	8	9
Andhra Pradesh	0.8012	0.7613	0.7255	0.7310	0.7146	0.7438	0.7050	0.6945
Assam	0.7355	0.6216	0.6210	0.5492	0.5438	0.4855	0.4948	0.5125
Bihar	0.7029	0.6954	0.6776	0.6692	0.6439	0.6666	0.6630	0.6551
Gujarat	0.7198	0.6815	0.6899	0.6908	0.5969	0.6264	0.6418	0.6282
Jammu and Kashmir	0.5887	0.5314	0.4161	0.5163	0.5027	0.4739	0.4105	0.4808
Karnataka	0.7246	0.6626	0.6610	0.6826	0.6431	0.5852	0.6127	0.6332
Kerala	0.7898	0.7547	0.6698	0.6479	0.6701	0.6450	0.6081	0.5964
Madhya Pradesh	0.7092	0.6363	0.6210	0.6449	0.5856	0.5997	0.5809	0.5852
Maharashtra	0.7358	0.7061	0.6798	0.7051	0.6302	0.6500	0.6195	0.6256
Orissa	0.6826	0.6802	0.6322	0.6062	0.6382	0.6530	0.5887	0.5735
Punjab and Haryana	0.7574	0.7469	0.7343	0.7344	0.6158	0.7114	0.7083	0.7165
Rajasthan	0.6913	0.6530	0.6064	0.6211	0.5892	0.6104	0.5946	0.5876
Tamil Nadu	0.7918	0.7441	0.7377	0.7429	0.6866	0.6623	0.6840	0.6821
Uttar Pradesh	0.6403	0.6169	0.6253	0.6302	0.6032	0.6060	0.6075	0.6114
West Bengal	0.7271	0.6617	0.6552	0.6791	0.6566	0.6131	0.6179	0.6124
All-India	0.7511	0.7174	0.7062	0.7076	0.6763	0.6800	0.6749	0.6703

Sources: 1 *Report on Landholdings* (3); 8th round 1953-54, NSS Report No 36.
2 *Report on Landholdings* (4); 8th round 1953-54, NSS Report No 66.
3 *Report on Some Aspects of Landholdings*; 17th round 1961-62, NSS Report No 144.
4 *Report on Some Aspects of Landholdings*; 26th round 1971-72, NSS Report No 215.
5 *Report on Landholdings* (1); 37th round, NSS Report No 330.

be explained in terms of the acquisition of some land by the landless households as documented by a number of empirical studies [Attwood 1979; Bhalla 1977, Dantwala and Shah 1971, Rao 1972; and Walker and Ryan 1990]

(ii) Among different landowning categories, all the states recorded varying degrees of decline in the numerical strength of large holdings and area owned by them; the decline was, however, more pronounced during 1960s in comparison to 1950s and 1970s. This could perhaps be ascribed to the enactment and implementation of ceiling laws during 1960s in comparison to 1950s when most of the states did not have such laws. Apprehending the confiscation of land, many of the landowners during 1960s disposed of their land to their tenants and resorted to benami transfers unlike in the 1950s when an unprecedented eviction of tenants is alleged to have taken place [Khusro 1958; Dandekar 1962] in the guise of self-cultivation on 'sir' and 'khudkast' land.[9] During 1970s, on the other hand, the landlords might have preferred to retain their land in view of the ineffective implementation of the ceiling laws of phase I (before 1972).

(iii) Insofar as the holdings at the bottom of landownership hierarchy, say, sub-marginal (0.01-0.99 acre) were concerned, their numerical strength expanded by a fairly big proportion especially during 1950s. In comparison to the proliferation in their numbers, the proportion of area owned by them did not increase beyond insignificant margins in any of the states except Kerala, Assam and West Bengal

(iv) The changes in the distribution of different categories of holdings and area owned by them over periods 1953-54 and 1982, thus, largely benefited medium, small and marginal holdings. A state by state analysis reveals that marginal (1-2.49 acres) and small (2.50-4.90 acres) holdings gained substantially in the states of Bihar, Assam, Jammu and Kashmir, Kerala, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal. A closer perusal, however, reveals that even among these states, aside from Assam, Kerala and Jammu and Kashmir, medium holdings (5-14.99 acres) have emerged comparatively better off. It comes out from the fact that decline in the proportion of such holdings in all these states was much higher compared to that of area. In the remaining states, namely, Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab and Haryana and Rajasthan, medium holdings consolidated their position continuously, some gains accruing to small and marginal holdings notwithstanding. In brief, over the period 1953-54 to 1982, medium holdings emerged much stronger in comparison to the other categories of holdings.

Despite the above noted changes, glaring inequalities in the land distribution continue

Table 3: Trends in the Share of Area Owned by Various Categories of Households in Rural India: Major States, 1953-54 to 1982

States	Year	Share of Bottom 40 Per Cent	Share of Bottom 50 Per Cent	Share of Middle 40-80 Per Cent	Share of Middle 50-80 Per Cent	Share of Top 20 Per Cent	Share of Top 10 Per Cent	Share of Top 5 Per Cent	Share of Top 1 Per Cent
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	1953-54	1.02	1.08	16.32	16.26	82.66	65.61	49.92	24.45
	1961-62	0.70	1.94	19.89	18.65	79.41	61.14	44.02	18.15
	1971-72	1.09	3.08	23.48	21.49	75.43	56.16	39.84	16.79
	1982	0.57	2.42	24.01	22.16	75.42	56.83	40.79	16.78
Assam	1953-54	0.00	0.79	26.98	26.19	73.02	52.59	36.08	16.26
	1961-62	0.80	6.20	37.01	31.61	62.19	41.04	27.31	7.58
	1971-72	1.82	6.66	37.28	32.44	60.90	41.57	26.14	8.82
	1982	5.03	11.45	41.66	35.24	53.31	36.41	24.08	7.63
Bihar	1953-54	1.25	3.17	28.70	24.28	72.55	52.36	35.35	14.20
	1961-62	1.46	3.39	25.74	23.81	72.80	51.77	35.40	14.20
	1971-72	1.96	3.76	27.61	25.81	70.43	49.79	34.02	12.57
	1982	1.90	4.94	28.77	25.73	69.33	50.25	34.13	12.31
Gujarat	1953-54	0.04	1.53	26.77	25.28	73.19	50.64	35.95	8.20
	1961-62	0.83	3.59	30.50	27.44	68.67	47.56	30.96	10.53
	1971-72	0.84	3.62	28.58	25.80	70.58	49.62	32.19	10.44
	1982	0.58	3.37	28.80	26.01	70.62	49.29	31.74	10.48
Jammu and Kashmir	1953-54	4.91	9.85	34.58	29.64	60.51	41.19	26.76	8.72
	1961-62	8.10	13.66	52.58	30.82	55.52	36.24	23.01	9.15
	1971-72	14.59	20.68	41.35	35.26	44.06	29.30	18.53	5.89
	1982	8.90	15.79	37.03	30.14	54.07	34.33	22.92	7.91
Karnataka	1953-54	0.44	2.86	26.28	23.36	73.78	54.94	38.84	14.26
	1961-62	1.43	5.00	32.06	28.49	66.51	47.19	31.66	11.19
	1971-72	1.60	5.27	31.88	28.81	66.52	47.59	32.07	12.06
	1982	0.92	4.07	30.07	26.92	69.01	50.38	34.13	12.42
Kerala	1953-54	3.49	7.60	15.21	11.10	81.30	66.92	51.74	26.71
	1961-62	8.83	11.14	13.26	10.95	77.91	61.68	46.64	23.46
	1971-72	7.21	10.19	20.91	17.93	71.84	54.77	38.17	14.94
	1982	8.29	12.29	19.12	15.12	72.59	55.39	37.45	14.01
Madhya Pradesh	1953-54	0.45	2.96	28.00	25.49	71.55	52.16	36.38	11.90
	1961-62	2.89	7.13	32.75	28.51	64.36	44.66	29.69	11.34
	1971-72	3.25	7.98	34.06	29.33	62.69	43.60	28.89	10.14
	1982	1.91	5.88	35.13	31.16	62.96	46.61	31.09	11.39
Maharashtra	1953-54	0.12	1.88	24.94	23.18	74.94	55.27	38.95	11.93
	1961-62	0.41	2.72	27.78	25.47	71.81	50.32	34.18	10.25
	1971-72	1.11	4.21	30.04	26.94	68.85	48.55	31.93	11.23
	1982	0.24	2.63	27.79	25.40	71.97	51.06	34.18	11.91
Orissa	1953-54	1.57	4.50	28.72	25.79	69.71	50.51	35.79	13.80
	1961-62	1.12	4.24	29.61	26.49	69.27	50.10	34.37	14.62
	1971-72	2.38	7.34	34.01	29.05	63.61	45.39	30.56	11.08
	1982	3.23	9.05	36.18	30.36	60.59	42.99	29.57	11.22
Punjab and Haryana	1953-54	N	0.47	22.69	22.22	77.31	56.58	39.33	16.86
	1961-62	N	0.55	32.73	32.18	67.27	54.55	36.28	15.02
	1971-72	N	0.20	20.74	20.46	79.26	56.01	37.44	14.70
	1982	N	0.34	34.19	33.85	65.81	52.37	37.74	13.95
Rajasthan	1953-54	1.65	4.70	27.76	24.71	70.59	62.63	51.85	37.47
	1961-62	3.32	7.13	29.57	25.76	67.11	47.98	35.71	8.16
	1971-72	6.16	10.21	30.10	26.05	63.74	45.02	32.14	7.31
	1982	4.61	8.85	32.50	28.86	62.89	49.90	32.54	11.47
Tamil Nadu	1953-54	0.61	0.89	16.10	15.82	83.29	63.06	47.12	21.49
	1961-62	0.80	1.06	22.38	22.12	76.82	56.65	39.60	15.40
	1971-72	0.42	1.04	22.44	21.82	76.78	57.23	39.88	15.60
	1982	N	1.50	20.95	19.45	79.05	56.01	39.41	14.70
Uttar Pradesh	1953-54	2.51	6.79	32.17	27.89	65.32	45.83	31.01	11.20
	1961-62	3.74	8.08	32.80	28.46	63.46	44.32	29.55	10.66
	1971-72	2.92	7.54	32.64	28.02	64.44	45.05	29.99	10.23
	1982	2.60	7.74	32.38	27.24	65.02	45.48	29.76	10.49
West Bengal	1953-54	1.33	2.40	22.98	21.91	75.69	55.73	38.26	13.98
	1961-62	0.93	3.64	32.62	29.91	66.45	46.80	30.95	10.42
	1971-72	1.25	2.64	31.32	29.93	67.43	47.72	31.21	9.94
	1982	1.75	2.90	26.65	25.50	71.60	48.66	32.55	10.54
All-India	1953-54	0.36	2.08	22.26	20.54	77.38	58.80	42.71	18.41
	1961-62	0.85	3.31	25.37	22.91	73.78	54.60	38.56	16.51
	1971-72	1.15	3.86	26.02	23.31	72.83	53.75	37.66	15.20
	1982	1.20	3.52	25.61	23.29	73.19	53.78	37.55	14.35

Note. N = negligible

Sources: 1 *Report on Landholdings* (3); 8th round 1953-54, NSS Report No 36.
2 *Report on Landholdings* (4); 8th round 1953-54, NSS Report No 66.
3 *Report on Some Aspects of Landholdings*; 17th round 1961-62, NSS Report No 144.
4 *Report on Some Aspects of Landholdings*; 26th round 1971-72, NSS Report No 215.
5 *Report on Landholdings* (1), 37th round, NSS Report No 330.

to loom large. In all the states, a very small proportion of holdings at the top owned a disproportionately large amount of area. For instance, towards the early 1980s, 4.29 per cent of holdings in Andhra Pradesh, 1.35 per cent in Bihar and 6.33 per cent in Punjab and Haryana respectively owned as high as 37.25 per cent, 15.34 per cent and 40.29 per cent of the total land; at the all-India level, 3.98 per cent of the holdings owned as high as 33.26 per cent of the area. Viewed from a different angle, the extremely high inequalities in the distribution of land are evident from the fact that the area owned by the top 1 per cent of the holdings across the states varied between 7.91 per cent in Jammu and Kashmir and 16.78 per cent in Andhra Pradesh; at the national level it was 14.35 per cent.

It, however, needs to be underlined that the distribution of ownership holdings only tells the *de jure* position. In poor agrarian economies, where the institution of tenancy is more pronounced, the *de facto* position is better indicated by the distribution of household operational holdings. Accordingly, changes in the distribution of household operational holdings indicate not only the access to resources of different categories of households but also *ceteris paribus*, their share in the gains from agricultural development. It is, therefore, extremely important to examine the temporal changes in the distribution of operational holdings.

III
Household Operational Holdings

Table 5 provides an overview of the changes in the concentration of household operational holdings measured in terms of gini coefficients both including and excluding households operating no land. The following observations may be in order.

The concentration of holdings declined by varying degrees practically in all the states between 1953-54 and 1961-62; it was evident from the decline in the values of gini coefficients both including and excluding households not operating land. The decline in the concentration of holdings continued further during 1961-62 to 1971-72. This state of agrarian affairs could partly be explained in terms of the enactment and implementation of ceiling and tenancy laws. The period 1971 72 to 1982 was marked by a noticeable departure from the earlier trends inasmuch as the values of gini coefficients both including and excluding households not operating land increased by varying degrees in a majority of the states. Some of the plausible factors responsible for the increase in the concentration of holdings during 1970s could be, *inter alia*, the resumption of leased-out land for self-cultivation in the wake of the spread of new agricultural technology readily facilitated through the institutional and price support to the agricultural sector, participation of large farmers in the lease markets, and so on.

However, as noted earlier, since changes in the gini ratios do not tell as at what level the concentration has tended to grow or decline, we computed the changes in the percentage of area operated by various groups of households such as 1 per cent, 5 per cent, 10 per cent and 20 per cent at the top, 30 per cent and 40 per cent at the middle, 50 per cent and 40 per cent at the bottom. The results are given in Table 6. The table offers the following insights.

During the period 1953-54 to 1961-62, as many as nine states, namely, Assam, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab and Haryana, Tamil Nadu, Uttar Pradesh and West Bengal recorded declines of varying degrees in the top concentration at different levels along with a concomitant increase in the middle and the bottom level concentration. Among the remaining states, while the level of concentration at different levels remained practically unchanged in Bihar, Kerala and Orissa, some increase in the top concentration was in evidence in Jammu and Kashmir. During 1961-62 to 1971-72: First, in seven states, namely, Andhra Pradesh, Bihar, Jammu and Kashmir, Kerala, Madhya Pradesh, Maharashtra and Orissa the decline in the top concentration at different levels was accompanied by an increase of varying degrees in the middle level concentration. Second, while in Uttar Pradesh top concentration at various levels increased along with decline of varying proportions in the bottom and middle level concentration, no neat pattern was discernible in Karnataka, Rajasthan, Tamil Nadu and West Bengal The decade of 1970s was, however, marked by an increase in the concentration at top different levels along with attendant decline in the middle and bottom level concentration in a majority of the states.

On the whole, during 1953-54 to 1981-82, concentration of household operational holdings, measured by the gini coefficients including households not operating land, did not differ strikingly in a majority of the states; the values of gini coefficients remained either practically unchanged or even increased *albeit* marginally. However, going by the gini coefficients excluding households not operating land, the concentration of holdings in 1982 was noticeably lower compared to 1953-54.

In terms of the changes in the proportion of area operated by households at different levels, it comes out clearly that while middle level concentration increased in six states, namely, Andhra Pradesh, Assam, Madhya Pradesh, Orissa, Rajasthan and West Bengal, increase in the top concentration at various levels was discernible in six others, i e, Gujarat, Jammu and Kashmir, Maharashtra, Punjab and Haryana, Uttar Pradesh and Tamil Nadu. More significantly, the proportion of area operated by the bottom 40 per cent households remained practically unchanged in most of the states except Kerala.

Insofar as changes in the proportion of different categories of households and area operated by them are concerned, Table 7 throws up the following features.

(i) The proportion of households operating no land[10] increased in all the states between 1953-54 and 1961-62 A large part of this increase can be explained in terms of definitional changes in the concept of household operational holding between the 8th round and the 17th round It may be recalled that the concept of operational holding in the former round included area put to both agricultural and non-agricultural uses while in the latter round it only included area put to agriculture wholly or partly. Accordingly, in the 8th round many of the sub-marginal households possessing only non-agricultural land were put in the category of 0.01-0.99 acre whereas during the 17th round such households were designated as those not operating any land. During the period 1961-62 to 1971-72, while the proportion of households not operating land declined in Assam, Kerala, Orissa, Rajasthan and West Bengal in the remaining states their numerical strength increased by varying degrees. The proportion of such households between 1971-72 and 1982 increased in seven states such as Andhra Pradesh, Maharashtra, Orissa and Rajasthan and declined in the remaining states.

(ii) The numerical strength of large households declined continuously both in terms of their number and acreage operated. However, over the period, in the vein of ownership holdings, decline was more pronounced during 1960s in comparison to 1950s and 1970s; during the latter period not only the decline in the proportion of area operated by large holding was tempered but in four states, namely, Assam, Jammu and Kashmir, Orissa and Uttar Pradesh, it remained pratically unchanged.

(iii) Regarding the holdings at the bottom of farm size ladder, our analysis reveals that their numerical preponderance increased continuously in most of the states particularly since 1961-62. The increase in the proportion of area operated by them was, however, markedly lower except in Jammu and Kashmir, Kerala and West Bengal. Consequently, the land-man ratio among tiny holdings showed a continuous decline in most parts of rural India and in net economic terms, the vast majority of the farm operators were obliged to seek their living from an extremely thin land base; in brief, most parts of rural India appeared to

TABLE 4: TRENDS IN THE DISTRIBUTION OF OWNERSHIP HOLDINGS IN RURAL INDIA: MAJOR STATES, 1953-54 TO 1982

States	Year	Households Owning No Land	Sub-Marginal Holdings		Marginal Holdings		Small Holdings		Medium Holdings		Large Holdings		All Holdings	
			H	A	H	A	H	A	H	A	H	A	H	A
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh	1953-54	30.33	27.74	1.87	13.51	6.15	10.87	12.47	12.52	29.45	5.03	50.06	100.00	100.00
	1961-62	6.84	41.54	1.49	17.93	6.67	11.46	9.69	15.06	29.51	7.17	52.64	100.00	100.00
	1971-72	6.95	40.64	2.23	17.70	7.69	13.65	13.16	15.85	36.22	5.21	40.70	100.00	100.00
	1982	11.93	37.42	2.15	18.14	9.12	14.03	15.28	14.19	35.70	4.29	37.75	100.00	100.00
Assam	1953-54	41.58	12.23	1.84	10.78	6.14	17.01	21.03	16.09	43.94	2.31	27.05	100.00	100.00
	1961-62	26.46	20.81	3.80	15.11	11.69	24.39	33.45	12.52	44.85	0.71	6.21	100.00	100.00
	1971-72	24.99	21.14	3.84	23.44	18.31	18.20	30.23	11.32	39.29	0.91	8.33	100.00	100.00
	1982	7.53	34.18	5.71	24.99	18.83	22.00	34.80	10.67	34.98	0.63	5.68	100.00	100.00
Bihar	1953-54	16.56	34.66	3.54	16.04	9.12	14.86	18.03	14.76	41.88	3.12	27.43	100.00	100.00
	1961-62	8.63	42.48	3.74	16.98	10.00	15.83	20.25	13.41	40.69	2.67	25.32	100.00	100.00
	1971-72	4.34	48.64	4.75	18.73	13.45	15.11	23.43	11.47	40.35	1.71	18.02	100.00	100.00
	1982	4.10	50.83	6.25	21.71	17.71	12.42	22.91	9.59	37.79	1.35	15.34	100.00	100.00
Gujarat	1953-54	30.48	12.33	0.27	7.65	1.38	8.66	3.32	19.62	19.69	21.26	75.34	100.00	100.00
	1961-62	14.74	23.02	0.46	11.05	2.69	11.05	5.66	24.60	30.61	15.34	60.58	100.00	100.00
	1971-72	13.44	25.80	0.70	13.02	3.83	15.24	9.94	21.37	32.73	11.13	52.80	100.00	100.00
	1982	16.83	23.95	0.72	16.48	5.93	13.61	10.78	20.92	38.75	8.21	43.82	100.00	100.00
Jammu and Kashmir	1953-54	17.31	17.69	2.52	25.19	13.86	21.54	25.78	15.96	41.19	2.31	16.65	100.00	100.00
	1961-62	10.93	19.54	2.72	29.30	17.63	23.18	28.62	15.89	41.63	1.16	9.40	100.00	100.00
	1971-72	0.96	21.01	3.28	37.22	24.16	29.20	39.34	11.27	30.59	0.34	2.63	100.00	100.00
	1982	6.84	28.93	5.30	31.37	22.83	20.51	30.28	11.74	36.09	0.61	5.50	100.00	100.00
Karnataka	1953-54	22.84	17.90	0.55	11.83	3.22	13.84	7.83	22.47	30.60	11.12	57.80	100.00	100.00
	1961-62	18.64	16.90	0.55	10.99	2.94	12.93	7.30	29.18	38.64	11.36	50.57	100.00	100.00
	1971-72	12.46	23.62	0.66	14.87	5.08	16.27	11.81	24.69	39.98	8.09	42.47	100.00	100.00
	1982	13.70	26.03	0.87	14.68	5.35	16.82	13.56	21.82	38.53	6.95	41.69	100.00	100.00
Kerala	1953-54	36.27	35.56	9.64	15.12	16.62	6.50	15.80	5.32	28.73	1.23	29.21	100.00	100.00
	1961-62	30.90	41.49	12.25	14.77	18.13	7.38	20.20	4.61	27.53	0.85	21.89	100.00	100.00
	1971-72	15.74	56.49	16.80	16.46	24.07	7.32	24.32	3.68	27.72	0.31	7.09	100.00	100.00
	1982	12.76	63.49	20.95	14.41	24.78	6.07	23.51	3.04	25.84	0.23	4.92	100.00	100.00
Madhya Pradesh	1953-54	29.82	9.60	0.37	8.67	1.93	11.91	5.62	25.20	29.23	14.80	62.85	100.00	100.00
	1961-62	9.14	19.89	0.43	11.39	2.61	15.42	7.46	29.42	34.26	14.74	55.24	100.00	100.00
	1971-72	9.58	19.21	0.48	11.46	2.86	16.96	9.16	30.64	38.89	12.15	48.61	100.00	100.00
	1982	14.39	20.24	0.67	14.12	4.50	16.24	11.48	26.89	41.70	8.12	41.65	100.00	100.00
Maharashtra	1953-54	28.56	14.33	0.43	9.87	2.30	10.98	5.46	22.22	27.13	14.04	64.68	100.00	100.00
	1961-62	16.03	23.88	0.40	10.35	2.40	11.41	5.50	22.58	27.52	15.75	64.18	100.00	100.00
	1971-72	15.85	20.17	0.46	12.34	3.03	14.93	8.58	24.65	34.23	12.06	53.70	100.00	100.00
	1982	21.24	21.53	0.68	12.11	3.97	14.96	10.90	21.34	36.71	8.82	47.74	100.00	100.00
Orissa	1953-54	12.29	31.44	2.37	16.78	7.45	17.99	18.15	17.26	39.21	4.24	32.82	100.00	100.00
	1961-62	7.84	36.64	2.16	18.19	9.23	17.24	19.19	17.06	42.41	3.03	27.01	100.00	100.00
	1971-72	10.57	34.27	3.83	24.10	16.62	18.08	26.95	11.49	38.14	1.49	14.46	100.00	100.00
	1982	7.66	32.36	3.24	26.04	16.64	20.83	29.73	11.67	36.40	1.44	13.99	100.00	100.00
Punjab and Haryana	1953-54	36.86	13.90	0.59	8.84	2.69	9.28	6.23	20.32	31.67	10.80	58.52	100.00	100.00
	1961-62	12.30	40.91	1.02	8.25	2.86	9.21	6.99	19.43	34.88	9.90	54.25	100.00	100.00
	1971-72	9.09	48.55	0.92	8.37	3.63	8.61	8.22	18.57	42.12	6.81	45.11	100.00	100.00
	1982	6.30	46.15	0.86	10.10	4.45	12.42	12.06	18.70	42.34	6.33	40.29	100.00	100.00
Rajasthan	1953-54	24.85	5.99	0.21	8.39	1.26	12.70	4.02	25.55	20.36	22.52	74.15	100.00	100.00
	1961-62	10.95	13.79	0.21	9.85	1.58	14.29	4.83	29.78	24.36	21.34	69.02	100.00	100.00
	1971-72	2.91	12.38	0.24	11.67	1.78	19.87	6.77	32.22	26.15	20.95	65.06	100.00	100.00
	1982	8.13	14.07	0.41	14.87	3.23	16.73	7.29	31.58	34.12	14.62	54.95	100.00	100.00
Tamil Nadu	1953-54	33.56	29.72	3.34	13.90	10.22	10.12	16.36	10.28	36.16	2.42	33.92	100.00	100.00
	1961-62	24.20	37.54	4.25	16.68	15.75	11.07	21.67	9.09	39.07	1.42	19.26	100.00	100.00
	1971-72	17.01	43.52	4.45	17.87	15.77	11.39	21.84	8.76	38.20	1.45	19.74	100.00	100.00
	1982	19.13	47.85	6.50	14.86	17.08	10.89	27.24	6.45	35.83	0.82	13.35	100.00	100.00
Uttar Pradesh	1953-54	9.36	30.32	2.38	20.34	10.13	18.40	19.39	18.12	42.97	3.46	25.13	100.00	100.00
	1961-62	2.77	33.90	2.45	20.78	9.88	21.39	22.21	17.82	41.87	3.34	23.59	100.00	100.00
	1971-72	4.55	30.83	3.91	22.20	13.57	18.60	24.66	13.79	41.08	2.03	16.78	100.00	100.00
	1982	4.85	38.71	3.62	24.40	15.73	17.38	24.38	12.92	40.92	1.74	15.35	100.00	100.00
West Bengal	1953-54	20.54	36.29	4.29	16.64	11.61	12.61	18.60	11.32	39.50	2.60	26.00	100.00	100.00
	1961-62	12.56	38.58	4.11	18.11	13.44	16.81	25.97	12.41	42.22	1.53	14.26	100.00	100.00
	1971-72	9.78	46.74	6.83	21.10	20.45	12.65	25.68	9.01	39.27	0.72	7.77	100.00	100.00
	1982	17.21	47.03	9.42	17.36	20.91	11.50	28.77	6.62	36.70	0.28	4.20	100.00	100.00
All India	1953-54	23.09	24.18	1.36	13.98	4.86	13.49	10.09	17.54	31.18	7.72	52.51	100.00	100.00
	1961-62	11.69	32.56	1.59	15.86	6.00	15.09	12.40	17.96	34.51	6.84	45.50	100.00	100.00
	1971-72	9.64	35.24	2.07	17.74	7.69	15.49	14.67	16.56	36.49	5.33	39.08	100.00	100.00
	1982	11.33	36.88	2.75	18.43	9.47	14.70	16.49	14.68	38.03	3.98	33.26	100.00	100.00

Notes: H = Households; A = Area.

Sources: 1 *Report on Landholdings* (3); 8th round 1953-54, NSS Report No 36.
2 *Report on Landholdings* (4); 8th round 1953-54, NSS Report No 66.
3 *Report on Some Aspects of Landholdings*; 17th round 1961-62, NSS Report No 144.
4 *Report on Some Aspects of Landholdings*; 26th round 1971-72, NSS Report No 215.
5 *Report on Landholdings* (1); 37th round, NSS Report No 330.

have witnessed the sharpening of the polarisation process.

(iv) In net terms, over the period 1953-54 to 1982 the changes in the distribution of household operational holdings went largely in favour of small, marginal and medium holdings. Going through state by state changes, it comes out clearly that over the period 1953-54 and 1982 substantial gains accrued to marginal and small households in most of the states. This, however, cannot eclipse a much bolder reality that medium households (5 to 14.99 acres) emerged comparatively better off in the sense that decline in the proportion of such households was considerably higher in most of the states compared to that in area. The notable exceptions were Jammu and Kashmir, Kerala and West Bengal. Despite changes in the distribution of household operational holdings as outlined above, as witnessed in respect of ownership holdings, very few households at the top accounted for a disproportionately large amount of area operated. For example, in the early 1980s, 1.25 per cent of large households in Bihar and 1.70 per cent in Uttar Pradesh operated as high as 14.03 per cent and 15.12 per cent of the total area respectively. A more or less similar picture was obtained in other states as well The magnitude of inequalities in terms of the amount of area operated by the top 1 per cent of households varied from as high as 17 20 per cent in Andhra Pradesh to as low as 7.86 per cent in Jammu and Kashmir; at the national level it was 14.44 per cent.

IV
Summing Up

The major findings emanating from our analysis are summarised below.

(i) The concentration of ownership holdings across the states, measured in terms of gini coefficients including landless households, was markedly lower towards the early 1980s in comparison to the early 1950s, varying degrees of increase in the values of gini coefficients for a majority of states during 1970s notwithstanding. However, if one were to filter one's impression through the changes in the values of gini coefficients excluding landless households, the extent of concentration remained practically unchanged. Likewise, the concentration of household operational holding measured in terms of gini coefficients including households not operating land, stayed by and large, unchanged in a majority of the states; the concentration was however, significantly lower if households not operating land were not included.

(ii) Regarding changes in the concentration of owned land at different levels of landownership hierarchy over the period 1953-54 and 1982, our analysis reveals that a fairly noticeable decline in the top concentration at different levels such as 1 per cent, 5 per cent, 10 per cent and 20 per cent across the states was accompanied by a pronounced increase among the middle 40 per cent to 80 per cent and 50 per cent to 80 per cent households. More importantly, the percentage of area owned by the bottom 40 per cent of the households remained practically unchanged in a majority of the states except Assam, Jammu and Kashmir, Kerala, Orissa, and Rajasthan. On the other hand, changes in the concentration of operated land at different levels reveal: (a) middle level concentration increased by varying degrees in six states, namely, Andhra Pradesh, Assam, Madhya Pradesh, Orissa, Rajasthan and West Bengal; (b) six other states, i e, Bihar, Jammu and Kashmir, Punjab and Haryana, Maharashtra, Tamil Nadu and Uttar Pradesh, concentration of operated land at top different levels became more pronounced; (c) in the vein of ownership holding, the proportion of area operated by the bottom 40 per cent households remained practically unchanged in most of the states except Kerala

(iii) Categorywise changes in the distribution of ownership holdings reveal that despite a fairly noticeable increase in the proportion of landless households during 1970s in most of the states, their numerical strength during the early 1980s was considerably lower compared to the early 1950s. Among the landowning categories, the predominance of large holdings (15 acres and above) declined significantly both in terms of their numbers and acreage owned. The holdings at the bottom, say, sub-marginal holdings (0.01-0.99 acre), witnessed a fairly significant increase; however, in comparison to an increase in their numbers, the accretion to their area owned was markedly lower. In net terms, practically in all the states, aside Assam, Jammu and Kashmir and Kerala, medium holdings (5-14.99 acres) emerged comparatively better off, despite substantial gains which accrued to marginal (1-2.49 acres) and small holdings (2.50-4.99 acres) in some states, most notably, Bihar, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal. A more or less similar pattern was discernible in respect of changes in the proportion of different categories of household operational holdings and area operated by them. For example, while the importance of large holdings declined both in terms of their number and acreage operated the holdings at the bottom, i e, sub-marginal holdings, witnessed a remarkable proliferation especially since 1961-62; the proportion of area operated by these holdings, however, recorded negligible increase in all the states except Assam, Kerala and West Bengal. However, as witnessed in case of ownership holdings, almost in all the states except Jammu and Kashmir and Kerala, medium households consolidated their position continuously. Fairly noticeable gains also accrued to small and marginal holdings in some states particularly, Assam, Bihar, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal. In sum, the evidence thrown up by NSS data clearly shows that the lion's share of the area owned/operated shed by the holdings at the top has largely come to stay with medium holdings.

TABLE 5: CHANGING CONCENTRATION OF HOUSEHOLD OPERATIONAL HOLDINGS IN RURAL INDIA: MAJOR STATES, 1953-54 TO 1982

States	Gini Coefficient Including Households Not Operating Land				Gini Coefficient Excluding Households Not Operating Land			
	1953-54	1961-62	1971-72	1982	1953-54	1961-62	1971-72	1982
1	2	3	4	5	6	7	8	9
Andhra Pradesh	0.8633	0.7731	0.7460	0.7597	0 7539	0.6344	0.6028	0.5964
Assam	0.5715	0.6047	0.5824	0.5810	0.5490	0.3802	0.4169	0.5169
Bihar	0.6613	0.6620	0.6425	0.6673	0.6487	0.5682	0.5495	0.5935
Gujarat	0.6997	0.6767	0.6944	0.7212	0.6124	0.5667	0.5389	0.5634
Jammu and Kashmir	0.4928	0.4888	0.4315	0.5206	0.4539	0.4251	0.3189	0.4567
Karnataka	0.6950	0.6645	0.6667	0.6965	0.6560	0.5579	0.5254	0.5841
Kerala	0.7234	0.7079	0.6533	0.6490	0.6625	0.6492	0.6074	0.5967
Madhya Pradesh	0.6819	0.6229	0.6082	0.6439	0.6155	0.5378	0.5282	0.5310
Maharashtra	0.7151	0.7007	0.6814	0.7465	0.6443	0.5941	0.5412	0.5685
Orissa	0.6526	0.7975	0.6249	0.6443	0.6366	0.6997	0.4990	0.5074
Punjab and Haryana	0.7004	0.7159	0.7438	0.7759	0.5783	0.5336	0.4401	0.6631
Rajasthan	0.7151	0.6143	0.5954	0.6271	0.6443	0 5625	0.5610	0.5748
Tamil Nadu	0.7243	0.7315	0.7175	0.7641	0.7178	0.5527	0.5134	0.6241
Uttar Pradesh	0.6138	0.5997	0.6129	0.6416	0.5929	0.5040	0.4889	0.5520
West Bengal	0.6493	0.6436	0.6419	0.6658	0.6461	0.4611	0.4815	0.5708
All-India	0.7178	0.7454	0.6957	0.7218	0.6833	0.6619	0.5833	0.6237

Sources: 1 *Report on Landholdings* (4); 8th round 1953-54, NSS Report No 66.
2 *Report on Landholdings*, (5); 8th round 1953-54, NSS Report No 74.
3 *Report on Some Aspects of Landholdings*, 17th round 1961-62, NSS Report No 144.
4 *Report on Some Aspects of Landholdings*, 26th round 1971-72, NSS Report No 215.
5 *Report on Landholdings* (3); 37th round, NSS Report No 338.

(iv) The above noted changes in the distribution of ownership/operational holdings notwithstanding, glaring inequalities continue to loom large. For example, towards the early 1980s, the amount of area owned by the top 1 per cent holdings varied from 16.78 per cent in Andhra Pradesh to 7.91 per cent in Jammu and Kashmir, while the area operated ranged from 17.20 per cent to 7 86 per cent, at the national level the area owned and operated by these holdings was 14.35 per cent and 14.44 per cent respectively.

V
Implications for Land Reforms

The preceding analysis shows: (i) despite varying degrees of decline in the proportion of area owned/operated by the households at the top of the landownership hierarchy, glaring inequalities continue to persist, (ii) practically in all the states land concentration has become more pronounced at the middle level, (iii) a preponderant majority of rural households at the bottom of landownership hierarchy has remained, by and large, unaffected in the process of land distribution. It is against this background that land reform measures continue to remain an important policy intervention area.

Insofar as the implementation of land ceiling laws is concerned, Table 8 throws up the amount of land that would become surplus under the existing and proposed ceilings and the range of average size of holdings in different states consequent to the distribution of surplus land among the landless and near-landless households. Assuming that the proposed ceilings are politically and administratively pushed through and surplus land distributed among the target households, columns 12, 13, 14 and 15 of the table reveal that such an exercise shall lead to extremely small holdings. The implementation of radical land ceiling laws, therefore, needs to be accompanied by action on many institutional fronts such as promoting some kind of co-operation among extremely small and non-viable holdings, the provision of complementary inputs like seed, fertilisers, cheap and adequate credit, promotion of agriculture related enterprises like dairy, pisciculture, etc, and so on to make such holdings economically viable and enable them to cross the poverty line. Unless action is mounted on all these fronts, the indiscriminate implementation of ceiling laws may not yield the desired results, not only that, the implementation of such radical land distribution policy may also not make any worthwhile dent on rural poverty [Minhas 1971, pp 112-13; Dandekar and Rath 1971, pp 94-95] On the contrary, in the process, agricultural production may be affected adversely.

Perhaps, an alternative to radical land ceiling laws, keeping regard for (i) the

TABLE 6: TRENDS IN THE SHARE OF AREA OPERATED BY VARIOUS CATEGORIES OF HOUSEHOLDS IN RURAL INDIA: MAJOR STATES, 1953-54 TO 1982

States	Year	Share of Botton (Per Cent)		Share of Middle (Per Cent)		Share of Top (Per Cent)			
		40	50	40 to 80	50 to 80	20	10	5	1
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	1953-54	0.23	1.04	18.54	17.73	81.23	63.77	47.11	19.8
	1961-62	0.04	0.97	20.09	19.16	79.87	61.24	44.16	17.8
	1971-72	0.19	1.93	22.96	21.22	76.85	57.56	40.72	17.4
	1982	–	0.78	21.92	21.14	78.08	58.83	41.84	17.2
Assam	1953-54	5.18	12.64	36.66	29.20	58.16	41.21	28.90	15.2
	1961-62	0.56	5.23	41.50	36.83	57.94	36.65	23.60	7.1
	1971-72	2.67	7.97	41.79	36.49	55.54	35.97	21.27	7.3
	1982	3 50	8.95	38.62	33.17	57.88	39.33	25.17	8.6
Bihar	1953-54	1.89	5.10	29.78	26.57	68.33	48.19	31.74	12.1
	1961-62	2.07	5.71	30.49	26.85	67.44	48.55	33.31	12.8
	1971-72	2.25	5.72	32.20	29.15	65.13	45.75	30.65	11.3
	1982	1.25	4 25	31.46	27.00	67.29	48.43	32.73	11.6
Gujarat	1953-54	0.40	2.52	28.06	25.94	71.54	48.30	33.34	7 5
	1961-62	1.05	4.16	31.42	28.31	67.53	46.03	28.55	6.5
	1971-72	0.61	3.28	28.64	25 97	70.75	49.80	32 44	10.4
	1982	0.08	1.83	26.20	24.45	73.72	52.84	34.77	11.7
Jammu and Kashmir	1953-54	8.73	14.84	41.25	35.14	51 02	30.60	18.21	2 2
	1961-62	10 02	15.77	37.35	31 60	52.63	34.39	21.57	6.7
	1971-72	4.15	12.90	49.35	40.60	46.50	29.91	18.42	5.2
	1982	6.89	14.35	39.88	32.42	53.23	34.72	22.80	7.6
Karnataka	1953-54	1.23	4.23	27.90	24.90	70.87	51.83	35 06	11 7
	1961-62	1.44	5 13	31.35	27.66	67.21	47.85	31.60	9 7
	1971-72	1 56	5.11	30.83	27 28	67.61	47.91	31.96	11.5
	1982	0.50	3 48	29.14	26.16	70.36	51 81	35.42	12.9
Kerala	1953-54	1 80	3.50	22.00	20.30	76.20	59 83	42 68	17.5
	1961-62	1 61	3.03	22 57	21.15	75.82	55.14	41 21	17.6
	1971-72	1.82	3.34	26.36	24.84	71.82	51.74	37.97	14.2
	1982	3 90	5.33	21 72	20 29	74.38	55.39	37.51	14.4
Madhya Pradesh	1953-54	0.92	3 94	30 78	27 76	68.30	48.86	35 99	12.7
	1961-62	3.34	7 79	33 88	29 43	62 78	41 45	29 73	11 2
	1971-72	3.97	8 86	34.16	29.26	61.87	42.63	27 91	9 7
	1982	1.70	5.89	33.49	29.30	64.81	44.31	29 40	10.8
Maharashtra	1953-54	0 52	2 80	26.60	24.32	72.88	52 97	38.22	10.2
	1961-62	0.62	3.16	27.97	25.43	71.41	50 00	34.67	9.6
	1971-72	0.86	4.00	30.13	26.99	69 01	48.61	31.37	10.9
	1982	-	0.32	22.67	23.50	77 33	54.61	36.44	12.9
Orissa	1953-54	1 99	5.59	31.43	27.83	66 58	47 55	32 79	11 4
	1961-62	84	4 36	31.33	27.79	67.85	47 99	32.87	13 3
	1971-72	2 24	6.86	35.51	30 89	62 25	43.63	29 53	10 5
	1982	1 07	4.97	35 64	31.74	63.29	44.29	30.49	11 4
Punjab and Haryana	1953-54	–	1 45	30.51	29.05	69.49	48.38	31 19	11.8
	1961-62	0.04	0.72	28.03	27 35	71.93	48 67	31 73	11.5
	1971-72	–	–	24.64	24.64	75.36	51 13	32.80	11.9
	1982	0.21	0 47	18.90	18.64	80.89	56.24	37.07	12.1
Rajasthan	1953-54	4.03	7.96	29.52	25.59	66.45	49.69	32.15	6.4
	1961-62	5.58	9.82	30.18	25.94	64.24	45.95	38.87	7.4
	1971-72	6.47	10.79	30.57	26.26	62.95	44.19	31.44	11.0
	1982	4.11	8.29	31.86	27.68	64.03	55.62	32.08	11.0
Tamil Nadu	1953-54	0.98	1.98	24.40	23.39	74.63	55.01	39 50	17.1
	1961-62	0.01	0.15	26.68	26.54	73.31	53.20	36.16	13.7
	1971-72	–	1.31	27.63	26.32	72.37	52.47	36.07	13.2
	1982	–	–	19.57	19.57	80.43	57.42	40.54	15.2
Uttar Pradesh	1953-54	3.81	8 23	33 76	29.34	62.43	43.96	29.51	10 4
	1961-62	4.48	9.63	40.95	35.80	54.57	31.32	26.52	11.6
	1971-72	3.03	7.81	34.81	30.03	62.16	42.72	28.10	10.2
	1982	2 20	5.86	32.37	28.71	65.43	45.72	30.13	10.4
West Bengal	1953-54	1.61	4 56	31.66	28.71	66.73	45.98	30.23	14.9
	1961-62	0.46	4.10	36.17	32.53	63.37	42.84	27.63	8.9
	1971-72	0.76	3.98	36.82	33.58	62.44	42.97	27.75	8.8
	1982	3.51	4.83	26.70	25.38	69.79	47.01	30.72	9.8
All-India	1953-54	0.98	3.53	25.16	22.61	73.86	55.29	39.40	15.5
	1961-62	0.92	3.77	26.70	23.85	72 38	53.53	37.58	15.5
	1971-72	1.21	4.15	27.50	24.56	71.29	52.34	36.52	14.8
	1982	0.38	2.44	25.50	23.44	74.12	54.59	38.14	14.4

Sources: 1 *Report on Landholdings* (4); 8th round 1953-54, NSS Report No 66.
2 *Report on Landholdings* (5); 8th round 1953-54, NSS Report No 74.
3 *Report on Some Aspects of Landholdings*; 17th round 1961-62, NSS Report No 144.
4 *Report on Some Aspects of Landholdings*; 26th round 1971-72, NSS Report No 215.
5 *Report on Landholdings* (3); 37th round, NSS Report No 338.

TABLE 7: TRENDS IN THE DISTRIBUTION OF HOUSEHOLD OPERATIONAL HOLDINGS IN RURAL INDIA: MAJOR STATES, 1953-54 TO 1982

States	Year	Households Operating No Land	Sub-Marginal Households H	Sub-Marginal Households A	Marginal Households H	Marginal Households A	Small Households H	Small Households A	Medium Households H	Medium Households A	Large Households H	Large Households A	All Households H	All Households A
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh	1953-54	15.51	36.19	1.33	13.84	4.97	11.79	9.20	15.21	27.82	7.46	56.68	100.00	100.0
	1961-62	37.95	12.12	0.98	15.89	5.99	11.14	9.47	15.68	30.12	7.22	52.94	100.00	100 0
	1971-72	36.05	13.32	1.79	16.92	7.52	12.22	11.75	16.00	36.35	5.43	42.59	100.00	100.0
	1982	40.47	13.07	1.65	15.88	8.61	13.29	5.41	13.30	36.92	3.99	37.41	100.00	100.0
Assam	1953-54	4.99	24.84	1.63	12.71	4.78	27.74	23.13	26.29	46.07	3.43	24.39	100.00	100.0
	1961-62	36.22	8.70	2.19	15.91	11.57	24.01	36.33	14.58	45.13	0.58	4.78	100.00	100.0
	1971-72	28.39	14.10	3.65	23.66	17.90	21.45	34.91	11.83	38.66	0.57	4.80	100.00	100.0
	1982	13.27	30.12	4.89	23.14	17.00	20.61	31.83	12.06	39.43	0.80	6.85	100.00	100.0
Bihar	1953-54	3.59	42.87	3.52	17.04	9.31	17.45	20.26	16.05	42.96	3.00	23.95	100.00	100.0
	1961-62	21.71	24.60	3.92	18.85	10.99	17.61	21.73	14 63	40.54	2.60	22.82	100.00	100.0
	1971-72	20.65	26.47	4.47	20.20	13.70	18.51	26.24	12.51	39.84	1.66	15.75	100.00	100.0
	1982	18.17	34.94	5.62	21.81	17.51	14.12	25.72	9 71	37.12	1.25	14.03	100.00	100.0
Gujarat	1953-54	22.53	16.30	0.26	8.27	1.45	9.78	31.63	21.12	20.00	22 00	74.58	100.00	100.0
	1961-62	25.41	11.02	0.38	10.67	2.54	11.59	5.78	25.66	30.71	15.65	60.59	100.00	100.0
	1971-72	33.75	6.11	0.59	12.38	3.61	14.19	9.20	22.12	32.69	11.45	53.91	100.00	100.0
	1982	36.14	9 20	0.68	16.02	6.22	12.74	11.21	18.76	38.49	7.14	43.40	100.00	100.0
Jammu and Kashmir	1953-54	7.12	17.69	2.00	28.27	15.07	25.96	29.16	20.00	46.90	0.96	6.87	100.00	100.0
	1961-62	11.09	13 48	2.29	29.59	16.32	26.12	29.17	18.51	44.32	1.21	7.90	100.00	100.0
	1971-72	6 73	15.22	2.99	35.75	21.98	28.67	37.36	13.27	35.13	0.36	2.54	100.00	100.0
	1982	11.75	24.60	6.22	31.33	28.28	20.56	37.71	11.14	21.75	0.62	6.04	100.00	100.0
Karnataka	1953-54	11.33	25 01	0.52	12.18	3.12	14.50	7.75	24.53	31.23	12.45	57.38	100.00	100.0
	1961-62	24.11	10 06	0.24	9.81	2.32	13.23	6.49	30.00	35.01	12.79	55.94	100.00	100.0
	1971-72	29.76	4.64	0.39	15.57	4.71	16.02	10.69	24.62	37.96	9.40	46.25	100.00	100.0
	1982	27.02	14.03	0.68	14.09	5.22	16.60	13.20	20.94	36.61	7.32	44.29	100.00	100.0
Kerala	1953-54	18.07	46.91	9.18	18.66	18 43	8.53	18.76	6.42	31.86	1.41	21.77	100.00	100.0
	1961-62	16.73	52 73	12.39	15.73	18.38	8.75	23.19	5.34	31 49	0.72	14.62	100.00	100.0
	1971-72	11.71	59.91	15.76	16.27	20.70	7.82	22.38	3.97	25.89	0.32	15.07	100.00	100.0
	1982	12.99	62.57	20.27	14.94	25.44	6.18	23.44	3.08	25.53	0.24	5.32	100.00	100.0
Madhya Pradesh	1953-54	17.26	19.37	0.38	8.22	1.72	11.95	5.30	26.80	30 16	16.40	62.44	100.00	100.0
	1961-62	18.45	9.61	0.38	11.10	2.65	15.75	7.66	30.53	36.29	14.56	53.02	100.00	100.0
	1971-72	16.95	9.63	0.49	12.06	2.93	16.84	8.86	31.69	38.62	12.83	49.10	100.00	100.0
	1982	24 06	10.89	0.55	12 83	4.01	17.58	12.43	26.55	43.80	8.09	39.21	100.00	100.0
Maharashtra	1953-54	19.94	19 16	0.39	9.80	2.08	11.60	5.20	23.36	25.79	16.14	66.54	100.00	100.0
	1961-62	26.29	11.91	0.34	10.39	2.31	12.39	5.81	22.45	26.19	16.57	65.35	100.00	100.0
	1971-72	30.90	6.06	0.42	10.77	2.66	14.98	8.44	24.58	33.28	12.71	55.20	100.00	100.0
	1982	41.24	9.78	0.49	8.72	3.04	12.11	9.34	19.33	36.22	8.82	50.91	100.00	100.0
Orissa	1953-54	4.53	35.97	2.12	16.56	7.33	19.16	18.54	19.16	40.71	4.62	31.30	100.00	100.0
	1961-62	32.59	10.21	1.52	16.90	8.34	19.24	20.72	17.98	44.10	3.08	25.32	100.00	100.0
	1971-72	25.12	16.57	2.81	24.24	15.79	19.39	27.32	13.01	39.37	1.67	14.71	100.00	100.0
	1982	27 77	16.05	2.29	23.93	16.19	18.51	28.16	12.26	38.75	1.48	14.59	100.00	100 0
Punjab and Haryana	1953-54	28.97	16.24	0.32	6.16	1.62	10.12	5.79	24.36	33.73	14.15	58.54	100 00	100.0
	1961-62	39.55	7.99	0.60	5.70	2 20	6.61	5.54	18.46	39.15	21.69	52 51	100 00	100.0
	1971-72	54 24	1.96	0.20	4.74	1.80	8.55	7.10	21.94	44.23	8.57	46.67	100 00	100.0
	1982	33.50	28 02	0 85	6.28	3.18	8.49	9.05	17.64	44.70	6.07	42.22	100.00	100.0
Rajasthan	1953-54	13.25	6.90	0.20	9 23	1 19	14.20	3.85	29.85	20.19	26 57	74.57	100.00	100.0
	1961-62	11.84	3.72	0.13	11.33	1.69	16.58	5.08	33.12	24.33	23 41	68.77	100 00	100 0
	1971-72	7.84	6 35	0.23	11.69	1.80	18.08	6.00	35.00	27 57	21.04	64.40	100.00	100.0
	1982	12.28	11.46	0.37	15.24	1 48	15.24	6.93	31 90	35.89	13.88	53.33	100.00	100.0
Tamil Nadu	1953-54	4 73	49.53	3.11	16.76	10.73	13.41	18.58	13.13	39 91	2.44	27.67	100.00	100.0
	1961-62	39.98	18.20	4.06	16.90	14.87	12.94	23.26	10.64	42.21	1.34	15.60	100.00	100.0
	1971-72	41.95	14.08	3.77	20.69	18.18	12.45	22.91	9.42	38.39	1.41	16.75	100.00	100.0
	1982	37.23	30.07	5.47	14.35	16.68	10 90	27.56	6.66	37 19	0.79	13 10	100.00	100.0
Uttar Pradesh	1953-54	5.14	30.41	2 17	21.04	9.93	20.40	20.46	19.49	43.41	3 53	24.03	100.00	100.0
	1961-62	20.76	14.64	2.51	20.48	11.11	21.59	25 42	19.21	34.98	3.32	25.98	100 00	100.0
	1971-72	24.26	15.22	2.85	22.17	12.82	20.48	25 43	15.75	42.76	2.12	16.14	100.00	100.0
	1982	20.00	25.77	4.06	21.42	13.93	17.69	24.53	13.42	42.36	1.70	15.12	100.00	100.0
West Bengal	1953-54	0.89	47.76	3.90	16.65	10 49	17.35	23.27	15.12	44.43	2.23	18.01	100.00	100.0
	1961-62	33.88	12.74	2.31	16.95	11.50	19.62	27.98	15.43	46.70	1.38	11.43	100.00	100.0
	1971-72	30.94	10.79	4.32	22.43	20.45	15.77	28.95	10.42	39.83	0.65	6.42	100.00	100.0
	1982	22.14	38.51	8.65	19.21	21.13	12.52	29.42	6.92	33.26	0.70	7.54	100.00	100.0
All-India	1953-54	10.87	30.67	1.25	14.56	4.66	15.51	11.81	19.79	34.81	8.60	51.10	100.00	100.0
	1961-62	26.86	15.10	1.46	15.63	6.47	16.17	14.28	18.75	35.32	7.49	42 47	100 00	100.0
	1971-72	27.42	14.93	1.69	17.94	7.56	16.44	14.91	17.66	36.83	5.61	39.01	100.00	100.0
	1982	26.06	23.96	2.45	17.19	9.13	14.45	16.72	14.49	38.71	3.85	32 99	100.00	100.0

Notes: H = Households; A = Area

Sources: 1 *Report on Landholdings* (4); 8th round 1953-54, NSS Report No 66.

2 *Report on Landholdings* (5); 8th round 1953-54, NSS Report No 74.

3 *Report on Some Aspects of Landholdings*; 17th round 1961-62, NSS Report No 144.

4 *Report on Some Aspects of Landholdings*; 26th round 1971-72, NSS Report No 215.

5 *Report on Landholdings* (3); 37th round, NSS Report No 338.

prevailing socio-politico-economic settings where it is neither politically expedient nor administratively easy to push through lower land ceilings and (ii) the successful Kerala and West Bengal models of tenancy reforms, lies in the rigorous implementation of tenancy legislations to make a dent on the glaring inequalities in the distribution of land as well as rural poverty. The leased-in area is estimated to be around 89,35,000 hectares of which 62,55,000 hectares (70 per cent) is accounted for by small and marginal households including landless. Allowing for the amount of area leased-out by small and marginal households, the net area leased-in by the small and marginal farmers including landless households is 42,53,000 hectares [Parthasarathy 1991, p A-32] which is more than the amount of land declared surplus so far (column 6, Table 8). The tenancy laws, therefore, should be rigorously and judiciously enforced and ownership rights conferred on tenants.

Even the less radical action, i e, the registration of tenants coupled with restricting the landowners' right to resume land for self-cultivation on the pattern of 'Operation Barga' will go a long way in mitigating tenurial harassments and boosting the agricultural production.[11] While not going into details of 'Operation Barga' especially the grass roots mobilisation of beneficiaries,[12] it is essential to emphasise that even with a small degree of political commitment and administrative willingness, numerous loopholes in the tenancy legislation can be plugged with great benefits for the weaker sections. Parthasarathy has convincingly demonstrated that net economic gains of marginal and small tenants could rise by substantial margins even by enforcing the laws regarding the maximum rent to be charged from the tenants [Parthasarathy op cit, p A-36]. It also needs to be underlined that the implementation of tenancy laws does not pose political difficulties as severe as in the case of ceilings on landholdings. More importantly, not only will the rigorous implementation of tenancy laws lead to an increase in agricultural production without adversely affecting genuinely large productive holdings, it will also moderate the glaring inequalities in the distribution of land to a great extent.

Another measure of extreme importance in view of the growing sub-division and fragmentation of holdings is consolidation. Although the extreme importance of this measure has been reiterated almost religiously plan after plan, yet in terms of actual achievements, the programme is a great disappointment except in the green revolution states of Punjab, Haryana and western Uttar Pradesh and to some extent in Orissa. It is indeed a pity that consolidation of holdings has yet not covered more than one-third of India's cultivable area. The blessings of consolidation in hastening the spread of new agricultural technology in Punjab has been very well documented [Chadha 1986].

One of the most serious handicaps in carrying out consolidation of holdings is the absence of updated land records at the grass roots level. Most notoriously, large parts of eastern India have no land records. In this context, a number of useful suggestions were listed in the agenda notes for the June 1990 chief ministers' conference which need to be implemented seriously. Happily, the importance of

TABLE 8. PRESENT CEILINGS, ESTIMATES OF SURPLUS LAND UNDER EXISTING AND PROPOSED CEILINGS, DISTRIBUTION OF SURPLUS LAND AMONG LANDLESS AND NEAR-LANDLESS HOUSEHOLDS AND RESULTANT AVERAGE SIZE OF OWNERSHIP HOLDINGS: MAJOR STATES

States	Present Ceilings (Hects)		Area Declared Surplus (000 Hectares)			Estimated Surplus (000 Hects) on the Basis of NSS Data with Ceilings				Land-less and NLL	Range of Average Size of Holdings under Different Situations			
	Irri-gated Land	Unirri-gated Land	Pre-Revised Laws	Re-vised Laws	Total	Exis-ting	12 Hects	10 Hects	8 Hects	Hslds (000) Hects	I	II	III	IV
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh	4 05-10 93	14 61 21 85	10	410	450	132	740	1006	1383	3611	0 06 18 23	0 22-12 00	0 30-10 00	0 40-8.00
Assam	6.74	6 74	46	237	283	20	–	–	–	694	–	–	–	–
Bihar	6.07-10.12	12.14-18.21	4	123	127	52	108	162	257	4952	0 05-15 18	0 06-12.00	0.07-10 00	0 09 8.00
Gujarat	4 05-10.93	8.09 21.85	19	74	93	46	230	407	702	8476	0.01-14.97	0.04-12 00	0 05-10.00	0 08 8 00
Haryana	7 25-10 90	21.80	51	13	74	–	64	119	222	733	–	0.10-12.00	0 18-10 00	0.32-8.00
Jammu and Kashmir	3.61-05 06	5.95-9.20	182	3	185	–	–	–	–	185	–	–	–	–
Karnataka	4 05-12 14	21 85	–	121	121	138	504	730	1045	1692	0.09-20.25	0 31-12.00	0 44-10.00	0.44-8 00
Kerala	4.86-6.07	4.86-6.07	–	49	49	–	–	–	–	2221	–	–	–	–
Madhya Pradesh	7.28-10 93	21.85	30	92	122	224	769	1085	1589	2060	0 12-20.25	0 39-12.00	0 50-10 00	0 50-8 00
Maharashtra	7.28-14.57	21.85	126	158	284	243	1028	1457	2103	2978	0.09-20.25	0.35-12.00	0 50-10.00	0.50-8.00
Orissa	4 05-6.07	12.14-18.21	–	67	67	31	63	88	135	1339	0.06-15 18	0 08-12.00	0.10-10 00	0.14-8.00
Punjab	7 11	2.50	48	11	59	113	198	248	343	1232	0 11-20.25	0.18-12.00	0.22-10.00	0.30-8.00
Rajasthan	7 28-10.93	21.85-70.82	141	97	238	1005	2061	2570	3305	818	1 00-20.25	1.00-12.00	1.00-10.00	1.00-8.00
Tamil Nadu	4.86	24.28	28	38	66	30	56	74	107	4116	0 03-12.14	0 03-12.00	0.04-10 00	0.05-8 00
Uttar Pradesh	7 30	10.95-18.25	80	123	203	69	164	251	428	4768	0.01-14.60	0.08-12.00	0.10-10 00	0.13-8.00
West Bengal	5.00	7.00	404	75	479	–	–	–	–	4080	–	–	–	–
All-India	10 00-18.00	54.00	1170	1806	2976	–	6025	8257	11712	37484	–	0.19-12.00	0.25-10.00	0.34-8.00

Notes: (i) While estimating the surplus land under different levels of ceilings, allowances could not be made for area under irrigation and for various exemptions allowed under the existing ceiling laws. So the estimates are indicative only. For calculating the average size of holdings, the area currently owned by near landless households is also taken into account.

(ii) Surplus land available under the existing ceilings is estimated by taking the average of lower and upper limit prescribed for unirrigated land. However, in the case of Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu, 20.25 hects is taken as the ceiling level inasmuch as it is the highest farm size up to which data are tabulated in NSS report on ownership holdings.

(iii) In respect of Madhya Pradesh and Maharashtra, restricting the average size of holding up to 0.50 hect under situation III and IV some surplus land is left. Likewise, in Rajasthan if the minimum size is restricted to 1.00 hect, surplus land is left under all situations.

Sources: (i) Figures in columns 2, 3, 4, 5 and 6 are taken from D Bandyopadhyay, 'Land Reforms in India: An Analysis', *Economic and Political Weekly*, Vol XXI, Nos 25-26, p A-55.

(ii) Figures in column 11 are taken from Report on Ownership Holdings, No 330. Near landless are those having land <.20 hectare.

updated land records has been recognised at the highest level of policy-makers.

In the ultimate analysis, however, an enduring solution to lessen the dependence of rural population on land lies, going by the historical experience, in the expansion of non-agricultural activities and gradual shift of rural workforce from agriculture. Inasmuch as the fundamental change in rural societies emanates primarily from the development of their agriculture, agrarian reforms have a fundamental role to play.

Notes

[The author is grateful to G K Chadha for comments on earlier draft of the paper. The usual disclaimers apply.]

1 Recent theorists of semi feudalism have sought to explain the technological backwardness of the poor agrarian economies in terms of the widespread prevalence of the institution of tenancy, in particular share tenancy in conjunction with the exploitation of tenants in the inter related credit and labour markets. See Bhaduri 1973, Prasad 1973, 1974, Chandra 1974.

2 While the overall impact of new agricultural technology on employment remains a moot point the use of HYV and fertiliser is reported to be employment augmenting. For a summary of the findings emanating from empirical studies regarding the impact of different components of new agricultural technology on employment see Basant 1987.

3 Scholars writing in the early phase of green revolution predicted the growing polarisation of rural society into a stratum of capitalist producers and rural proletariats. See Byres 1972, Dasgupta 1975, Parthasarathy 1991.

4 The differences in the methodological details and the procedure adopted in the collection of data by the National Sample Survey and Agricultural Census have been examined by the working group set up by the government of India to reconcile the data on landholdings thrown up by these two sources for the years 1981 82 and 1980 81. See Report of the Working Group, Ministry of Agriculture, 1989.

5 For the adjustments needed to ensure temporal comparability of data thrown up by different NSS rounds see Chadha Sharma 1992, Sanyal 1976; Sawant 1990.

6 To eliminate the bias arising because of changes in the number of size classes, the gini coefficients for all the four NSS rounds were calculated taking 12 uniform farm size groups in respect of ownership holdings and 11 in the case of operational holdings. The following formula was used for calculating the gini coefficient

$$Gc = \frac{\Sigma\, [|X_i Y_{i+1} - (X_{i+1} Y_i)|]}{100 \times 100}$$

7 For computing the respective shares the following lagrangian form of interpolating polynomial was used

$$\bar{y}(\bar{x}) = \sum_{i=\min}^{\min+d} L_i(\bar{x})\, y_i$$

$$\text{where } L_i(\bar{x}) = \sum_{j=\min}^{\min+d} \frac{(\bar{x} - x_j)}{(x_i - x_j)}$$

$i = \min, \min+1, \ldots, \min+d$

For details see Carnham et al, 1969, Nair et al, 1990.

8 We are fully aware of the limitations of combining different categories of holdings and comparing a particular category of households from one state with its counterpart in other.

9 Numerous studies have documented the phenomenal increase in the land sales by the big landlords in the wake of the enactment and implementation of ceiling laws. See Galgalikar et al 1976, Shergil 1986.

10 Households not operating any land comprised households owning but not operating land and those who neither own nor operate land. For classification see Sharma 1992.

11 Despite the fact that the effect of the institution of tenancy on production is a point of debate since the days of Adam Smith, it is generally considered to affect agricultural production adversely.

12 The implementation of tenancy reforms in West Bengal is discussed by Dasgupta (1987), while the Kerala experience is documented by Raj and Tharakan (1983).

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Tenancy in the Context of Irrigation Uncertainty

Role of the Leading Input in Shaping Institutions

D Narayana
K N Nair

The authors' analysis of data collected from village surveys in Kanyakumari district in Tamil Nadu shows that both the incidence and form of tenancy are governed by the irrigation situation and the changes in it. Irrigation uncertainty leads to a lower incidence of tenancy and the form itself changes in the direction of sharecropping. In understanding the terms of contract in the land market, a unified treatment of the land and labour markets is helpful. But its application is limited to the case when the crop cultivated is a subsistence crop. Such unified treatment is not essential for the understanding of land contracts when the crop cultivated is a cash crop.

I
Introduction

THE past three decades have witnessed the growth of a voluminous literature on tenancy and related institutions. Problems of resource use efficiency, role of markets, inter-linkages between markets and the emergence of institutions have all emerged as major issues.[1] However, an aspect that has not received adequate attention in the past relates to the role of irrigation in relation to tenancy. Part of the reason could be the fact that in east Asian and western Europe contexts (to which is related a lot of work on tenancy) there is no moisture constraint and therefore irrigation does not have the status of a leading input. However, in south Asia the incidence and form of tenancy are influenced by rainfall and irrigation. Though past studies have recognised the relevance of it, mostly it has been taken as one of the explanatory variables in regressions.[2] These studies though interesting are far from adequate in bringing out the process through which irrigation shapes the working of land lease market.

Another issue that has vexed researchers is the evolution of institutions. A recent summary by Bardhan brings out the state of confusion:

> The Marxist, CDAWN,[3] and imperfect information theories are all equally murky on the mechanism through which new institutions and property rights emerge. All three sets of theory, in explaining historical transition, show how new institutions will serve the interests of economic progress and old institutions are a hindrance and are 'ripe' for a change—but as if ripeness is all: as if there is no need to specify a predictable model of the *process* of change [Bardhan 1989: 6].

Especially important in the context of south Asia is the evolution of tenancy in a situation of irrigation uncertainty.

In a recent development a strong reaction has come about to the treatment of tenancy independently of the labour market. Hayami and Otsuka put it thus: "separate analysis of land and labour contracts have resulted in much theoretical confusion as well as questionable interpretations of empirical data especially those drawing inferences about the relative efficiency of alternative contracts" [Hayami and Otsuka 1993: 2] and argue for a unified treatment. In their enthusiasm they fail to set out the limits of unified treatment. Unified treatment cannot be a general requirement; it may be relevant under specific conditions.

This paper seeks to address these three issues in an interconnected way. The paper begins by setting out the facets of irrigation uncertainty in a surface irrigation system of long standing and then establishes a relationship between the changing irrigation situation and the incidence and form of tenancy. The usefulness of a unified treatment in understanding the various dimensions of tenancy in a basically subsistence paddy cultivation is then brought out. It is shown that such a unified treatment is not essential for understanding tenancy in cash crop (banana) cultivation.

The data for this study was collected from village surveys conducted in Kanyakumari district in Tamil Nadu. An important feature of this district is the significant variations in the agro-ecological conditions. The district has high rainfall zones similar to Kerala. There is also a large part of the district resembling the conditions in the semi-arid regions in India. The district has a long history of irrigation.[4] Before this century there existed in the district an interlinked system of tanks and diversion weirs for irrigation. From the early part of this century, there has been growth of canal irrigation. During the recent past the district has been witnessing acute scarcity of irrigation water and it has been felt more in the lower reaches than in the upper reaches. In order to understand how the changes in the availability of irrigation has influenced the land lease market we undertook case studies of four villages: two from the upper reaches (UR) Kothanalloor (Kn) and Kadukkara (Kd) and two from the lower reaches (LR) Pattarivilai (Pv) and Azhagappapuram (Az). To collect the data, a listing of all the households was carried out, followed by the identification of the tenant households. From them were collected data on not only

Table 1: Rainfall in Kanyakumari District

Years	Seven-Year Annual Average (mms)	Deviation from the Normal
1902-1908	1160.7	-14.99
1909-1915	1121.3	-17.88
1916-1922	1518.1	+11.18
1923-1929	1650.7	+20.89
1930-1936	1520.3	+11.35
1937-1943	1399.5	+2.50
1944-1959	1405.3	+2.92
1951-1957	1300.8	-4.73
1958-1964	1434.1	+5.03
1965-1971	1438.8	+5.38
1972-1978	1341.8	-1.73
1979-1985	1173.9	-14.03
1986-1989	1109.2	-18.76
Overall	1365.4	—

Note: Deviation from the normal is defined as (Seven Year Average – Overall Average) 100 / Overall Average.

Source: *Tamil Nadu Statistical Abstracts* (various issues), Government of Tamil Nadu, Madras.

Table 2: Water Release as a Percentage of Yield

Year	Pechipara	Perunchani	Total
1980-81	52	60	56
1981-82	75	138	97
1982 83	79	70	75
1983 84	53	66	58
1984-85	78	78	78
1985-86	75	77	75
1986-87	49	102	68

Source: Government of Tamil Nadu, *Tamil Nadu: An Economic Appraisal* (various issues).

the current tenancy, but also on the tenancy history.[5]

The paper is organised into six sections. Section II provides a brief analysis of the quantum of rainfall and goes to show that irrigation has suffered since the early 1970s. Section III using the data from two UR villages and two LR villages attempt to relate the shift from fixed rent to sharecropping to the irrigation uncertainty in the LR villages. The usefulness of a unified treatment of land and labour markets is brought out in the section. The various dimensions of fixed rent in paddy cultivation—variation in rent across the villages, across plots within a village, across different size class of leased in land, etc—are gone into in Section IV. Section V turns to the terms of tenancy in one of the UR villages where banana cultivation is widespread While Section III brings out the relevance of a unified treatment, Section V clearly points to its limitations. Section VI is the conclusion.

II
Rainfall and Irrigation

Kanyakumari district, falling within a low rainfall zone has a long history of irrigated agriculture Historically, the irrigation system consisted of a network of tanks and diversion-weirs. This century has witnessed a significant change in the characteristic of the system; large reservoirs were superimposed on the system. In 1906, the Pechipara dam was commissioned, in 1956, the Perinchani dam was added; and in 1964, the Chittar-Pattanamkal scheme increased the storage capacity further. With the construction of reservoirs, the tanks have gone into disuse, their numbers having come down from 3,045 in 1935 to 1,613 in 1962.

Turning to the variations in the quantum of annual rainfall during the last 90 years or so, it is evident that there had been somewhat of a cyclical behaviour (Table 1) In terms of deviations from the long-run average, the rainfall was deficient by over 15 per cent during 1902 to 1915 This was followed by 10 to 20 per cent above average rainfall during 1916 to 1936. The period 1937 to 1978 witnessed near normal rainfall followed by over 15 per cent deficiency beyond 1978 Although for the argument here all that is needed is the fact that rainfall has been deficient beyond 1978, the observed pattern has important implications for the expansion of area under the irrigation system, effectiveness of maintenance as perceived by the ryots, etc. For instance, during a reasonable long period of excess rainfall it is very difficult to resist pressures for extending irrigation, or poor maintenance would be glossed over.

The deficiency in rainfall has given rise to lower release of water from the reservoirs (Table 2). During a period of seven years from 1980-81 to 1986-87, the release of water as a percentage of yield was close to 100 only in one year (1981-82); during the rest of the years the deficiency was between 22 and 44 per cent of yield. Yield is computed on the basis of catchment area of the system and average annual rainfall in the catchment. (A detailed account of the computation is provided in the Technical Appendix of Nair and Narayana (1990).)

As the quantum of water release is not known before sowing, the area sown may not come down in anticipation of a deficient rainfall. And as the water released may not be equitably distributed over the ayacut, the deficiency in water release may not directly get translated into a shortfall in the area harvested to area sown Further, various methods of allocating water may be tried during periods of scarcity and supplementary sources may be exploited. Thus an indication of the extent of water scarcity may be had by the intensity of use of supplementary sources. The data from the two UR and two LR villages showed that the use of supplementary sources was absent in the former two villages. In the LR villages, their use showed a wide variation (Table 3). While in Az, in Season I, 55 per cent of the tenants were using such sources the incidence was only 29 per cent among the owner cultivators; but in Season II the percentages were 18 and 25 respectively. In Pv, although the percentages were higher among owner cultivators (12 to 14) compared to tenants (10), there was not much variation between seasons. The cost incurred per reporting household also showed considerable variation between seasons, across villages and between tenants and owner cultivators. It may be concluded that Az is the more seriously affected compared to Pv.

In sum, even during severe overall irrigation deficiency UR villages remain unaffected, LR villages get affected with varying intensities.

TABLE 3: UTILISATION OF WELLS AND PONDS AS SUPPLEMENTARY SOURCES

	Tenants		Owner Cultivator	
	Season I	Season II	Season I	Season II
Percentage of tenants purchasing water Az	54 55	18.18	28.57	24.49
Pv	9 52	9.52	14 28	11 90
Average hours for which pumped Az	12.00	13.67	13.46	12 54
Pv	*	*	*	*
Average cost incurred per reporting tenant/ owner cultivator Az	191.66	258.33	262.50	302 80
Pv	157.50	42.50	324.00	252.40

Note: * Cannot be computed because diverse sources and lifting devices have been used. Electric motors, oil motors, hand pumping and low lift using vessels have been used. So a comparable unit of measure could not be devised. Computations of cost are on a per acre basis in rupees

Source. Field Survey.

TABLE 4: TENANCY-INCIDENCE AND SIZE OF LEASED-IN LAND

Village	Incidence (Per cent)	Average Size of Leased-In Land (Cents)	Land-Man Ratio for the Taluk, 1981 (Cents/Person)
Kothanalloor	33	44	21
Kadukkara	31	136	43
Pattanvilai	5	37	21
Azhagappapuram	10	94	30

Source: Field Survey and District Census Hand Book, 1991.

TABLE 5: RENT RULE IN CASE OF DROUGHT

	Number Reporting			
	Kn	Kd	Az	Pv
50 per cent of yield	0	39	8	5
No rent	0	0	2	7
Lower rent	0	0	0	2
Fixed rent if yield > rent	0	0	1	0
Fixed rent				
To be paid in cash	31	0	0	5
To be paid next season	3	0	0	1
Total	34	39	11	20

III
Irrigation, Uncertainty and Tenancy

In the literature on tenancy it is often argued that uncertainty and the associated risk gives rise to various forms of tenancy. The issue of tenurial forms in relation to the specific irrigation uncertainty is taken up in this section.

Before taking up a discussion of tenancy, it is necessary to provide some background information on the villages based on the census listing of households. Average land owned per household (in cents) is 39, 31, 77 and 131 in the four villages of Kn, Pv, Kd and Az respectively. The percentage of landless households is 3, 60, 28 and 7 respectively. The distribution of adult males by occupations showed that the percentage reporting cultivation is 25, 5, 28 and 16 respectively, and the percentage reporting wage labour is 33, 57, 39 and 20 respectively. The census listing failed to capture the phenomenon of absentee lessors. Among the resident lessors none leased-in land in Kn and Pv; one-third and one out of 20 leased-in land in Kd and Az respectively. On the whole, the villages are marked by certain similarities as well as differences. But in terms of none of the variables mentioned so far can the UR villages be differentiated from the LR villages

The incidence of tenancy, defined as the percentage of households leasing in to the total, showed significant variation across the sample villages. It is fairly high in the two UR villages and low in the two LR villages (Table 4). But the average size of leased-in land itself had little to do with the incidence of tenancy; it varied with the average land-man ratio for the taluk as a whole The average size of leased-in land varied from 44 cents to 136 cents in the two UR villages and from 37 cents to 94 cents in the two LR villages It is evident from the data that wherever there is irrigation uncertainty the incidence of tenancy is low.

Turning to the form of tenancy of land under paddy, in both the UR villages all the households reported fixed rent tenancy. Between the LR villages, PV reported 89 per cent fixed rent tenancy and 11 per cent share tenancy and Az reported 64 per cent share tenancy and the rest under fixed rent. If the percentage of households using supplementary sources of irrigation (Table 3) is a measure of the irrigation uncertainty then, the incidence of share tenancy is related to it.

In order to collect information on the process of change two questions were asked to the respondents: (i) the terms and conditions of the initial tenancy as distinct from the current tenancy; and (ii) in case of acute water scarcity/drought the rent rule followed. As to (i) above, in Pv for the two tenants (out of 18) who reported share tenancy the current tenancy was their initial tenancy. For one of them the tenancy was less than one-year old at the time of the survey. The second has been a tenant for over 70 years and for the entire duration the share has been 50 per cent. In Az, of the 11, eight had been tenants for less than 10 years, and six out of the eight had become tenants only during the last five years. The initial tenancy of the eight was distributed as three fixed and five share. Of the three one has become a share tenant during the last 10 years. Of the three one has become a share tenant during the last 10 years. Of the three tenants (out of 11) whose initial tenancies were over 10 years old, two were fixed and one (leasing in temple land) was share tenancy. Out of the two one had secured share tenancy in the current tenancy Overall the picture is one of moving from fixed to share tenancy in the recent past owing to the irrigation uncertainty. Such a movement from fixed to share tenancy is intense in Az where the irrigation uncertainty is also intense.

The information on rent rule during drought again brings out the relation between irrigation uncertainty and share tenancy As is evident from Table 5, the UR villages reported fairly simple rules. In Kn there was no mention of any change in the rule: if the yield of paddy fell short of the rent the latter was demanded in cash. Only in three out of 34 cases, the concession of payment during the next season was given. In Kd, it was a straight 50 per cent of yield in case of drought.[6] Between the two LR villages, in Az it was predominantly the 50 per cent rule; there were two cases where no rent was demanded and in one case fixed rent had to be paid if the yield was greater than the rent. In Pv, where irrigation uncertainty was not as intense as in Az, there were a larger number of tenants (9/20) reporting no rent or lower rent rule in case of drought; but there were an equally large number (6/20) reporting the rent rule of payment in cash after the harvest or payment during the next season. It may then be inferred that wherever irrigation uncertainty existed there was a proviso for 50 per cent rent in a drought year. As the uncertainty increased this proviso in the rule becam[e] the rule itself.

Following Table 5, it is appropriate t[o] discuss an issue which has attracted a lo[t] of attention in the literature, namely, th[e] tenant reneging the contract. When the ren[t] rule has so many provisions, knowledg[e] of the actual yield from the plot become[s] absolutely essential. How does the lesso[r] ensure it? In answering this question th[e] point raised by Otsuka et al, op cit, namely a unified treatment of land and labou[r] contracts, becomes relevant. In all the fou[r] villages surveyed, the harvesting an[d] threshing operations were carried out b[y] gangs of labour and the wage payment i[s] in paddy. Though the wage rule itself varie[d] within a village across plots as well a[s] across villages (a detailed discussion o[f] this issue may be found in Nair an[d] Narayana (1990)) what was common in al[l] the villages was the following: a fixe[d] number of kottahs[7] of paddy per acre plu[s] a share for every kottah of yield over [a] certain minimum had to be paid as wages. Such a wage rule ensured two things: (i[)] yield is accurately measured and becam[e] common knowledge, and the output i[s] amassed in one place (mostly threshin[g]

TABLE 7: RENT, YIELD AND SIZE IN PADDY CULTIVATION

Year	Villages		
	Kn	Kd	Pv
Rent (kottahs)			
Mean	19.44	13.26	13.96
SD	2.56	2.56	3.03
CV	13.15	19.36	21.68
Yield (kottahs)			
Mean	50.08	34.05	32.71
SD	14.68	4.73	8.88
CV	29.31	13.89	27.16
Rent/yield			
Mean	0.42	0.40	0.44
SD	0.14	0.13	0.08
CV	32.95	31.04	18.54
Size of leased in land (cents)			
Mean	49.23	165.55	35.64
SD	25.64	147.68	20.21
CV	52.07	89.21	56.71

Note: The average size of leased in land show[n] here is different from that shown i[n] Table 4 because only land under paddy i[s] considered here. CV is in percentages.

Source: Field Survey.

TABLE 6: DISTRIBUTION OF TENANCY BY DURATION

Duration in Years	Percentage of Tenants Reporting			
	Kn	Kd	Az	Pv
Below 3	2.94	0	23.82	9.0[illegible]
3-6	26.47	23.08	33.33	36.3[illegible]
7-10	20.59	48.72	9.52	9.0[illegible]
11-15	35.29	15.39	0	27.2[illegible]
15+	14.71	12.82	33.33	18.1[illegible]
Total	100.00	100.00	100.00	100.0[illegible]

yard) at some point of time after harvesting and threshing. This would simply leave no scope for reneging the contract.

A related issue is one of ensuring adequate application of inputs and labour under sharecropping. In the literature three possibilities are discussed: (i) landlord stipulates levels of input use and closely monitors; (ii) labdlord shares input costs; and (iii) puts the threat of termination of tenancy. Taslim (1992) emphasised the third of the above. Our data (Table 6) seems to confirm Taslim going by the fairly high proportion of tenancies of shorter durations in the LR villages. But the pattern could also be because of the unwillingness of the tenants to lease in land in the LR villages in the face of irrigation uncertainty. The fact that over 70 per cent of the tenants in Az had been tenants for less than 10 years seems to suggest the latter.

IV
Fixed Rent Paddy Cultivation

This section takes up the question of fixed rent paddy cultivation. As elaborated in the previous section, in one of the LR villages fixed rent tenancy has almost disappeared. Hence for the discussion of this section only three villages, two UR villages and one LR village, are considered.

As is evident from Table 7, the average annual rent (per acre) varied from 19.44 kottahs in Kn to 13.26 kottahs in Kd. The variation in rent across the villages is proportionate to the variation in the annual yield levels in these villages. The yield level varied from 50.08 kottahs i Kn to 32.71 kottahs in Pv. The argument that the variation in rent is proportionate to the yield levels across villages gets confirmed when the ratio of rent to yield are computed. The average for the three villages did not show much of a variation lying between 0.40 and 0.44.

It is pertinent to note here that the yield levels are not higher in the UR villages compared to the LR villages. Although it is significantly higher in one of the UR villages, 50 kottahs in Kn. it is not so in the other UR village where it is only comparable to the level in the LR village. The observed differences in the yield levels cannot be explained by the irrigation uncertainty but by the rates of adoption of high yielding varieties (HYVs) which are not entirely governed by irrigation. The adoption rate is over 85 per cent in Kn in the two seasons across tenants and owner cultivators, but is below 10 per cent in Kd. In Pv, the adoption rate varied between 35 and 50 per cent in the two seasons between owner cultivators and tenants. The observed adoption rate in Kd cannot be explained by the yield differential between HYVs and local varieties (LVs). But the yield differential does explain the difference in the rate of adoption between Kn and Pv. In Kn, the yield differential varied between 110 and 148 per cent and the rate of adoption was high. But the yield differential was not significantly different for the two varieties in Pv—the yield differential varied between 60 and 114 per cent—and the adoption rate was also lower.[6]

Taking up the question of the variation of rents within the villages across plots, it may be seen that the variation measured in terms of CV was the lowest in Kn; it was higher in Kd and Pv. What explains such variation? It may be observed that the variation in yield is high in Kn. In the face of a fairly high variation in yield if the variation in rent is low then, it implies that rents do not vary with yield. This gets confirmed when the CV of the ratio of rent to yield is computed. It was very high for Kn and very low for Pv. In a situation of adoption of HYV when the yield goes up rent also goes up. In Kn, the adoption rate being over 85 per cent most of the plots get the benefit of yield improvement. Rents go up and stabilise at a higher level given the assured irrigation and use of HYVs. But this does not happen in Pv, where rents have begun going up—on an average they are higher than in Kd—but cannot stabilise at a higher level because adoption rate has not reached a ceiling and hence not all the plots get the benefit of HYV.

In order to test the relationship of rent with yield and size of leased in land, linear regressions were run using OLS method. Regressions were run with both the independent variables. Variables with coefficients not significant were dropped and equations were re-run. The results are shown in Table 8. It is evident that in Kn with assured irrigation and high incidence of tenancy the landowners are able to impose higher rents on smaller tenants who are mostly landless agricultural labourers. This is not to be observed in Kd where the average size of leased in land was fairly high, or in Pv where in the face of irrigation uncertainty the incidence of tenancy itself is low. Hence, in both Kd and Pv rent is positively related to yield, where size of leased in land itself played no significant role. In Kn it was the size of leased in land which played a significant role in the determination of rent, being higher for small lease holders.

Overall, it may be concluded that irrigation uncertainty plays an important role in determining the rental rates. But the role itself is mediated through the incidence of tenancy and average size of leased in land. In a situation of assured irrigation, when the size is small and the incidence of tenancy is high rents tend to be higher for the smaller ones. This gets altered when the size of leased in land itself is high. Also when there is irrigation uncertainty and the incidence of tenancy is low even if the average size is small, rents tend to move with yield.

V
Fixed Rent, Incentives and Banana Cultivation

It has often been argued [Rao 1971] that fixed rent tenancy is an incentive system "permitting the tenants to capture the returns expected in consequence of their decision-making". Such incentives have taken the tenants in one of the UR villages, namely, Kn with assured irrigation, to cultivate banana, for which there has emerged an ever increasing market in the neighbouring state of Kerala. What new features have been introduced into the terms and conditions of tenancy when the crop grown is banana?

Among the four villages surveyed, banana cultivation on leased in land is

Table 8: Regression of Rent on Yield and Size

Village	Constant	Coefficients of Yield	Coefficients of Size	Adj R^2	No of Observations
Kn	21.97		–0.05 (1.962)*	0.26	13
Kd	9.16	+0.12 (2.06)*	—	0.10	40
Pv	7.65	+0.20 (2.23)*	—	0.35	14

Notes: t values are shown within parenthesis. Yield and rent are in kottahs, size in cents.

Table 9: Size, Rent and Deposit in Banana Cultivation

	Size (Cents)	Family Labour Share (Per Cent)	Rent (Per Acre) (Rs)	Deposit (Per Acre) (Rs)	Rent for Non-Deposit Paying Tenants (Rs)	Size of Leased in Land (in Cents)
Mean	36.08	61.08	3957.04	2863.47	4330.00	15.56
SD	39.51	34.85	1584.85	2002.15	1518.77	10.40
CV (per cent)	109.51	57.05	40.06	69.92	35.08	66.85
Incidence	—	—	—	65.38	—	34.62

reported to any significant extent only in one of the UR villages, namely, Kn, with 36 per cent of the area cultivated accounted for by it. The average size of leased in land for banana cultivation is 36 cents compared to 49 cents for paddy cultivation (Table 9). But the variation is much higher in the case of banana cultivation, CV being 110 per cent, compared to 52 per cent for the land under paddy.

A significant aspect regarding banana cultivation is that the share of family labour in total labour applied is very high. The average share is 61 per cent with a CV of 57 per cent. The share of family labour (FL) when regressed on the size of leased in land (in cents) gave the following equation:

$$FL = 78.23 - 0.478 \text{ Size Adj; } R^2 = 0.29$$
$$(2.56) \quad (3.08)^* \quad \text{No of obsns} = 25$$

(t values are given within brackets)

Thus, the share of FL is inversely related with the size of leased in land. The small tenants take to banana cultivation with a view to utilise their family labour. Here it is important to note that this cannot be done in paddy cultivation because the operations are time bound and lumpy in nature. In banana cultivation there exists considerable flexibility which is taken advantage of by households with family labour.

In the case of land leased in for paddy cultivation the percentage of tenants with duration of lease below three years was almost insignificant (Table 6). In the case of banana, less than 4 per cent of tenants reported indefinite duration; 7 per cent a duration of two years and for the rest—almost 90 per cent—the duration was one year only. Thus, land for banana cultivation is leased out for one year only.

The rent on the land leased for banana cultivation is to be paid in cash. The average rent per acre came to 3,957 rupees per year with a CV of 40 per cent. This was about 30 per cent higher than the average rent for land leased in for paddy cultivation at the ruling price of paddy. In the case of paddy land, it was observed that rent was inversely related to the size of leased in land but no such relationship was observed in the case of banana. No statistical relationship was observed with size or output value.

In the context of paddy cultivation the possibility of the tenant reneging on the contract was ruled out owing to the specificities of harvesting and threshing wage contracts in existence in the area. But harvesting of banana is not bound by such specificities. The sale of banana is a contract entered into by the tenant with a trader and the price may not be known to others at all. In such a situation the landowner has no way of knowing the sale value of the output from the plot or ensuring timely payment of rent. In order to get out of such a situation a system of deposits has come into vogue in banana cultivation. A fixed sum which is less than or equal to the rental value is to be paid by the tenant six months after planting. This is quite comparable to the *sewa* reported by Morooka and Hayami (1989) for a Javanese village.

The incidence of deposit is not 100 per cent. Deposit is not collected from all the tenants cultivating banana. Only 65 per cent of the tenants reported paying a deposit and the average deposit was 2,863 rupees per acre which was 76 per cent of the average rental value for the group (Table 9). The group not paying deposit accounted for 35 per cent of the total tenants and the average size of leased in land for the group was only 16 cents compared to the overall average of 36 cents (which implies that the average size for the tenants paying deposit is 47 cents). Thus, they are extremely small tenants.

Another important difference between the two groups of tenants—deposit paying and not paying—is that the rents collected from the latter are on an average higher at 4,330 rupees per acre compared to 3,759 rupees per acre for the former. Even when the amount is time discounted taking the minimum interest charged in the informal credit market of the area (24 per cent) the rents are higher by about 230 rupees. Although the smaller tenants do not pay a deposit the rents collected are higher.

Two points need to be noted regarding the deposit amount. Firstly, it is almost equal to the rent for paddy cultivation but for the fluctuations in the price of paddy. Secondly, the deposit amount as well as the rent on land under banana respond to the changes in the price of paddy (or rice). It may be observed that the trend in the price of rice is characterised by a sharp increase in one or two years followed by a small fall or relative stagnancy. A sharp increase in the price of rice is often followed by an increase in the deposit and the rent on land under banana.

VI
Conclusion

That irrigation plays an important role in shaping tenancy is known. This paper has shown how. Both the incidence and form of tenancy are governed by the irrigation situation and the changes therein. Irrigation uncertainty leads to a lower incidence of tenancy and the form itself changes in the direction of sharecropping. In understanding the terms of contract in the land market a unified treatment of the land and labour markets does help a great deal. But its application is limited to the case when the crop cultivated is a subsistence crop. Such a unified treatment is not essential for the understanding of land contracts when the crop cultivated is a cash crop

Notes

[We are grateful to Sakthi Padhi, N Krishnaji, A Vaidyanathan, V C V Retnam, G N Rao and Neelakanta Rath for comments on an earlier draft of the paper.]

1 For a recent study of literature in tenancy and related institutions see Otsuka et al (1992) and Otsuka and Hayami (1988).

2 See for instance Bardhan (1984).

3 CDAWN stands for the Coase-Demsetz-Alchian-Williamson-North School. Imperfect information theories are attributed to Akerlof and Stiglitz.

4 For a description of the evolution of irrigation system in the district see Nair and Narayana (1990).

5 For details regarding the methodology of the survey see Nair and Narayana (1990).

6 It may be noted that Kn and Kd lie on the upper reaches of two different canals. The canal irrigating Kd is very long and ends in an extremely dry stretch and it is possible that in bad years Kd is also deprived of adequate water while letting some water to the tail end.

7 Kottah is a volume measure used in this district. Although in terms of kilograms a kottah of paddy varied from 74 to 97, we have taken 97 kgs as the standard.

8 There is an argument that the straw content of HYVs is lower than that of LVs and this could be a factor in the adoption of HYVs. In the sample villages the ratio of the value of straw to value of yield was not significantly lower in Kn compared to Kd or Pv.

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ALLAHABAD BANK

HEAD OFFICE : 2, NETAJI SUBHAS ROAD, CALCUTTA - 700 001

Abridged Balance Sheet as on 31st March, 1994 and Profit & Loss Account for the year ended 31st March, 1994

	(Rupees in Thousands) As on 31.3.1994	As on 31.3.1993
CAPITAL & LIABILITIES :		
Capital	262,50,00	172,50,00
Reserves & Surplus	200,96,33	202,80,01
Deposits	8457,80,40	7692,22,79
Borrowings	208,12,68	204,18,31
Other Liabilities and Provisions	551,71,18	544,78,85
TOTAL :	**9681,10,59**	**8816,49,96**
ASSETS :		
Cash and Balances with Reserve Bank of India	659,00,83	604,20,35
Balances with Banks and Money at Call and short Notice	79,15,02	218,22,87
Investments	3825,18,17	3011,41,63
Advances	3722,15,88	3956,07,00
Fixed Assets	164,16,70	162,03,96
Other Assets	1231,43,99	864,54,15
TOTAL	**9681,10,59**	**8816,49,96**
Contingent Liabilities	1936,26,10	1517,28,95
Bills for Collection	402,21,15	391,01,39

	(Rupees in Thousands) Year ended 31.3.1994	Year ended 31.3.1993
I. INCOME :		
Interest Earned	882,74,32	854,59,96
Other Income	80,36,31	103,48,76
TOTAL	**963,10,63**	**958,08,72**
II. EXPENDITURE :		
Interest expended	694,30,02	743,84,69
Operating Expenses	245,96,42	213,63,50
Provisions & Contingencies	390,56,24	106,49,24
TOTAL	**1330,82,68**	**1063,97,43**
III. PROFIT/LOSS :		
Net Profit (Loss) for the year	(367,72,05)	(105,88,71)
IV. APPROPRIATIONS :		
Transfer to Statutory Reserves	Nil	Nil
Transfer to other Reserves	Nil	Nil
Transfer to Government/ proposed Dividend	Nil	Nil
Balance carried to Balance Sheet	(367,72,05)	(105,88,71)
TOTAL	**(367,72,05)**	**(105,88,71)**

Approaches to Ground Water Management

To Control or Enable?

Marcus Moench

Appropriate roles for the state and local organisations in natural resource management have been the source of debate both in India and internationally. Often, states attempt to address emerging natural resource problems via centralised control mechanisms. This approach is frequently ineffective and negates the interest local populations have in developing solutions to problems that affect them before all others. A basic philosophical premise underlying this paper is that local initiative represents a wellspring capable of generating innovative and implementable management solutions to many emerging problems. While local efforts are unlikely to generate solutions to all—or possibly the majority—of problems, frameworks are needed that enable local responses to emerge wherever the initiative exists.

I
Introduction

GROUND WATER is probably India's most valuable and perhaps its most vulnerable water resource. According to some reports: "ground water irrigation already accounts for 75-80 per cent of the value of irrigated production in India" [Daines and Pawar 1987, p5]. Roughly 35 million hectares (Mha) can be irrigated from ground water—a figure which exceeds the 33 Mha of irrigation potential created through all major and medium irrigation works [Saksena 1989; Dhawan 1990a]. Beyond irrigation, ground water is the major source of drinking water for numerous cities and rural communities and serves as the main source of clean water for industry as well.

Long viewed as an unlimited 'renewable' resource, threats to ground water supplies are becoming increasingly evident. In Gujarat, for example, official estimates indicate that ground water extraction is approaching total recharge in 36 taluks and exceeds it in a further 24 [GOG 1992].[1] Water tables throughout northern portions of the state have been falling [High Level Committee 1991; GOG 1992]. Similar problems are well documented in parts of Rajasthan, Punjab, Tamil Nadu and Karnataka and may even be occurring in some sections of the huge aquifer underlying the Gangetic basin [Bandara 1977; Pant 1987; Bandyopadhyay 1987, 1989; Sims 1988; Dhawan 1990b; Krupanidhi 1987; Rai and Phaliwal 1988; Reddy et al 1992]. Dropping water tables are not the only concern, quality issues are also growing. Salinity, fluorides, nitrates and the presence of pathogenic organisms are major concerns in many sections of Gujarat [Phadtare 1988]. Roughly 65 per cent of Haryana state is underlain by saline ground water and fresh water pockets are heavily tapped [Gangwar and Panghal 1989]. Saline intrusion affects the ground water under many coastal cities.

Little is now being done to address emerging ground water problems and calls for more effective management are common [Sinha and Sharma 1987; Ghosh and Phadtare 1990b; Chakravarthy 1990; Saksena 1989]. A Model Bill for regulating ground water use was circulated as early as 1971 and an updated version was again distributed in 1992. Draft bills have been presented in the legislatures of several states including Tamil Nadu and Karnataka but have never been enacted. So far only Gujarat has actually passed any ground water legislation. All ground water legislation so far proposed takes a highly regulatory approach. This is evident, for example, in the title of the recently circulated 'Model Bill to Regulate and Control the Development of Ground Water' [GOI 1992]. The following section discusses the model ground water bill in detail. The main provisions contained in the bill are discussed first. These are then examined in relation to some of the issues facing the development of effective management systems.

II
The Model Bill

The ministry of water resources, government of India, circulated a "Model Bill to Regulate and Control the Development of Ground Water" to the states in September 1992. This Model Bill, like the others that preceded it, has no actual regulatory significance. Under the Indian Constitution, water is a state subject over which the central government has little direct authority. The model is, however, important for what it reveals of the central government's thinking (and that of many of the nation's top water specialists) on the best approach to addressing emerging ground water concerns. This thinking has potentially great influence both for the guide it provides and because of the central government's leverage over funding flows.

(A) Provisions

The Model Bill has the following 24 sections:

(1) Short Title, Extent and Commencement
(2) Definitions
(3) Establishment of a Ground Water Authority
(4) Staff of the Ground Water Authority
(5) Powers to Notify Areas for Control and Regulation of Ground Water Development
(6) Grant of Permit to Extract and Use Ground Water in the Notified Area
(7) Registration of Existing Users in Notified Areas
(8) Power to Alter, Amend or Vary the Terms of the Permit
(9) Prohibition of Carrying on the Business of Sinking Wells in Notified Area
(10) Grant of Licence for Sinking of Wells
(11) Cancellation of Permit/Certificate of Registration or Licence
(12) Powers of the Ground Water Authority
(13) Restriction on Publication of Information and Returns
(14) Service of Orders, etc.
(15) Delegation of Powers and Duties
(16) Members and Employees of the Ground Water Authority to be Public Servants. Central Act 45 of 1860.
(17) Protection Against Action Taken in Good Faith
(18) Cognisance and Trial of Offences
(19) Offences and Penalties
(20) Compounding of Offences
(21) Offences by Companies
(22) Appeals
(23) Bar of Jurisdiction by Civil Courts
(24) Power to Make Rules.

The bill's primary substance starts in Section 3. This section enables the state government to establish a ground water 'authority' and appoint its chairman and members. Although the chair's background is not defined, the members are to be "representative of the departments as are concerned with survey, exploration, development or protection of ground water" and others "who in the opinion of the government have special knowledge or practical experience in matters relating to ground water" [GOI 1992, Section 3]. The bill also enables each state to appoint, as "public servants" under the Central Act 40 of 1860, "such number of technical and other staff as it may consider necessary"

(Sections 4 and 16). Combined, these provisions enable states to create bureaucracies for controling ground water use and extraction which are under direct control of the state governments.

Once the ground water authority has been formed, the Model Bill provides for the notification of specific areas by the state where the "Ground Water Authority is of opinion that it is necessary or expedient in the public interest to control and/or regulate the extraction or use or both of ground water in any form in any area" (Section 5). Within notified areas anyone wishing to sink a well (with the exception of small and marginal farmers) is required to obtain a permit from the authority. According to the wording in the Model Bill: "If the Ground Water Authority is satisfied that it shall not be against public interest to do so, it *may* grant, subject to such conditions and restrictions as may be specified, a permit authorising the extraction and use of the water" (Section 6(3), emphasis added). Existing users are also required to apply for a certificate registering their uses of ground water with the authority within 90 days following notification of the area.[3] This application must contain details on the water source, extraction mechanism, quantities extracted, water uses, period of extraction, area served (if irrigation) and service details in addition to volumes extracted (if drinking or municipal supply). As with the grant of permits for new wells, the authority "*may* grant, subject to such conditions and restrictions as may be specified, a certificate of registration authorising the continued use of the water" (Section 7(3), emphasis added). In making its decision on both new wells and existing uses, the authority is required to consider: "(a) the purpose or purposes for which water is being used; (b) the existence of other competitive users; (c) the availability of water; (d) any other fact relevant thereto" (Sections 6 and 7(5)). Until the permit decision has been made, existing users are entitled to continue extraction as before notification. Once a permit or registration certificate has been issued, the authority: "may, for technical reasons, alter, amend or vary the terms ...with a view to limit the use of water either permanently or temporarily" (Section 8). The authority is also empowered to cancel permits and registration certificates on the basis of (a) fraud or misrepresentation in obtaining it; (b) failure to comply with conditions or breaking other provisions of the act; or (c) the emergence of a situation which "warrants limiting of the use or extraction of ground water." (Section 11).

In order to carry out its duties under the proposed act, the ground water authority is given wide ranging powers to enter, inspect, require data collection (including the installation of water measuring devices), serve notices, seize mechanical equipment, destroy any "hydraulic work," search ("with such assistance... as it considers necessary") and "exercise such other powers as may be necessary for carrying out the purposes of this Act" (Section 12). The act explicitly states that the "power conferred by this section includes the power to break open the door or any premises where sinking, extraction and the use of ground water may be going on" provided that anyone inside has refused to open the door (Section 12(2)). It also states that the Code of Criminal Procedure 1973 (2 of 1974) applies to all searches and seizures (Section 12(3)).

The Model Bill provides extensive insulation from judicial interference for both actions taken under the act and the individuals involved. Section 17 states that: "no prosecution, suit or other legal proceeding shall be instituted against the government or the ground water authority or any other officer of the government or any member or other employees of the ground water authority for anything done or intended to be done in good faith under this Act, or the rules made thereunder." Section 22 provides that: "no civil court shall have jurisdiction in respect of any matter which the state government or the ground water authority is empowered by this Act to determine and no injunction shall be granted by any court or any other authority in respect of any action taken or to be taken in pursuance of any powers conferred by or under this Act." In addition to protecting the government and its officers, the Model Bill explicitly excludes prosecution for offences under the act to be initiated without the written consent of the ground water authority (Section 18). The net effect of these provisions is to remove the standing of anyone outside the authority to appeal to the courts.

Finally, as punishment for contravening any aspect of the act, the Model Bill provides for fines and prison terms. First offences under the act are punishable by fines of up to Rs 500. Second and subsequent offences carry prison terms of up to six months and/or Rs 1,000 fine. In addition, there is a fine of Rs 50 per day for breaking the provisions of Sections 6 and 9 (new uses and well drilling)

Overall, the proposed Model Bill, if passed, would set up a regulatory system, insulated from local involvement, where power is concentrated at the state level and formally wielded by the technical bureaucracy.

(B) Issues

A wide variety of issues are inherent in the structure proposed by the Model Bill. How the bill could be implemented is uncertain. If it were implemented, the implications for community participation, equity in access to ground water resources, integrated approaches to water management, efficient water use, and the ability to evolve flexible approaches which are responsive to local conditions would be great. Furthermore, the approach would not resolve basic conflicts between emerging problems and the poorly defined nature of ground water rights.

The fact that a wide variety of issues exist in the Model Bill does not imply that ground water legislation is unneeded. Nor does it imply that centrally controlled regulatory structures are inappropriate under all circumstances. Legislation is essential. Regulation by the state may also be required for addressing specific problems or issues. State regulation is, however, probably not the optimum approach to dealing with the wide range of ground water issues now emerging in many areas.

IMPLEMENTATION

As currently structured, passing the ground water bill in the state assemblies and then implementing its provisions would face major hurdles. The experiences of states where legislation has been proposed are illustrative. Only Gujarat and Maharashtra have passed any legislation bearing on ground water. In Gujarat the legislation, an amendment to the Bombay Irrigation act, defines terms, and allocates power to regulate and license tube-well construction, control ground water use, prevent waste, and make regulations [Sinha and Sharma 1987, p 12]. Although passed in 1976, it was only formally brought into force for certain areas of Gujarat in 1988 [Jacob 1989, p 3]. According to local officials, actual implementation has never occurred. The recent Maharashtra legislation only deals with the protection of drinking water sources. It was signed by the governor on August 10, 1993 so there is little experience regarding its effectiveness. In addition to Gujarat and Maharashtra, at least two other states, Tamil Nadu and Karnataka have recently considered legislation [Government of Karnataka 1987; Government of Tamil Nadu 1990]. The acts considered by these states were similar in their basic approach to the Model Bill but tended to provide a higher level of punishment for violations. The Karnataka act, for example, provided for up to two years imprisonment for contravening any provision except well registration. Tamil Nadu's act authorised electricity supplies to be cut off for any violation. This electricity cut-off provision was also suggested for Karnataka by the central government in 1987.[3] Neither of these acts were passed, much less implemented.

The fact that states have been unable to pass or enforce ground water legislation is

indicative of two basic problems: (1) the sensitivity of the state attempting to regulate what, for landowners, is essentially an open access resource; and (2) the lack of effective mechanisms for implementation.

Under English Common Law, the basic legal structure throughout India, extraction of percolating waters with no limit on quantity is the right of every landowner [Sinha and Sharma 1987, p 10; Jacob 1989, p 2]. This right is, in theory, limited by the Easement Act and Irrigation laws which "proclaim the absolute rights of government in all natural water" [Singh 1990, p 50]. The presence of the government's claims has not, however, altered the view of virtually every well owner that they have an ultimate right to use the water in their well in any manner or quantity they please. As a result, proposals for government regulation of wells and their use are highly sensitive. Official statistics indicated that nationwide the number of diesel and electrical pump sets was 12,581,000 in 1990 [Dadlani 1990, p 12]. Governmental efforts have resulted in the completion of roughly 9.5 million dugwells, 4.7 million shallow tube-wells over the 1st through 7th plan periods [GOI 1991, Tables 31 and 32]. Well owners are one of the most wealthy and, as a result, probably one of the most politically influential rural groups. Legislation that threatens what they see as their interests is bound to face substantial opposition.

The lack of effective mechanisms for implementation is an equally large stumbling block for the proposed regulations. The physical issues inherent in policing a large number of wells located on private lands are huge. The history of rural electricity rate collection is illustrative. In most states, electricity boards shifted from metering to charges based on pump horsepower due, in large part, to tampering with the meters and an inability to collect charges.[4] Electricity Boards theoretically have the authority to cut off connections for non-payment of dues. In practice this is difficult to do when large percentages of the rural population are not paying and maintaining food production is a prime goal of the state. Even if a connection is cut off, farmers are adept at reattaching their lines illegally. If the state is unable to meter electricity and collect charges, it is difficult to see how it would be any better at metering water from privately controlled wells or regulating its use. The case of surface irrigation systems is also illustrative. Canals, gates, relatively strong organisations and established legislation should provide a greater inherent capacity for centralised control of surface systems than is present in the ground water case. Despite this regulation has proved problematic. Often "system managers... have no *effective* power to enforce the rules or the penalties for violating those rules" [Vaidyanathan 1991, p 19].

Problems with implementation are likely to be compounded by the approach taken in the Model Bill. If the bill were implemented, many well owners would probably view it as an attempt by the state to take control over their personal resources. This approach is likely to set up an antagonistic "us-them" situation. Overall, as B D Dhawan comments on the ground water regulations passed in Gujarat: "there is little hope for effective implementation of such laws which are inherently difficult to enforce in the Indian conditions of small landholdings, inadequate administrative set-up in the countryside, and eroded state of ethics" [Dhawan 1989, p 9]. Without active participation or, at an absolute minimum, passive co-operation of the local population, no attempt to regulate water use from private wells on individual farms is likely to work.

Throughout India, there is a growing focus on "people's participation" in the management of natural resources. Examples of this range from the widespread initiation of Joint Forest Management projects to the current experimentation with turn-over of irrigation systems (or system components) to local communities for management [Poffenberger 1990; Malhotra and Poffenberger 1989; Shah 1993; Vermillion 1991]. Non-government organisations have long worked with local communities to enhance their natural resource management capabilities. Current experiments often involve collaborations between state governments and major donors such as the World Bank.[5]

The above efforts still have a long way to go. In the water case, irrigation system turnover to local communities is only in the experimental phase—long-term results are not yet in. Excluding a few scattered instances, possibilities for community management of ground water resources remain theoretical. In many areas communities have developed organisations for managing ground water extraction—actual management of the resource to control depletion is, at best, rare.

Despite the lack of experience with managing ground water resources on a large scale through local "participatory" organisations, the overall tendency in current water resource management thinking is toward greater participation. As Vaidyanathan comments in the case of surface irrigation: "A management system with full user participation and control requires a radical departure from present arrangements. Although it will take time to accomplish, such a system should be the ultimate goal" [Vaidyanathan 1991, p 19] Although there is intense debate between those who favour Vaidyanathan's position and those who are more sceptical of local management capabilities, legislative structures need to provide avenues for participation and local management. Unless this is done, there is little possibility for tapping and testing the well of local initiative that could generate management solutions to many emerging problems.

As currently written, the Model Ground Water Bill would greatly limit participation by users in management of the resource. The proposed "Ground Water Authorities" would, as defined under Section 3 of the Model Bill, be dominated by officers from technical departments appointed by the state. There is no provision for user representation in the Authorities. Notification of areas is also controlled by the state and the Ground Water Authorities under Section 5. There is no provision for user involvement in defining the areas to be notified. Decision-making power over the creation of new wells and how water from old wells is used is also allocated to the authorities under Sections 6, 7, 8 and 11. Users are, in fact, explicitly excluded from direct power to influence management decisions by Section 18 which excludes prosecution for offences under the act without written consent of the authorities and by Section 22 which excludes actions taken under the act from civil court jurisdiction. In sum, the Model Bill does not envision user participation in management decision-making and seeks to limit the scope for user interference as far as possible. This runs directly counter to the widespread efforts to increase user involvement in the management of natural resources in India and worldwide.

The lack of scope for user involvement limits the ability of the state to take advantage of local concerns and initiatives. Numerous examples exist of communities and non-government organisations initiating actions to address local ground water problems. In Maharashtra, the Panni Panchayat experiments have received substantial publicity [Sathi 1989]. In Gujarat, MAHITI, AKRSP, SVRTI, VIKSAT and the Mehsana District Dairy Cooperative are all directly involved in efforts to help rural communities manage their ground water resources.[6] Similar efforts are occurring in numerous other states. While none of these efforts represents a full response to emerging ground water problems, on a local basis they have achieved far more than has been achieved through the past 20 years of attempts to pass ground water legislation.

Aside from the lack of mechanisms for tapping local initiative, significant equity concerns would emerge if the Model Bill were enacted and implemented. Regulatory structures the world over are rarely equitable. In the western US water laws and regulations

have been regularly criticised for tending to favour current users over others. In India, regulations are easily bypassed by those for whom wealth and status provide access to high level officials and the political structure. As a result, despite the provisions for small and marginal farmers, limitations on ground water use or well drilling would tend to disproportionately limit access for less wealthy sections of society. Provisions for the protection of small and marginal farmers could even increase inequity. In many cases the wealthy are able to have themselves classified as "small" or "marginal" and thus gain a substantial share of the benefits from regulatory exemptions or subsidies intended to assist the poor. Even if applied equitably, the structure of penalties for breaking provisions of the act is inherently inequitable. The Rs 500 fine authorised under Section 19 of the Model Bill are insignificant for a large farmer or business owner but may represent several months earnings for a small farmer. Furthermore, since the size of the fine is not explicitly tied to the magnitude of the violation, a small farmer could, theoretically, face the same penalty for unauthorised irrigation of one hectare as a large farmer would face for unauthorised irrigation of 100 hectares.

The equity concerns discussed above, which are admittedly common in any regulatory approach, are compounded by the concentration of power advocated by the Model Bill. In it, regulatory powers and sole authority to hear appeals are concentrated within the Ground Water Authorities. There is no independent forum of appeal for those whose interests are not represented within the authorities. Furthermore, ground water authority members are unlikely to represent all sections of society. Under the bill, members of the Ground Water Authorities are to be appointed by the government. Representatives from government technical organisations are the only group specifically indicated for membership on the authorities (Section 3). These individuals are likely to represent wealthy, well-educated, sections of society. As a result, the potential for inequitable application of regulations is great.

In a sense, one of the greatest issues in the Model Bill is the way in which it represents a continuation of the fragmented approach to water management prevalent throughout India. The organisational structure of water management in India is highly fragmented. Irrigation, rural drinking water, industrial water supply, municipal water supply, pollution control, and ground water are generally under completely independent agencies. In addition, other departments (such as agriculture, forestry and rural development) control programmes influencing water resources. Government departments often compete with each other and departmental loyalty is highly emphasised among employees. As a result, despite frequent formal attempts to encourage co-operation, effective co-ordination between departments is rare.

The formation of Ground Water Authorities proposed under the Model Bill appears to extend this fragmentation by setting up another, independent, government organisation with responsibility for a small fraction of the larger water management needs. As proposed, the authority would only have power to influence extraction and, potentially, use of ground water. It would have no authority to influence ground water supply either by initiating recharge activities on its own or by co-ordinating the actions of other agencies who's activities influence recharge. It would also have no power to regulate the range of activities that influence ground water quality. Industrial pollution, seepage from municipal sewers and agricultural return flows may be as important as the amount of ground water extracted in determining effective ground water availability. Water which is too polluted for a given use is unavailable. Approaches to ground water management that do not encompass quality are partial at best.

Overall, the Model Bill would probably exacerbate rather than reduce fragmentation issues. Given the competition which typically exists between departments, provisions for representation of the different technical organisations on the Ground Water Authority (Section 3) are unlikely to result in co-ordinated approaches to addressing ground water problems. Furthermore, with authority only over extraction and use, the two major vectors of supply and quality are likely to be ignored.

Beyond fragmentation, the Model Bill is very limited in the approach it takes to controlling ground water extraction and use. It focuses solely on developing administrative control mechanisms for regulating ground water use directly and misses the potential management opportunities represented by water markets and indirect economic levers.

The potential use of economic levers and water markets to achieve management objectives is a major trend in current water management thinking. Recent reviews of India's irrigation sector are highly critical of energy and water price policies that encourage inefficient use [World Bank 1991]. Economic levers—prices, taxes, subsidies, and market structure regulation—are increasingly viewed as key to achieving water management objectives. Direct attempts at control via regulation are increasingly recognised as drawing on only one of a range of management options available. Water markets may also be key. Research in India documents the access water markets can provide to individuals or groups lacking the capital to construct wells of their own [Shah and Raju 1987; Shah 1989a, b, c]. In other parts of the world, water markets are increasingly being used as mechanisms for efficiently redistributing water to the highest value uses—particularly during times of scarcity [Moench 1991]. Attempts to influence ground water use via shifting the agricultural market structure via, for example, the provision of marketing facilities for low water use crops and limitations on these facilities for high water use crops, are also being discussed in India.[7]

By taking an approach that seeks to regulate ground water use and extraction directly, the Model Bill does not encourage the use of market mechanisms. Furthermore, while no specific features of the bill appear to be fundamentally incompatible with the development of water markets, the institutional momentum created could be. Once a structure designed primarily for centralised regulation is in place, the tendency will be to respond to ground water problems by attempting to place further controls on use. Market-based approaches would, in contrast, suggest a flexible administrative structure designed to facilitate private transactions shifting water to the higher value-lower volume uses. Regulatory powers would still be needed to address social and environmental externalities but they would come into play primarily in cases where less direct management efforts were clearly failing.

The approach created by the Model Bill would probably be inflexible and unresponsive to local conditions. As currently conceived, the Ground Water Authorities would make management decisions based on the deliberations of their members at the state level. Being from government organisations, the members would be accustomed to dealing with management issues within standard administrative boundaries—the panchayats, blocks and districts. These units are often fundamentally inappropriate for water management [Moench 1992a, b]. Ground Water problems vary greatly both in their nature and scale. Some could be addressed by actions influencing a single micro-watershed. Others require management over large areas containing tens or hundreds of villages and incorporating large municipal areas. Effective management probably requires approaches based around natural units—the watershed or aquifer.

Physical variability is not the only issue. Social conditions also vary. In most instances, regulation under acts such as that proposed by the Model Bill tends to follow a "blueprint" with similar sets of controls being implemented in each area. Specific management approaches may, however, find local support in some areas while not in

others. With no avenues for participation of water users, information on the degree of local support is likely to come primarily in negative ways—by local resistance to implementation actions. The lack of avenues for local involvement is also a missed opportunity. In many areas, non-government organisations and communities are actively involved in ground water management. The Model Bill provides no scope for the utilisation of local management capacity in those areas where it already exists.

In sum, as proposed the system is not designed to flexibly respond to the variety of local conditions, both physical and social, that are likely to determine the success of management actions.

A final concern in the approach taken by the Model Bill is its lack of cognisance of water rights issues. The bill flows from the authority of individual states over water resources under the Indian Constitution. Constitutionally water is a state subject. In addition, the Easement Act and Irrigation laws "proclaim the absolute rights of government in all natural water" [Singh 1990, p 50]. The view of water as a "state" resource is in direct conflict with the position of ground water under English common law as a chattel to land. The proposed bill would strengthen the state's formal claim over ground water but would do little to practically enforce that claim. This could strengthen the view, already all too often encountered among users, that water problems are the "state's problems", not those of the users, and that the state should solve those problems.

Emerging ground water problems will, at some point, force consideration of water rights issues [Bhatia 1992]. Already, agricultural users are in direct competition with drinking water supply schemes in some areas [KON, GOI and GWSSB 1992]. The national water policy gives first priority to drinking water but there is no legal way of enforcing this. Rights other than the simple link between land and access to the underlying ground water are gradually being defined on the *de facto* basis of capture and administrative reallocation. The Model Bill, if enacted, would simply perpetuate this process of *de facto* changes in right structures rather than examining the underlying issues and addressing them in an internally consistent manner.

Lack of a clear rights structure inhibits management. On one level, the historical link between land ownership and a fundamental "right" to extracting ground water forms an entrenched position for opposing the state's regulatory attempts. On another level, lack of clear water rights is likely to limit the development of management approaches based around markets (clear use rights are required for transfers to occur). It also weakens the ability of less well off sections of society to protect their access to or interest in ground water resources. The basic "right" of individuals to water as a requirement for survival goes unrecognised.

III
Towards a New Structure

The broad range of issues pointed out in India's model ground water legislation are common in attempts to address the degradation of natural resources. Alternatives to greater control by the state are rarely implemented. As each new problem arises it either goes unattended or another regulation is promulgated to deal with it. The tremendous diversity of problems and situations leads either to a maze of regulation attempting to address ever more micro levels of detail or to a situation where regulations designed from afar are applied in contexts where they have little if any meaning. Detailed regulations are unlikely to be implementable and have the range of issues discussed above. Less detailed regulations will not address the highly location specific nature of most ground water problems and management options. Frameworks seeking to encourage and enable the evolution of local management systems may represent a way out of this basic contradiction.

Legislation to provide a framework for addressing emerging ground water problems is essential in India. The framework created may need, however, to act as a flexible superstructure which enables the flexible development of a range of management approaches suited to local situations rather than attempting to directly control uses. The creation of such frameworks is the fundamental component of the "enabling approach" this paper argues for.

An enabling approach deserves consideration for several reasons. First, both the physical characteristics of emerging problems and the social management context vary greatly at a local scale. Given this variation, neither uniform management approaches nor uniform organisational structures are likely to be effective. As Arya and Haque comment: "the appropriateness of an organisation would vary from region to region and therefore, each such organisation has to be developed keeping in view the local needs and responsiveness of the farmers" [Arya and Haque 1989, p 4]. Second, as the preceding quote and my comments on the Model Bill indicate, implementation of any management system requires local support. Support tends to come where local communities are directly involved in the development of management systems. Since it is extremely unlikely that a uniform structure will find support in widely differing communities, the legislative superstructure must be capable of accommodating the variation that will accompany true participation. Third, given this variation, the superstructure needs effective mechanisms for co-ordination so that ultimately water problems are addressed in an integrated manner. Finally, fourth, an enabling structure will allow society and the state to tap into whatever local initiative exists to deal with emerging environmental problems. The current Model Bill provides no avenue through which this initiative or the skills and knowledge existing in local communities can be focused on emerging problems.

The role of legislation and law as enabling frameworks underpinning the evolution of management systems rather than as attempts to create unified regulatory structures is not widely discussed. I know of no case where legislation and legal structures have been explicitly designed to encourage the emergence of diverse natural resource management systems intended to address local conditions. This role is, however, implicit in the way laws and legislation are often used in US water management debates. As a result, the US case provides insight into how an enabling approach might be framed.

Western US Case

Legislation and law in the western US are, in many ways, not utilised as ways of specifying 'solutions' to management problems but more to create frameworks within which interest groups can negotiate and implement management actions [Moench 1991]. The enabling framework that has emerged in the US has four primary components: (1) a rights structure; (2) independent negotiating forums; (3) recognised and common organisational formats for management; and (4) a strong governmental role in data collection and dissemination. The nature of each of these components varies greatly from state to state and sometimes even within states. The discussion below attempts to capture some of the key elements I see as of potential relevance for the Indian context—it is far from comprehensive.

The legal structure of water rights is a key feature in any enabling framework. How water rights are defined often determines the objectives of water management, the range of factors taken into consideration and who has standing to participate in management debates. The structure of water rights varies greatly between regions in the US. Although it is beyond the scope of this paper to examine this variation in detail, several elements seem important.

Ground water use rights in the US are often linked with land ownership as they are in India. In some areas, these rights are

modified by beneficial use, reasonable use and correlative right concepts. The beneficial use concept, where it applies, limits uses to those society defines as 'beneficial'. In practice this has included almost any non-malicious use. Reasonable use concepts limit individual rights a bit further by restricting rights of capture to overlying uses unless injury to other overlying owners can be avoided.[8] Correlative rights represent an effort to extend reasonable use concepts and specify them in detail. They have three components: "(1) overlying owners are entitled to no more than their fair and just proportion for on-site uses; (2) as between transporters out of the basin, first in time is first in right; and (3) overlying users have priority over transporters" [Goldfarb 1989, p 45].

The modifications in simple capture rights represented by beneficial use, reasonable use, or correlative rights concepts represent substantial steps toward enabling the initiation of management. Where rights of capture are unmodified, overlying landowners have a right to use as much ground water as they wish. This effectively limits the standing of other landowners or non-landowning portions of the population to influence ground water use or extraction. By limiting ground water extraction rights to "beneficial" uses, an avenue is opened for arguments against uses that do not meet goals defined by the wider society rather than just the individual landowner. While, in the US context, "beneficial" uses have been very broadly defined to include virtually any use except for maintenance of instream flows, the term itself is subjective and could be dependent on context. The term "beneficial" potentially creates a mechanism to limit private rights in ways that account for a variety of social concerns relating to how the water under question is used.

Reasonable use concepts extend social limitations on rights of capture beyond issues in how the water is used. It is no longer just a question of whether the use in question is "beneficial" but whether extraction for use away from overlying lands impinges on others use rights. Standing is, thus, created for society to intervene not just in how water is used but, if extraction for use away from overlying lands is causing damage, in how much individuals can extract. Finally, correlative rights, by limiting landowners extraction to a "fair and just proportion" of the available resource, create a foundation for social allocation of the available resource between competing users. This creates standing for an overall evaluation of the resource and the development of management plans even if damage has not already occurred.

The case of Texas provides a practical example of how such legal limitations on rights can be useful in enabling the initiation of management. In Texas, a prohibition against "waste" forms the primary restriction on use. This enables local individuals and/or the local ground water districts to initiate legal action against those who are unwilling to conserve [Moench 1991]. Waste is a subjective concept. It depends on both water availability and use patterns. A low cost, but inefficient water application technology could be seen as 'beneficial' and 'reasonable' where there is no shortage, but as 'waste' when the resource is limited. As water has become scarce, the flexible definition of 'waste' enables individuals and water management districts (local quasi-governmental administrative authorities) to encourage continued adoption of ever more efficient water use technologies and management practices. Legal action in Texas to enforce anti-waste provisions is rare. The threat of--and potential costs associated with—legal action do, however, provide an incentive for individuals to co-operate with conservation goals.

Beyond limitations on capture contained in how private rights are defined lies the concept of public trust. This concept could serve as a key component in an enabling approach. In the US, public 'ownership' of water finds partial legal expression in the Public Trust Doctrine (PTD). This doctrine was founded initially under English common law in the King's sovereign power over navigable waters. The central idea underlying it is that the state holds particularly valuable public uses in trust for its citizens. As Bird states

> The rationale for claims of right coming from PTD is that certain natural resources are so intrinsically valuable to the public that they cannot be owned by any person. Those resources are considered to be gifts of nature that ought to be preserved for the whole of the populace, their peculiarly public nature makes their adaptation to private use inappropriate [Bird 1986, pp 66-67].

Since uses are held in trust, "the state can not wholly alienate such uses, and private users cannot obtain vested rights ... that are paramount to public uses" [Walston 1989, p 585]. Because public uses are held in trust and cannot be alienated, no compensation is required when 'private' rights must be reduced in order to preserve public uses.

Public trust concepts have never been explicitly extended to the ground water context. Concepts of inalienable public rights to water resources do, however, underlie most state regulatory and management attempts in the US. Similar concepts could serve as a foundation enabling action by a wide range of organisations in India if they are articulated in ways that provide standing for NGOs and communities as well as government entities to participate in ground water debates.

Overall, rights definitions that are qualified using concepts based on social goals can enable the participation many groups in the management debate by giving them specific standing. At present, landowners can drill where they wish and pump as much as they wish. Attaching beneficial use, reasonable use, correlative or public trust limitations on their right to do this is in effect, a statement that others in addition to overlying landowners have rights with respect to ground water and that these rights must be taken into account. This lays a conceptual foundation that enables interventions to protect both individual and wider social interests.

Transferability of water rights has become a central point in the US ground water management debate. In the western US, markets are viewed by many as the most efficient mechanism for reallocating water to meet both short- and long-term needs [Sax, Abrams and Thompson 1991]. During droughts, the presence of a water market can allow short-term water transfers to high value uses, such as drinking, while at the same time compensating those from whom water is transferred. Similarly, the presence of a market in which basic water rights can change hands enables new uses to emerge while protecting old users from a sudden—and often uncompensated—administrative reallocation of a basic resource on which they depend. Despite these potential advantages, water transfers often have major side effects. In many areas, water availability is heavily dependent on return flows or seepage from other uses. If primary users are able to transfer water, third parties dependent on the return flows often lose. Third-party effects of transfers can extend beyond the immediate body of right holders. Major transfers of water out of basins or regions are often perceived as undermining the local socio-economic base [Macdonnell and Howe 1986; Checchio 1988; Shupe 1988; Nunn and Ingram 1988; Oggins and Ingram 1990; Woodard 1990]. This has become known as the "area of-origin" problem. When water is transferred out of a region, the economic activity it supported can go with it. Similarly, many environmental values—from the maintenance of stable water tables to wetlands—can be affected if water transfers become common.

Overall, water rights must be defined in a transferable manner if markets are to play a major role in water management. At the same time, transfer rights must be defined carefully if third parties are to be protected. All states in the western US now follow a "no injury" rule with regard to water transfers [Sax, Abrams and Thompson 1991].

This often results in extensive regulation of transfers which increases transaction costs greatly. To meet both efficiency and wider social goals through market mechanisms necessitates the definition of water use-rights in ways that are transferable and yet minimise the transaction costs and third-party effects of transfers [Emel 1987].

Translating standing and the presence of social limitations on private rights into the power to initiate or modify management practices requires a forum for the rights to be exercised and enforced. In the US, the court system provides the ultimate forum for dispute resolution. Some states, such as Colorado, even have special water courts that deal with a range of specific water rights issues [Sax, Abrams and Thompson 1991]. Courts are, however, not the only forum through which rights disputes are resolved. In many cases, the presence of rights and the threat of long, expensive, legal processes are sufficient to force interest groups to reach agreements through negotiation or arbitration. Negotiated management agreements representing compromises between a wide variety of local or regional interests often result. These negotiated solutions frequently lead to divisions of management authority so that various interest groups have a continuing say over management decisions [Water Strategist 1990; Shupe 1986]. This approach enables the gradual evolution of management systems that reflect local conditions and are flexible in the face of change.

In the US, special 'districts' with quasi-governmental status are the most common form of water management organisation. Many of these are primarily concerned with irrigation. Despite the single name, irrigation districts are far from uniform. They often have a specific array of structural features, powers and functions matching the desires of their local constituents. As a result, the irrigation district "model" provides a good example of an approach that enables the development of management organisations closely tuned to the local context.

Despite the widely varying nature of districts, certain structural features are common to most. Sax, Abrams and Thompson (1991) have outlined these well. According to them:

> To form an irrigation district, a majority of landowners within the boundaries of the proposed district must normally petition local officials. Most states then investigate and report on the adequacy of the proposed district's water supply, although typically the report is purely advisory. A formation election is finally held, at which a majority of the proposed district's residents—in some states, two-thirds or more of the residents—must approve the idea.
>
> Once organised, the district can appropriate water, construct reservoirs, canals, and other irrigation works, and distribute water for a fee to the district's residents. Most districts also have the authority to engage in related functions such as the production and sale of hydroelectric power. Districts moreover enjoy a number of uniquely governmental powers including the power to (1) assess (i e, tax) property within the district, (2) condemn property (including water rights), and (3) issue bonds the interest of which, under current tax laws, is exempt from federal income taxes. Because irrigation districts are technically subdivisions of the state, they are also exempt from state property tax."

Districts are governed by their boards of directors, the members of which are generally elected by the districts landowners [Sax, Abrams and Thompson 1991, p 628].

Not all districts or district like management entities are formed by votes of the populace. The Arizona Groundwater Management Act (one of the most comprehensive regulatory pieces of legislation dealing with ground water in the western US) enables the designation of "Active Management Areas" (AMA)—effectively management districts. This is done in three ways: (1) legislation; (2) designation by the director of the department of water resources; and (3) by petition and vote of the local residents [Sax, Abrams and Thompson 1991]. By identifying different avenues for AMA formation, the act enables the formation of management entities to be initiated either by individuals at the grass roots level or by the legislative and administrative branches of government.

In addition to similar methods of formation and a common array of quasi-governmental features, irrigation districts generally have rules for water distribution that allow discretion during periods of shortage and often enable reallocation as changing needs require [Sax, Abrams and Thompson 1991, p 629]. In some cases, they also provide regulatory structures that allow water trading through market processes. District enabling legislation also often attempts definition of the individuals and groups with standing to participate in and/or initiate management debates. These might be landowners or the residents of a proposed area.

Data are a fundamental currency for management. Without information on ground water resource characteristics and use patterns it is often impossible to detect emerging problems and certainly difficult to devise appropriate management solutions. In India, ground water data are generally viewed as the private domain of government agencies. Their distribution is often restricted due to political sensitivity and the general proprietary approach followed by government agencies to anything they can control [Singh 1983; Dhawan 1990b]. While the availability of ground water data in the US is far from perfect, both the state agencies and US Geological Survey produce large amounts of data. Dissemination of this data to interested parties is generally unrestricted.

Access to information for all parties is often a key factor in the evolution of management agreements. A common understanding of physical relationships and the probable effects of different management actions provides a basis for negotiating agreements. As Baker and Romm point out: "Until the benefits of co-operation can be quantified for each party, it is not feasible to expect a user or user group to invest resources in the co-operative effort" [Baker and Romm 1990, p 6]. This leads them to view technical inputs such as hydrologic models as neutral "negotiating texts" that enable different interest groups to reach common agreements on management needs and appropriate actions

Potential Applications in India

Although the experiences with ground water management in the US cannot be transferred directly to the different environmental, socio-economic and cultural context of India, key elements may be relevant.

The role of rights definitions as key factors determining the ability of different interests to have a say in water management seems fundamental. Although the importance of formal rights definitions is often discounted in the Indian context, perceptions of rights do play major roles. As Walter Coward found in a study of khul systems: "rules actually are useful in structuring the broad relationships among the various groups and individuals with a claim to water..." [Coward 1990, p 83]. In this case, the right structure formed a basis for determining maintenance responsibilities as well as water allocation. In my field work, individuals often express the conflicting views that they "have no right to influence how an individual uses water from his well" but do have a "right to protest actions that damage their wells or the resource in general " Legal rights definitions that strengthen the second of these perceptions would support a communities ability to challenge individual uses and, thus, could enable the initiation of community-based management actions.

The issue of rights definitions in India seems important from another perspective. Water transfers are common. In Gujarat, most surface irrigation projects are now linked to municipal supplies.[9] Well fields developed to supply drinking water to 200+ km long pipeline projects are in direct competition with surrounding agricultural users [KON 1992]. In some coastal areas, farmers affected by saline intrusion are

purchasing land inland and piping ground water out to their fields [Bromley 1989]. These transfers are occurring on an *ad hoc* basis with potentially large impacts on users. In some cases, farmers are losing access to the basic resource required for productive agriculture. In other cases, agricultural users undermine drinking water projects designed to meet the survival needs of communities. In the absence of a rights structure that addresses transfer issues, existing users have no claim to compensation if a resource essential for their physical or economic survival is captured by others. If rights structures that allow water transfers and account for third party impacts can be designed then water markets could address both transfer needs and provide a source of compensation to those whose access to water is reduced. While rights issues are complex, they seem central to addressing emerging ground water problems in India.

The existence of an independent dispute resolution forum also seems to be fundamental to enabling the development of local management approaches. Rights have little meaning unless they are to some extent enforceable. Furthermore, if dispute resolution authority is held by an organisation directly involved in ground water use or management, the potential for biased decisions increases. This is likely to undermine the willingness of different interest groups to co-operate with management decisions. Since, in the Indian context, state enforcement of management decisions affecting ground water use appears impossible, the co-operation of local communities seems essential. Independent, impartial forums through which the range of actors can negotiate thus seem central to the development of effective management systems. Provisions such as those in Section 23 of the Model Bill that ban the involvement of the civil courts run counter to this need. While civil court system functioning in India is problematic, some independent forum seems essential.

While rights and forums for expressing them are important, they are unlikely to have much impact unless information on resource condition is generally available. Individuals in India are generally well aware of falling water-tables or declines in water quality on a very local scale. Overall understanding of resource dynamics is, however, often limited. Given the general level of education and technological availability, engineering approaches involving hydrologic models may be of limited use for local communities in India. Some common understanding of emerging problems is, however, essential as a basis for agreement on management needs. As part of an enabling framework state and central government organisations in India could play a role similar to that played by the Geological Survey and state technical organisations in the US as major sources of technical information for all interested parties.

Finally, the presence of recognised institutional forms for management seem would seem central to any basic enabling framework for India. The "district" model is an example of this in the US case.[10] Although the nature of districts varies greatly, the basic model represents a recognised and accepted form of management organisation with: (1) a range of quasi-governmental powers the organisation can draw on; (2) financing mechanisms for organisation support; (3) mechanisms for organisation creation; and (4) a means for specifying the range of activities an organisation can take on.

No institutional form similar to the district exists for natural resource management in India. Village co-operatives are often formed to manage natural resources on a very local basis. Major problems have, however, been encountered with this form of organisation. Natural resource management often is not an income generating activity. Co-operatives also do not typically have the quasi-governmental powers either for fund raising or for enforcing management decisions that are commonly associated with the US districts. As a result, natural resource management cooperatives are often ineffective.

Net Result

The combination of rights definitions, dispute resolution forums, data availability and the "district" model that underlies management institution development in the US does not represent a comprehensive framework enabling appropriate management responses to emerging problems. Many workers might, in fact, disagree that any ground water management framework exists at all. It is, as David Getches (1984) comments a "fragmented system". Although the legal and legislative superstructure contains many concepts and provisions that enable the development of local management systems, the net result does little to insure that local approaches coalesce into rational management responses at higher levels. Fragmentation reflects a long history of un-coordinated local decisions. It does not the outcome of a co-ordinated effort to create an overall system designed with the specific purpose of enabling the evolution of locally responsive management approaches.

I am unaware of any attempt to define the key components required for a more comprehensive enabling approach. The following section represents a very preliminary and admittedly partial attempt to do this.

A range of components seem important for creating a framework that would enable the evolution of management approaches and institutions that are both responsive to local conditions and result in an integrated approach to water management needs at a higher level. These components include, but are not limited to, those I have outlined above that appear to be important in the US case. They consist of:

— Rights structure that voice social imitations on private uses, recognise the standing of individuals and local organisations and yet allow for water transfers;
— Neutral negotiating and dispute resolution fora;
— Mechanisms for initiating the process of management area formation;
— Recognised management organisations with access to a clearly defined set of powers and financing;
— Structures for information generation and dissemination;
— Mechanisms for co-ordination.

Clear definition of basic rights and the standing of individuals or organisations to protect those rights is essential for the development of management systems.[11] In addition, where scarcity is an issue, rights are likely to come in conflict. Some mechanism for ranking rights is therefore essential

As previously noted, concepts such as beneficial use, reasonable use, correlative rights and public trust provide for the expression of interests beyond those of the individual in how water resources are used. In India, the national water policy ranks water use priorities with drinking needs first, followed, respectively by agriculture and industry. While this policy does not have the force of law, it represents a ranking of social objectives that place basic survival needs over other uses. Individual rights to pump ground water from below their land are still unchallenged.

An overall water rights approach that defines individual rights clearly and transferably yet limits on them through a combination of: (1) public trust, correlative rights, beneficial use and reasonable use concepts and (2) a ranking social objectives (as the national water policy does) could lay the foundation for negotiating water management approaches that represent the interests of both individuals and the wider society.

Defining rights on a volumetric basis (as many states in the US attempt to do) would be extremely difficult under Indian conditions. An alternative would be to continue to define rights on the basis of capture but limit them to uses that are beneficial (not wasteful) and reasonable (not infringing on the rights of other individuals

or the society). Social interests could be protected through a Public Trust approach. "Public Trust" rights might include: (1) the right of succeeding generations to a basic ground water resource system undiminished in quantity or quality and (2) the right of populations to sufficient water to meet survival needs. It is important to note that, in addition to narrow protection of public interests, careful definition of "public trust" rights could provide a foundation for integrated water management.

For the rights foundation to be effective, individuals and organisations would need recognised standing to defend their rights or the rights of those they represent. In India, water is constitutionally a state subject. State governments and bureaucracies generally seek to minimise the ability of individuals, local communities and other organisations to intervene in water management debates or activities. This leads to centralised approaches which are unresponsive to local needs, conditions, or perspectives. As a result, a clear definition of standing for individuals, communities and NGOs to participate in water management debates seems essential to the basic enabling framework.

The need for an impartial and independent dispute resolution forum as a basic element enabling local management has already been discussed in detail. It is important to recognise, however, that an appropriate forum could do more than just enable management. By providing an avenue through which a variety of local interests can express their needs and concerns, the forum could go a long way toward addressing equity issues.

As previously noted, in the US the courts usually provide the ultimate dispute resolution forum. Other forums—independent arbitration services, local water courts, or elected boards representing the full range of water interests—could potentially be appropriate in the Indian context. No single forum may be appropriate in all situations. Major procedural delays and corruption are acknowledged to limit the viability of using the civil court system for resolving water management disputes. As a result, a general enabling framework might provide for the formation of local dispute resolution forums of a type negotiated by all interest groups within an area proposed for management. This could be done under the auspices of a permanent state level forum.

The presence of a rights structure and dispute resolution forum would create one avenue for the identification of areas where management is needed. Disputes would, presumably, arise in sites where emerging resource problems have significant impact on use values. The process of negotiating a solution would then lead to identification of problem area and the creation of some management solution intended to address them. This approach is, however, limited. In many areas where the overdevelopment of ground water is occurring disputes do not immediately arise. Long-term declines in the water-table may not, for example, generate disputes because they do not necessarily influence the amount of water individual well owners are able to extract. Declines may, however, indicate unsustainable extraction patterns that would result in long-term damage to the basic resource. As a result, reliance on disputes as the sole mechanism for initiating water management debates is unsatisfactory.

An enabling framework could create several avenues in addition to the emergence of disputes for initiating the process of management area identification. Process triggers could be based on a set of physical or environmental indicators and/or on the interest of local users in initiating management.

The previously noted case of Arizona provides alternatives to dispute initiated formation. There, management area formation can be initiated by a petition and vote of local residents, the state Department of Water Resources (DWR), or by the legislature. Where residents recognise and wish to take action on an emerging ground water problem they can file a petition for a management area to be formed. This petition is then voted on by people in the proposed area. If the petition is approved, the process of area formation goes forward. Where local residents are not coming forward, the director of the DWR is authorised to initiate management area formation by showing "that active management practices are required to preserve ground water for future needs, or that the current withdrawals are causing subsidence or diminution in ground water storage capacity, or that degradation of ground water quality is occurring" [Sax, Abrams and Thompson 1991, p 497].

Overall, an enabling framework should probably seek to identify a variety of avenues for management area formation. In some cases, local residents may display a strong concern over emerging problems. Where this concern exists, avenues that enable initiation through local action are likely to encourage support for both the organisation that emerges and for any management system it develops. In other cases, local groups may not be interested in initiating management and the state needs to retain the option, where specific problems are clearly emerging, for initiating action to protect larger social interests.

Finally, in addition to identifying avenues for management area formation, any enabling framework needs to ensure that proposed areas will form effective management units. Administrative and political boundaries often do not match hydrologic boundaries. Ensuring that management areas are defined in ways that reflect the underlying hydrologic system is essential if emerging problems are to be addressed effectively. Reviews of the hydrologic viability of proposed management areas should be an integral part of the formation process.

Management Organisation

Management cannot occur in the absence of organisations with recognised authority and powers for influencing resource use. The organisations also must be self-sustaining. To do this their structure and powers must be compatible both with the range of functions they are expected to take on and with the modes of organisation their initiators are comfortable with. They must also have clear source of financing to support their activities and staff.

Since needs and functions will vary greatly from site to site, any framework intended to enabling locally appropriate management structures needs to identify a range of acceptable organisations for ground water management. No single organisation format is likely to match the range of conditions present in all local situations. Potentially appropriate organisation types include: (1) quasi-governmental "districts"; (2) co-operatives; (3) companies, partnerships, utilities and other "private" institutions; (4) trusts, and (5) government agency.

The organisational format most appropriate in any given situation is likely to depend heavily on management needs and community interest. Where, for example, protection of a specific area is required to meet the drinking needs of an individual community or provide a drought reserve, trusts with management powers to protect these needs could be the most appropriate institutional format. Where water distribution is the issue and potential for income generation through the provision of services exists, co-operatives or private organisations could be applicable. A "district" approach might appropriate in more complex situations where income generation possibilities are limited and large-scale, integrated, management activities are necessary. Finally, management through government agencies could be essential where scale or local disputes constrain the ability of local groups to negotiate effective approaches. Overall, legislation seeking to enable the evolution of management institutions suited to local conditions should provide formal recognition for a variety of organisational structures.

Beyond the question of organisation structure lie the questions of financing and management powers.

Organisations do not last unless they have clear sources of revenue. Either the services an organisation provides must be capable of generating income or it must be capable of raising funds through other means. As previously noted, in the US districts have taxation powers. Many of them also generate income through sale of hydroelectric power or water fees. Government funding is also provided in some cases. In India, community contributions are widely viewed as critical to the effectiveness and sustainability of local resource management efforts. Unless individuals contribute directly to the management organisation, there is little sense of local ownership or of responsibility to co-operate with management efforts. As a result, financing mechanisms should probably depend on local sources of revenue as far as possible.

In addition to financing, access to authority—recognised powers—is essential for management to occur. the types of power appropriate to allocate to an organisation will depend both on organisation type and management needs. They are likely to vary greately. In some cases, realtively non-controversial powers—the authority to raise funds for construction of recharge structures, education, technology diffusion, etc—may be sufficient. In other cases, effective management may require the development of permitting systems, extensive monitoring, well and extraction regulation, and water reallocation mechanisms.

An enabling framework will probably need to contain recognised set of powers potentially useful for ground water management and mechanisms for different organisation types to draw on those powers. One approach might be to define the range of activities different organisation types are likely to undertake and define the range of powers they may need accordingly. Actual authority to use specific powers could be enabled via inclusion in the organisation's bylaws. This approach might, for example, result in a hierarchical power structure where private and co-operative organisations have the authority to distribute water within specific service areas, trusts can limit use within a region to protect specific interests, and districts have the authority to develop overall management plans and promulgate regulations to enforce them Another approach might be to develop a 'smorgasbord' of potentially useful powers and then create mechanisms for different organisations to gain the authority to utilise specific ones. As the degree to which powers could restrict individual or group use rights increases stronger mechanisms are required to ensure that the powers are actually needed and equitably applied. The approach could, for example, contain general authorisation for any organisation to undertake educational or other non-invasive activities. Licensing, permitting, extraction regulation, authority to encourage or regulate water markets, and other powers having a strong potential to limit individual uses might require approval by the local population (via a vote) or authorisation based on clear demonstrations of need through the independent dispute resolution forum. Finally, rather than identifying potential powers in advance, the approach could be to allow local organisations to identify whatever powers they need and focus instead on creating a mechanism through which powers could be created and approved both by the state and community.

Whatever avenue is developed, the overall goal should be to create a flexible system containing a series of checks and balances through which organisations can gain the authority and specific powers necessary to initiate effective management actions.

As noted in the discussion of the US case, data are a fundamental currency for management. An enabling framework needs, therefore, to create a system through which basic information on resource condition is made available to all interested parties. At present, many communities in India do not have access to the technical tools and training found in the US. Dependence on sophisticated hydrologic models—or even relatively simple analytical calculations—can limit the ability of these communities to engage in debates over resource condition [Moench 1992a, 1993a]. At the same time, many direct indicators of resource condition exist that are readily understandable even by illiterate groups. Villagers are generally unable to challenge the scientific accuracy of recharge and extraction estimates—but they understand the significance of dropping water tables and salinity increases.

An information system that generates data suited to different levels of user sophistication and distributes it widely could be a key element of an enabling approach. Maps indicating water-table and water quality trends or other basic parameters could serve as the primary coin for water management debates. Sophisticated modelling approaches would be used in a more limited range of situations where understanding of system dynamics requires their application.[12]

The existence of mechanisms ensuring that most activities influencing ground water condition are incorporated in management approaches seems to be the final basic requirement for an enabling structure. An enabling framework that attempts to generate a wide variety of different approaches suited to local conditions runs the risk of creating a "fragmented system". There is no assurance that local management systems, just because they are local, will take an integrated view of resource management needs. In many cases, local interests could generate management approaches that conflict with other local interests or regional management needs.

Conflicting approaches and organisations are an inherent problem in the current structure of water management in India. Individual agencies generally have responsibility for irrigation, ground water, municipal water supply, rural drinking water and so on. Often development plans are initiated by one agency that directly conflict with the actions of other agencies. There is no effective mechanism for co-ordinated water resource planning.

As part of an enabling framework, specific mechanisms need to be developed to ensure that local management is sufficiently comprehensive to incorporate the range of local issues and needs and minimise conflicts with neighbouring regions. A variety of mechanisms could be used to achieve this goal. The management area formation processes might, for example, mandate a review of water management needs, existing activities, and potential points of conflict before an organisation could be formed. This could be done both for the proposed area and for the surrounding region. Alternatively, all management organisations could be required to file regular management action summaries with an independent commission. This would review the summaries and, if any points of conflict were identified, have the power to require the organisation to resolve these by itself or through the dispute resolution forum. A third approach would be to rely on comprehensive rights definitions and the dispute resolution mechanism to gradually force the inclusion of all management needs into a single structure. This approach would require rights definitions that incorporate "public trust" or other concepts voicing broad social interests. It would also require the existence of organisations (such as environmental NGOs) with an interest in and formal standing to defend the public interest.

Many possible mechanisms for encouraging an integrated approach to ground water development exist in addition to those identified above. The main point here is that any structure that encourages the development of locally appropriate management systems needs some counter-balancing mechanism to ensure that these local systems are, if not in full harmony, at least not in direct conflict. This will necessitate the creation of some technically competent organisation at the state, and perhaps national, level with the authority to review local management approaches and initiate action (perhaps via reference to an independent negotiating forum) to

bring them into line with larger water management needs.

IV
Summary

A wide variety of ground water management problems are emerging in India. In some areas water-tables are falling rapidly, in others it is rising and in yet others quality is declining. Often problems show a high degree of local variation both with regard to their physical character and their causes.

Despite great local variation in the nature of emerging problems, proposed approaches to dealing with these problems are unidimensional. The Model Bill circulated in September 1992 by the Ministry of Water Resources proposes the formation of water management agencies with a single clearly defined approach and set of regulatory powers. This approach is likely to be unresponsive to the widely varying characteristics of local problems and may not be implementable. Furthermore, a number of equity, community participation, and rights issues are likely to arise if the approach goes forward.

This paper argues that, instead of creating a single centralised framework for regulating ground water, it may be useful to create a legislative superstructure that would enable and guide the formation of locally appropriate management institutions and approaches. Key elements of this superstructure could include: (1) rights definitions through which public interest in ground water use can be expressed and standing can be created for individuals or organisations to defend that interest; (2) a neutral negotiating and dispute resolution forum; (3) management area identification mechanisms; (4) recognised organisational forms for ground water management with associated financing mechanisms and powers; (5) a system for information generation and dissemination; and (6) co-ordination mechanisms to integrate local approaches with regional needs and counterbalance the tendency toward fragmentation inherent in decentralisation.

An enabling approach could create numerous opportunities for communities to participate in ground water management. By doing this it would allow society as a whole to tap into the wellspring of concern and management capabilities that exist both at local levels and in the government. An enabling approach would not immediately address the full range of fragmentation, environmental and equity problems that are emerging with regard to water resources. It could, however, provide a framework and set in motion a negotiating process that would lead to their ultimate resolution.

Notes

1 Greater than 65 per cent of available recharge in the first 36 taluks is extracted.

2 The 90-day restriction may be waived if the authority is "satisfied that the user was prevented by sufficient cause from filing the application in time" (Section 7).

3 Letter from the secretary in the Ministry of Water Resources to the chief secretary, Government of Karnataka, dated August 24, 1987.

4 Based on discussions with Electricity Board officials in Gujarat, Tamil Nadu and Karnataka in 1991-92

5 The World Bank is, for example, supporting irrigation turn over activities in Maharashtra and Gujarat

6 VIKSAT, AKRSP, MAHITI, and SVRTI are all non-government organisations working in the field of rural development and natural resource management.

7 Workshops held at VIKSAT, February 18, 1993 and May 17, 1993.

8 Reasonable use-rights are similar to (and derived from) the concept of *riparian* rights which applies to surface waters in many areas. *Riparian* rights allocate uses to lands bordering watercourses within a single basin. In principle, they entitle each riparian owner to "a stream flow through his land in its natural condition, not materially retarded, diminished, or polluted by others" [Goldfarb 1989, p 22].

9 Discussions with S C Sharma, chief hydrologist, GWRDC.

10 Mutual irrigation companies (owned by their stockholders) are also a common water management organisation in the US. There is no requirement for management to occur only through one type of organisation—multiple forms could have advantages

11 Including compensation for 'takings', the right to drinking water as taking precedence over the right to extract ground water from over lying lands

12 For further discussion of data and information alternatives see Moench (1993b)

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Towards a New Water Institution

Economics, Law, and Policy

R Maria Saleth

The widespread and persistent symptoms of an imminent water crisis are a clear testimony for the failure of our current water-related policies as well as the instruments and institutions through which they are implemented. It is now time to seek more durable, though politically harder and technically challenging, options like the institution of a water rights system. What is the status of the issue of water rights in current policy? What are the legal, economic, and physical characters and requirements that a water rights structure should satisfy? Do we have enough institutional and technical potential for instituting a water rights system capable of tackling the critical issue of water distribution between uses and users that too both across time and space?

I
Introduction

WIDESPREAD aquifer depletion in the ground water areas, waterlogging and soil salinity in the canal regions, and water and soil salinisation due to sea water ingress in the coastal zones are undeniable symptoms of an imminent 'water crisis' in India. The water crisis has both quantitative and qualitative dimensions the relative seriousness of which varies across regions depending on their demographic, agronomic, and geo-hydrological conditions. Although rapid demographic growth and expansion of water-intensive technologies and cropping pattern have aggravated the crisis, it is now widely recognised that the epicentre of the problem lies in the current social, economic and legal policies and the institutions governing the water resource development, distribution, and utilisation. Unless these policies and institutions are radically transformed and reoriented to focus on the hitherto neglected sustainability and equity dimensions of water resource development, the water crisis and the attendant water-related disputes are likely to culminate in still more diabolic economic, social and, even, political crises. Therefore, there is an urgent need to search for more durable, though politically and administratively harder, options like the institution of a water rights regime that could effectively limit and regulate both individual and collective water withdrawal and use both from surface and sub-surface sources. It is in this context that the national policy for the institution of an effective water rights regime assumes pertinence and significance.

The main aim of this paper, in this regard, is to address the following questions: Why do we need a national policy centred on a water rights regime? What are the economic rationale for a water rights regime? Where does the issue of water rights stand in current policy and literature in India? How do our current water institutions compare with those in other countries? What are the economic and institutional requirements that a water law reform should satisfy for establishing a technically feasible water rights regime in the Indian context? Could we outline an ideal or most desirable framework for a water rights structure consistent with our social ethos and development requirements? What are the institutional potential and prospects for actualising such a water rights structure? Although the main focus is here on the economic and institutional dimensions of these and related questions, their legal dimensions will also be addressed to the extent they have economic and institutional implications for the water rights system.

II
Need for Water Rights System

Although legal reforms are urgent in all spheres of environment and resources such as land, forest, energy and estuaries, water law reform assumes still more significance in view of the special role water plays in human survival and progress. Water not only caps the absolute needs of human beings (and also animals, plants, etc) but also forms the basic input for producing other basic needs like food and fish products as well as modern needs like power generation and navigation. Unfortunately, the irrigation and water-related acts passed both during and after independence are unable to effectively tackle the current requirements for sustainable use and management of water and water-related resources. They are not ecologically-oriented, nor can they ensure economic efficiency or distributional justice

Irrigation and Agricultural Sustainability

While water law reform centred on an effective water rights system should cover all uses of water, the issue is particularly important for irrigation water which has significant implications for agricultural sustainability.

Firstly, in a monsoon-dependent agrarian economy like ours irrigation is critical both for improving and sustaining agricultural production and productivity. The ever-increasing demand for food and other farm products induced by population growth and economic development cannot be adequately met without a dependable irrigation system performing both a protective role against the vagaries of nature and a productivity-inducing and land-augmenting role for enhancing resource productivity.

Secondly, irrigation, at present, accounts for more than three-fourths of our total national water use [Government of India (GOI) 1993]. And, such a pre-eminent position of irrigation is unlikely to be altered much even by 2025 AD by the increasing water demand for meeting both non-irrigational needs like drinking, domestic and industrial purposes as well as non-consumptive uses like navigation and power generation [GOI 1976: 9].

And, thirdly but more importantly, even though irrigation accounts for a large share of our total created water resource potential, its share cannot fully meet the irrigational needs of even the currently cultivated area, not to say about the area likely to be expanded in future. Even if we could develop fully our water resource potential, only 60 percent of our cultivated land can be irrigated [Dhawan 1992: 265]. Given the increasing cost of creating additional irrigation potential, it stands to reason that the additional benefit from an improvement in use efficiency of the existing irrigational potential through a proper inter-personal and inter-regional distribution could very well surpass that from the creation of additional irrigation potential for which there is an upper limit specified by hydro-geology and technology.

Incentive Gap

The major threat to the sustainability of our irrigated agriculture is going to come neither from the frequently alluded 'utilisation gap', i e, the gap between our water resource bounty and the extent of its use, nor from the so-called 'irrigation gap', i e, the gap between our irrigation demand and the irrigation potential created so far; but from the persistence of the 'incentive gap', i e, the gap between the scarcity value of water and the value underlying the current pattern of water utilisation and management [Saleth 1991a]. In fact, both the utilisation gap and the irrigation gap could be reduced, if not eliminated altogether, by correcting the incentive gap which is evidently a product

of the existing institutions governing water acquisition, distribution and utilisation.

What is astonishing is not the fact that the current legal and institutional basis of water management fails to provide sufficient economic incentive, but that it actually engenders a wrong kind of incentive structure! While the farmers' perception of excessively subsidised canal water as a public good induces them to maximise water per unit of output rather than to maximise output per unit of water leading thereby to water over use, the unrestricted 'open access' character of ground water instigates a process of competitive water withdrawals culminating eventually in aquifer depletion. It is this kind of incentive system that underlies the paradoxical phenomenon that unlike other economic goods where scarcity prompts efficiency and conservation, water resources continue to be depleted and misused under the very condition of increasing scarcity. Much more serious than the economic problems emerging from the incentive gap is the horde of ecological damages like waterlogging, water and soil salinity/alkalinity, sea water intrusion, land subsidence, etc. These ecological degradations are often attributed to the phenomenon known in economic literature as 'market failure'.[1] But, market failure itself is caused by the absence, failure, or even the inability of the legal framework to establish and enforce an effective property rights regimes in natural resources.

The efficient operation of the economic institution of market that guides resource allocation and use in the economy is predicated on the legal framework, especially the property rights system that establishes the initial resource endowment of individuals. The market failure observed in the allocation and utilisation of water is an eminent case in this respect. It is abundantly clear that without correcting the fundamental incentive gap through a radical transformation of the existing water laws and institutions, it is not possible to ensure either ecological security or economic efficiency or even social equity in water use. Therefore, water law reform focused on a clear-cut and prioritised water rights is indispensable for the very sustainability of our irrigated agriculture as it ushers into the 21st century.

Failure of Current Regulatory Regimes

There was a time when India had many informal grass roots level institutions built around widely subscribed social conventions and moral principles. These institutions were very successful in enforcing an orderly use of common property resources including water at the local level. Unfortunately, due to a gradual separation of ownership and usage of natural resource effected through a series of colonial and post-independence legislations, the indigenous institutions have been severely eroded almost to the point of extinction. Although effort has been made to revive these institutions through panchayat raj as well as through peoples' participation, these cannot be relied whom to provide the desired decentralised institutional structure for resource conservation unless the ownership and control of the resource are restored to the ultimate users.

In view of the absence or ineffectiveness of local institutions, there has been a misplaced emphasis on centralised attempts to regulate water use. Various regulatory policies based on well siting and licensing norms, power tariff and supply manipulations, and even on newly emerging institutions like water markets and user-oriented irrigation co-operatives, have been followed but with little or no success. Our continuing belief that these superficial regulatory regimes will by themselves provide a durable solution to all the critical problems facing our water economy under the prevalent institutional conditions is going to be costly not only in economic but also in social and political terms.

Since the water zonation-based well-spacing and licensing regulations are implemented indirectly through credit and power connection policies, they are easily bypassed by well-endowed farmers [Dhawan 1989: 44 45]. Apart from their inability to control resource depletion and ecological degradation, they are inequitable as they restrict the new entrants who are mostly resource-poor farmers, and, more importantly, offer no protection to the poor farmers relying on traditional water-lifting technologies [Dhawan 1990: 45: Moench 1992: A172]. The effectiveness of regulations based on power tariff and supply policies is severely undermined not only by the availability of the diesel pumpset option but also by the presence of a 'kink' in the farmers' power demand.[2]

Although water markets are found to improve efficiency and equity in water use [Shah 1991; Saleth 1991b], they could, nevertheless, accentuate aquifer depletion under the current legal regimes governing access to ground water. Utilising the fact that the observed water markets are functioning in a legal vacuum caused by the absence of any legally defined property rights regime, Saleth (1993b, 1993c) has shown that water markets are: (i) extra-legal and inconsistent with any ethically grounded equity notions; (ii) instruments of rent-seeking behaviour contributing to widespread aquifer depletion; and (iii) transitional as rental markets for irrigation assets (i e, wells/pumpsets) emerge when water marketing ceases with the dissipation of the Ricardian rent due to intense competition among water sellers.

More importantly, in the case of surface water resources, neither the usual policies based on water charge and supply manipulations nor the new ones based on rotational water supply system[3] and farmer-managed outlet level co-operatives are likely to generate sufficiently effective impact to enforce discipline in canal water use. The absence of economic incentive among farmers to conserve water in canal commands has been already shown to be the culprit behind the ecological damages like waterlogging and soil and water salinity. It is now time for seeking harder options to provide a much more durable solution to our water-related problems rather than be content with the politically and administratively easy but practically ineffective regulatory policies followed thus far. One option is the institution and administration of a water rights system particularly for irrigation water.

III
Water Rights Issue in Literature and Policy

A brief review of the status of the issue of water rights system in current public policy and literature will facilitate not only a better appreciation of the institutional and policy implications of certain recent legal contributions but also of the nature and magnitude of the task of water law reform in India.

Although most irrigation acts in India, with their colonial roots, have ascertained and the post-independence legislations have implicitly presumed the absolute rights of the state over water resources, expert groups and policy-makers have, time and again, emphasised the need for something resembling a water rights system for regulating water use at the individual level. For instance, the Model Groundwater (Control and Regulation) Bill of 1970, formulated by the then union ministry of agriculture and irrigation and circulated among states for its possible enactment, postulated some kind of water permit system [GOI 1970].

The National Commission on Agriculture (NCA) went one step further by elaborating on the criteria for specifying the water rights as well as on the administrative system necessary for their enforcement [GOI 1976:23]. Undaunted by the fact that the 1970 model bill was not adopted by any state, the union ministry of water resources came out with another model bill in 1992 which is very similar in spirit to its predecessor [GOI 1992]. Though the bill lacks legal sanctity, it does indicate a change in policy-thinking.

While policy-makers have underlined the need for a water rights-centred water law reform, one finds an overall aversion towards the issue among economists who acknowledge its economic and equity significance but consider it an administrative nightmare and a political impossibility. Although, with the increasing weightage

attached to the sustainability implications of widespread occurrences of ground water depletion, sea water intrusion, land subsidence, and command area loss due to waterlogging and soil salinity, the opinion is gradually shifting towards making the water rights issue both administratively and politically acceptable, the Indian economic literature on water resources continues to neglect the issue.

Only a few writers have noted the need for water rights system, though mostly in a muted form and just as a passing reference. For instance, Dhawan (1975), who is among those who recognised the issue much earlier, has emphasised its need to correct the "ill-defined ownership arrangements" for countering ground water mining and the attendant external diseconomies. Shah and Raju (1988:A23) have alluded to the need for a reform in the structure of water rights so as to correct the existing skewed distribution in well and pumpset ownership. Impelled by the relative neglect of such an issue of critical significance, Saleth (1991a) undertook to emphasise its need and to show its technical/administrative feasibility and economic viability. Moench (1992:A175) has noted that without a water rights system specifying individual water withdrawals neither the water markets nor the user groups could function effectively.

Although the water rights question has been received much attention in the western legal literature, it has been treated only obliquely in Indian legal literature. An overview of the select Indian legal literature on water and allied issues as annotated by Siddiqui (1991) reveals that most works focus on the legal and allied issues related to irrigation acts or inter-state water disputes. But much more important than the issue of water sharing among states is the one related to the sharing and utilisation of water at the farm or household level since the latter has the ultimate impact on both efficiency and equity in water resource management and use. Unfortunately, one can hardly find any study that deals exclusively with the issue of water distribution or water rights at the inter-personal level.

For instance, although Jacob and Singh (1972) have addressed the issue of dispute settlement among irrigators and the role of panchayat institutions in dispute resolution, state's right in water supply has been their main concern. The legal aspects of ground water management and the nature of individual rights in ground water have been studied by Jain (1976). In a study focused on the linkages between law and poverty, Baxi (1987) deals with the question of group water rights in the context of untouchability.

There have also been a few proposals for reforming water laws in general and irrigation acts in particular. While Jacob and Mahesh (1976) argued for the unification and simplification of irrigation laws in India, Jacob (1977) has underlined the need to modernise Indian water laws to make them relevant to the new economic and social requirements. The reform proposal of Singh (1991) contemplates not just passing an act which is superimposed on the existing legal domain governing water resources but "a selective reconstruction of legal domain which pertains to acquisition, utilisation, distribution, protection, and conservation of water. It would require bringing together central and state laws, rules, orders, ordinances, customary laws, and court decisions pertaining to water. Such a selection will necessarily cut through constitutional, criminal, civil, and customary laws..." (p 14). He notes that even though our Constitution has provided a major charter for reform of laws, especially those colonial ones that violate the fundamental rights guaranteed in the Constitution and Directive Principles via Article 13, the government is yet to undertake the law reform. Hence, the task of purging out the colonial vestiges in the area of water and other natural resources laws has barely begun [Singh 1991:12-13] Contrary to what most irrigation acts passed both during and after the colonial period have presumed, Singh [1991: ch 2] establishes that water rights are essentially *natural negative claim* rights.

Water Rights Regime: An International Comparison

At the international level, we find a wide spectrum of water rights regimes ranging from the most centralised to a decentralised or privatised regime [Singh 1991, Devi 1991, Chauhan 1992a]. As countries move from a state of plenty to that of scarcity, they evince an increasing tendency towards centralised control of water.[4] The Spanish Water Law of 1981, the Ethiopian Law of 1981, and the Jordanian Water Authority Act of 1983 as well as the water laws in many South American countries like Peru and Colombia have all declared water as a state property. While the Chinese Water Law of 1988 contemplates a completely centralised water resource administration, both the Hungarian Water Law of 1964 and the Czech Water Act of 1973 allow independent local level decision-making while emphasising centralised control. The interesting aspect of Czech act is that it provides for the declaration of certain natural water accumulation as "protected areas" and certain natural water zones as "protected zones" with a view to conserve both water quantity and quality.[5] All the laws noted above require a water drawing permit or lease for all water uses excluding those for domestic and stocking purposes.

The British Water Act of 1989 as well as the US water laws go in the opposite direction of complete privatisation. In the US, at least four legal regimes governing water resources can be identified. While the riparian rights based on the common law doctrine are prevalent in the relatively water surplus eastern and pacific coastal states, the 'appropriative' rights based on the Colorado doctrine as well as rights emerging from the administratively issued water permits[6] are prevalent in the water-scarce western parts of the US. Under the Colorado doctrine, the person who appropriated the water *first* from a natural stream has a *prior* right (i e, prioritised right) to the extent of his original water appropriation and its beneficial use. Besides these legal regimes on surface water, one could also add the 'correlative' rights system being used for ground water allocation in most western states of the US. Under this system, farmers' rights are determined in proportion to their farm area [Burness and Quirk 1980:120 21].

What makes the US legal system unique is the fact that all these rights are transferable as they are considered property rights leading to the emergence of an expanding market for water rights [Saliba et al 1987]. However, even in the US, that upholds private property as sacrosanct, the idea of privatisation of water received a severe set back by the judgment of the California Supreme Court in 1987 which held that private property rights in water are not independent of environmental and public trust values. The court invoked a new principle of shared ownership based on the 'public trust' doctrine, the historical origin of which is traced to *Manusmriti* and *Arthasastra* [Singh 1991:49-50].

India, like the US and UK, has separate laws for surface water and ground water. On the other hand, countries like Spain, Hungary and China treat water from both sources alike in their legislations. In the case of Czechoslovakia, Hungary and France, the idea of integration goes a step further as their water laws incorporate the land resource management issues as well. In India, while surface water is largely under centralised control, ground water, legally belonging to the community at large, is subject to the *de facto* private control of farmers and other users. Group/community rights are also recognised in the case of many small streams and tanks. The legal system related to water in India, representing a complex amalgam of customary laws, colonial legislations, and modern post-independence laws, is more comparable to that of most African nations, like Nigeria, than to that of the US [Singh 1991].

IV
Economic Dimensions of Water Rights System

In addition to the legal issues and requirements reviewed so far, there are certain critical economic requirements that a water law regime should satisfy. For, in the ultimate analysis, it is the economic compulsions which are going to move the decision-makers

and it is the economic benefit criterion that is going to guarantee an efficient and equitable water law. Therefore there is an immediate need to venture also into the political economy of water law and establish clearly the social benefits from instituting a water rights system, as well as to identify feasible institutional mechanisms necessary to make the system perform its fundamental economic role, i e, the provision of economic incentives for water conservation. This leads to the next issue, namely, what are the vital economic requirements that the water rights system should satisfy apart from its legal characteristics? In order for the water rights system to perform its economic function, the water rights should necessarily satisfy two interrelated requirements. First, water rights should be defined on a private basis. And, second, they should be transferable or, at least, amenable to a rental system.

Private Rights within a Public Trust Framework

Privatised water rights are very critical from an economic point of view. Transferability of rights and the resultant price mechanism cannot be obtained without establishing first some form of private user rights, if not property rights, in the resource under consideration. For, what is not owned cannot be priced as prices are just the payments for property rights or, more specifically, for the rights to use an asset [Dales 1968:792].

If the rights of the states or nations in sharing trans-boundary water resources can be established [Chauhan 1992b], why cannot similar rights at the individual user level be established especially given the fact that the legal principles are independent of any change in the legal persons involved. Although the ontological status of water makes the rights in water a legal fiction and allows only *de facto* user rights [Singh 1992:27], *de facto* rights are economically more relevant than the *de jure* rights as transferability becomes economically more important at the level of water utilisation than at the level of its ownership.

What is the legal framework within which a private water rights system should be instituted? From the perspective of economic utilisation of water, it is not enough to establish people's usufructuary rights and the state's rights as a trustee. It is incumbent on us to go a step further in deciding how the people's right should be distributed further among the peoples on an individual basis. Singh (1991:59) has argued that neither a complete state (or community) ownership nor a complete private ownership is going to provide a lasting solution implying thereby the need for a judicious combination of the two ownership systems. Such a combination can be achieved under the public trust framework where the state or community has a control over water resources as a trustee and people have the usufructuary rights.

When a suitable water rights structure is designed under the public trust framework to demarcate the specific rights of the state, the community and the individual users, the kind of private rights system outlined in the previous section and the communal ownership system suggested by Devi (1991:624) need not be inconsistent but could be accommodated. As a matter of fact, the public trust framework with a dovetailed water rights structure represents a synthesis of a completely centralised system and a completely privatised system of water rights. It can also be argued that the water rights arrangement outlined above also fits eminently with the requirements of sustainability. For, state/community ownership allows social control over the amount of and the manner in which water is utilised and distributed ensuring thereby both ecological security and social equity in water use. On the other hand, private user rights allowing transferability promote economic efficiency in water use.

Private Water Rights and Income Distribution

Although the precise nature of the ownership pattern is immaterial for economic efficiency as long as the water rights are private and transferable, it does have fundamental equity implications as the issue of who has the user rights in the resource determines actually to whom the benefits of such a transfer and, hence, water utilisation, should go. Obviously, the community as a trustee cannot appropriate the benefits for itself but only to distribute them among its members through some non-market mechanisms which cannot be immune to defects and criticisms. While a transferable private water rights system can effectively apportion the benefits among the people within the exchange process itself, the community rights system cannot tackle the critical problems of inter-personal water allocation and benefits distribution without resorting to an extra-market distribution mechanisms such as a tax-subsidy system.

Private Water Rights and Accountability

The implications that the nature of water rights postulated has for accountability warrant a still harder look going beyond the strict legal conception of accountability. For instance, when water rights are defined only at the community level, as suggested by Devi [1991:624], it is possible to ensure only the accountability of the community to the state and to the people. But the issue of inter-personal accountability, a critical component in the two-way accountability notion suggested by Singh [1992:8] cannot be always ensured under the community-centred rights system. To ensure accountability of the individuals to each other and to the community, it is essential, therefore, to specify water rights at the individual level as well

Immediately related to the accountability implications of private rights system are the economic implications emanating from the linkage between the legal notion of accountability and the economic concept of externality.[7] In the case of water, such externalities are a common feature since, for instance, water use by an individual can affect both the quantity and quality of water available for others. When law defines individual water rights, it defines, in effect, not only the legal boundaries but also the physical and economic boundaries of each individual's acts and their effects on others in the context of water use. By relating rights with duties, such boundaries could be legally handled with reasonable quantification. Consequently, individual water rights system helps not only to minimise inter-personal conflicts but also to achieve the legally grounded notion of the two-way accountability. Since accountability as a mechanism for minimising externalities is crucial both from economic and ecological viewpoints, it is important to have an individual water rights system.

Economic Significance of Transferable Rights

Another fundamental economic requirement for water rights is that it should be transferable or, at least, rentable in the sense that water rights can be rented in/out either in part or in full for a shorter or longer duration. Without such a transferability or rental possibility legally imparted into the rights system, it is not possible to achieve social optimality in water use, i e, where the benefits from water are equalised at the margin across all uses and users. Transferability and exchangeability of water rights are crucial to capture and reflect the scarcity or use value of water through price signal and guide water allocation accordingly.

The question of transferability of water rights remains somewhat ambiguous in the legal literature. The assertion of water rights as natural or fundamental negative rights [Singh 1992:27] appears to be intended essentially to repudiate state's absolute rights in water and re-establish people's rights over this vital resource. But, since negative rights cannot be ownership or property rights [Singh 1991:26], it is not possible to establish legal ownership rights in water. While negative nature of rights negate ownership rights and, hence, transferability, the transferability of usufructuary water rights is admitted in another context. For instance, although water belongs to the people and not to the state, the government can have natural usufructuary right *with the consent of and compensation to the concerned people* [Singh 1992:29]. That is, water can be transferred from two legal persons, the people and the state. While one could agree that water for drinking and domestic use can qualify to be a fundamental human right, water for other economic uses need not have the same ethical qualification. Therefore, the legal conception of water rights should be such as to permit ownership rights and hence, transferability between legal persons like individuals, groups, and the state itself. Otherwise, water rights will remain basically a legal curiosity bereft of any economic significance whatsoever.

Transferability and Optimum Utilisation

There are a number of distribution principles considered relevant for water rights allocation.[8] The most important among them is the equitable utilisation principle under which individual water rights are established either through an adjudicator or through bilateral negotiation so as to optimise or maximise the utilisation of the resource. To show that transferability is indispensable for ensuring optimum water utilisation, let us visualise the operation of the equitable utilisation principle (or any other distribution principle for that matter) as a two-stage process. At the first stage, water rights of the individuals are distributed either through adjudication or through mutual agreement to establish the initial water endowment of individuals (or any other legal entities). And, at the second stage, the amount of water specified in the rights is used to obtain its optimum utilisation

The notion of 'optimum' cannot be identified without taking a recourse to economic principles which will naturally require us to consider notions like values and prices. Insofar as the value of water differs across individuals, an optimum utilisation of the resource at a societal perspective cannot be achieved unless we allow water transfers at the second stage to equalise water values across individuals. Moreover, when the principle allows bilateral negotiations in the first stage of water rights distribution, why should it exclude the same in the next stage of water utilisation? The above arguments lead to the fact that transferability of rights which is indispensable for realising the major aim of the equitable utilisation principle is both technically and legally feasible.

It is also possible to show that transferability of water rights is also necessary under the pani panchayat system. The equal sharing principle underlying the pani panchayat system allows water even for the landless persons. If water rights are not made transferable, then the water distributed to the landless persons will not be of any economic significance either to themselves or to the society at large. Therefore to promote economic equity rather than physical equity *per se* in water sharing under the pani panchayat system, water rights of individuals need to be transferable. This requires that water rights be made private or user rights.

Land and Water: Legal and Economic Linkages

A point immediately connected to the issue of optimum water utilisation is the specific set of legal and economic relationships postulated between water and land. We do agree that there should be a legal separation between land and water in order to enable even those without land to have an access to water. Else, water allocation will further reinforce the already existing land inequality with water inequality giving rise to the phenomenon of 'land-waterlordism'. But, such a separation should end up at the stage of water rights distribution. At the utilisation stage, neither the legal separation nor the non-transferability issues should be allowed to undermine the innate economic linkages between land and water. Otherwise, it will not be possible to ensure efficient utilisation of both land and water resources.

We reckon that private water rights system is very crucial for promoting sustainable management of water resources. For instance, while the ecological and equity requirements of sustainability could be taken into account at the stage of water rights distribution by determining the total quantum of water and its distribution among the claimants, economic efficiency in water use can be ensured by allowing transferability at the stage of water utilisation. Therefore, the legal attributes of water rights, i e, private ownership and transferability, are pivotal for achieving sustainability of water resources.

Towards a Water Institution

Water institution is concerned with three inter-related aspects, i e, water policy, water law, and water administration. Our ultimate goal is to move from a mere water policy to water institution via water legislations. Fortunately, we do have a National Water Policy (NWP) in place right now. Despite its limitations, the NWP of 1987 does recognise the need for some upper limit on individual water withdrawals and use. But, the NWP has identified neither the mechanism by which such a limit will be established nor the institutions through which its three major planks, i e, conjunctive use, supplemental irrigation, and water-saving technology and crop pattern, will be achieved. It is too naive to believe that these three goals could be realised through the usual credit and subsidy-, based mechanisms identified in the NWP.

Although the model bill of 1992 suggests a rudimentary form of water permit system particularly with an added proviso to alter the conditions of the permit including the amount of allowable water withdrawal, it has also failed to explicitly incorporate specific legal and institutional mechanisms to enforce quantitative restrictions on water withdrawal.

While the model bill does signify that we are moving marginally towards a water law, there is still a long way to go before realising a veritable legal regime to establish private and transferable water rights system within the 'public trust' framework.

Such a hierarchically arranged water rights structure could alone provide the economic and social incentives necessary to achieve not only the specific goals of the NWP but also the much broader goals of sustainability in the context of water resources. However, current legal and institutional gaps should not deter us to look still ahead and explore potential institutional mechanisms and the *modus operandi* of a desirable, and also a technically and administratively feasible water institution capable of meeting the challenges of sustainability.

While the tremendous net social benefit possible from a water rights system is very obvious, we should be realistic and pragmatic enough to appraise whether do we have the technical and institutional potentials and capabilities to establish, enforce, and administer a sustainability-oriented water institution. At the outset, let us first dispel the commonly held belief that the absence of corporeal quality for and the fugitive character of water presents an insurmountable technical obstacle for defining a water rights system in a physical sense.

Complete physical control over an object is not at all necessary for establishing an ownership system. For, ownership to an asset implies only a bundle of circumscribed user rights. That is, it is rights never objects that are owned [Coase 1960:44; Dales 1968:792] and such rights are not free from correlated duties and social control. It is the mistaken perception of an asset as a physical entity rather than as a legal entity just implying a bundle of user rights (of course, with correlated duties) that militates against the technical feasibility of defining water rights in a legal context. However, it is better to keep in mind that the peculiar physical characteristics of water, especially its fluid nature, require somewhat different treatment as compared to solid and semi-solid resources such as land or forest [Singh 1992.28].

Water Rights System: Technical Requirements

The most important and immediate technical requirement for a water rights system is to establish water balance, i e, the demand for and supply of water, for each appropriately defined hydro-geological unit. In order to facilitate a better decision-making under uncertainties, it is also desirable to establish water balances under a variety of alternative climatic and technical condition. It is also crucial to disaggregate the demand by uses and supply by sources so as to establish the quantum of water from various sources that would be available for meeting irrigation requirements. Moreover, uneven distribution of water demand and supply across regions requires the formation of 'water grids'—each representing a fairly uniform agro-climatic and hydro-geological unit—that could also provide a necessary structure to promote inter-basin water transfers suggested by the NWP. This calls for both economic and hydro-geological studies.

While economic studies of the kind required in this respect are yet to emerge, the technical and institutional potential for ensuring sufficient progress in the hydro-geological field to establish basin and sub-basin-wise water balance estimates is promising. A network of about 5200 hydrograph stations spread throughout the country is currently involved in collecting and updating information on climate and precipitation, ground water pumping, and aquifer recharge [Pathak 1988:87]. This information forms the basis for the model ground water balance studies for selected areas being undertaken by the Central Groundwater Board in collaboration with the National Institute of Hydrology so as to identify the quantum of water that can be safely withdrawn in the respective study regions [GOI 1988.109].

Our capacity to obtain still accurate information about the geological and hydrological characteristics of ground water aquifers is likely to be strengthened further by the continuous progress both in the geo-hydrological technologies like electric drilling and isotopes as well as satellite and computer technologies [Cano 1983:20-21]. However, we do not fail to recognise the serious gap persisting in the current water balance studies, i e, the economic aspects of water requirements and supply, which is critical for determining the amount of water available for distribution across uses and users. This gap should be filled so that the water balance studies could provide a strong hydrological and economic information base indispensable for establishing a sustainability-oriented water rights system.

As to the *modus operandi* of the rights systems, three issues qualify for our immediate attention. They are: the unit of measurement to be used, the need for suitable criteria for rights distribution, and the mechanisms to be designed for the enforcement and monitoring of the established water rights system. An ideal unit of measurement will be the one that is independent of time and other spatial

considerations. That is, it implies the same amount of water across time and space. This demands a volumetric measure rather than a flow-based measure. Let us also note that the suggestion of a volume-based measure is nothing new as it has been suggested long before by the National Irrigation Commission in 1972 and has also been subsequently endorsed by the NCA in 1974. It is the volumetric measure that could provide the much-needed economic incentive not only for maximising output per unit of water instead of the usual practice of maximising water per unit of output but also for providing strong economic and social incentives for the adoption of water-saving technologies, crop pattern and farm practices. The availability of water measuring technologies like the water meter makes the volume-based measure a technical possibility. It can be noted in this context that the model bill of 1992 suggests the mandatory installation of water meters by all the ground water permit holders including the farmers [GOI 1992:8].

Regarding the criteria for water rights distribution, we note that insofar as water rights are private and transferable or amenable to a rental system, economic efficiency is independent of the criteria used since the final allocation of water is independent of the pattern of initial distribution of water rights. This fact emerges from the familiar result of Coase (1960) that allocational efficiency in a private exchange economy is independent of the property rights system. However, from an equity or income distribution point of view, the choice of the criteria to be used for distributing water rights is a matter of utmost importance because water rights amount to asset transfers. While one can think of a variety of approaches including a bidding procedure for rights allocation, here we consider just two familiar criteria.

The criterion underlying the correlative rights system suggested by the NCA for ground water distribution is land ownership. Under the system, the available ground water in a basin, after having allowed for non-agricultural needs, will pertain to land and each holding weighted in terms of its soil quality and its access to surface water will have a legitimate right to a proportionate share of the ground water [GOI 1976:23]. Although this model relating water to landholding is appealing from water utilisation point of view, it has the deleterious effect of accentuating rural inequality by combining water ownership with landownership as has been noted already.

The Pani Panchayat model provides an alternative criterion by which all persons irrespective of their landownership status get an equal share of water. We recognise the fact that when everyone owns land and farm sizes are equal, both the NCA and Pani Panchayat models will yield the same pattern of water rights distribution. From an extreme viewpoint, one can also argue for a water rights distribution which is in a reverse order of land ownership in order to counter the existing inequality in land ownership. Neither pretending to have the final answer nor ignoring the possibility of a host of more sophisticated approaches to this tricky issue, we can suggest a hybrid model where certain amount of water which is reserved for landless persons is apportioned in accordance with the Pani Panchayat model and the remaining is distributed among landowners in accordance with the NCA model.

Another model that can also be considered in this respect is the one in which the total water available for irrigation purpose is first theoretically distributed across the landowners via the NCA model and then, as a kind of progressive tax, the water rights distributed among the individuals in the first stage are proportionately reduced to form a pool for its subsequent distribution among the landless. They could augment their income by selling/renting their rights.

Enforcement and Monitoring Mechanisms

While the government, as a grand trustee of the water resources, has the responsibility to establish an equitable water rights system, the enforcement and administration of the established rights system should be left to the local trustees who can be either panchayats or other village-level or outlet-level groups. The usufructuary rights vest with the individual users. Such a decentralised mechanism will be the effective means of enlisting people's participation in water management as the water rights system has now created a stake for their involvement.

Irrigation co-operatives of various forms are not new to India [Datye and Patil 1987]. The major reason for the poor economic and organisational performance of these co-operatives is that in the absence of a water rights system to categorically specify individual claims, the economic and socio-political configurations tend to determine actual water use causing internal conflicts and tensions. Within the context of a water rights system, such co-operatives could certainly perform better than at present. This applies equally to the outlet-level user associations being experimented and promoted in the canal commands of various states [Rankachari et al 1992; Jayaraman 1981]. Despite their weakness, the existing irrigation co-operatives and outlet-level user associations do indicate the existence of a fair amount of institutional potential at the grass roots level that could be tapped to develop effective and flexible mechanisms for the enforcement and administration of water rights system.

Given our farmers' familiarity with the turn-based canal water allocation under the warabandi and rotational water supply systems, the NCA has suggested a farmer-managed warabandi-type system even for ground water withdrawal. Notably, such a rotation-based system, if adopted within the framework of a water rights system, could avoid the peak-load problem emerging from the simultaneous ground water pumping by innumerable farmers which is the major culprit for the continuous recession in ground water tables. Since the rotation-based ground water withdrawal allows sufficient time for the aquifer to recharge, ground water depletion can be greatly minimised. We also add that to infuse some flexibility in the system, farmers could be allowed to exchange their turns through mutual agreement or even on a payment basis.

Framework for Water Rights Structure

The 'public trust' framework essential for hierarchically structuring the water rights of the state/community and the ultimate users has been already discussed. Such a framework, besides being an institutional synthesis of centralised and decentralised decision-making mechanisms, has also other desirable integration properties. Among them, the following feature is very critical both from a legal and economic perspective.

While the right of the state or community is essentially a legal one related more to its duties in establishing water allocation and its priority, the individuals' *de facto* rights are not only legal but also physical in nature in the sense that these user rights specifies a fixed quantity of water along with other legal rights and duties attached in its utilisation. Thus, the water rights structure within the 'public trust' framework enables us to integrate both the legal and physical notions of water rights. Although ensuring such a physical notion is difficult in the case of water in view of its fluid nature, yet, it is this physical notion which is very important from an economic point of water use.

The hierarchically structured water rights system under the 'public trust' framework could ensure internal legal consistency and also satisfy the basic economic requirement. But, in order to achieve technical and physical consistency within and between various use categories of water, it is vital that the water rights structure itself should be designed within a broader operational framework. Although the basic features of the legal framework remain the same across the regions (basin, villages, etc), the physical form of the water rights structure naturally varies across regions or decision-making context to account for the variation in their water endowments and requirements.

An important issue requiring our attention in the context of water rights institution is how to handle the relationship between various kinds of rights in water and water-based resources and also in their use categories. From an analytical point of view, although rights in and water and water-based resources can be considered separately, they

are interrelated operationally. How could the water rights system handle, say, a conflict between the water needs for irrigation and power generation or navigation? While an effective inter and intra-sectoral prioritisation scheme could help to minimise conflicts, law remain helpless to provide the solution to this ticklish issue without economic and technical information such as water availability and its distribution by sources and regions.

By assuming a decentralised decision-making structure endowed with sufficient economic and technical information, it is possible to visualise the following hierarchically arranged water rights structure. First, the quantity of water and its priority for different sectors are established at a given geographical and decision-making context (e g, river basin and village) preferably on an annual basis to enable periodic revision. Second, within the sectoral allocation pattern established above, the water amount and its priority for uses within each sector are established. And, finally, having sorted the water allocation across communities, the amount of water available to each individual members (i e, individual water rights) of the community is determined based on the criteria discussed in the earlier section.

The legal framework of water law has to be designed within the above framework to achieve internal consistency between the water rights of various sectors and uses. We cannot be naive to ignore the tremendous amount of information required, financial and administrative problems to be solved, and political conflicts to be resolved for designing and implementing such a scheme within the legal framework of a water law.

It can be seen that private water rights and community water rights could be accommodated within the 'public trust' arrangement where the state or community has a ownership right enabling it to have social control so as to promote ecological security and social equity while individual members have private and transferable user rights so as to promote economic efficiency in water use. Similarly, physical and technical consistency within and between various water use categories can be ensured by designing the 'public trust' arrangement itself within a broader framework noted above. Such a hierarchically defined and dovetailed water rights structure is, in fact, the most ideal arrangement for both accountability, equity, and sustainability under current institutional and technological conditions.

VI
Water Rights System: Potential and Prospects

Despite the absence of any declared water law specifying a water rights system of the people, one can find evidence for the operation of rudimentary systems capable of being developed into an effective water rights system. Informal water rights—both individual and group—have existed in India since the ancient times [Siddiqui 1992] and continues even today, albeit in a much weaker form, in many tank irrigation systems of south India [Vani 1992]. In the case of few south Indian irrigation systems, Vaidyanathan (1985:63-64) has pointed out the existence of an informal prioritised water rights system where the rights are not for individuals but for different distributaries/segments of the command area.

The 200-year old 'phad' system operating in the Panjhra River area of the Dhule district and the Pani Panchayat system operating in the Mula command of Ahmednagar district, Maharashtra [Datye and Patil 1987:42-123] have the potential for creating a farmer-managed water rights system. In the deltaic regions of Orissa and West Bengal as well as in parts of Bihar and Madhya Pradesh, there are evidence for the existence of an officially granted non-transferable long-term water lease system to induce farmers to use surface water [GOI 1976.65].

More important and interesting of all is the 'shejpali' (water distribution roster) system being practised in the canal commands of western Maharashtra. Under this system, the canal authorities issue 'water passes' on the basis of an application from farmers in the command on a 'first-come first-serve' basis. The duration of these water passes varies from six year (or sometimes more) to an year and even for a single crop season and there is a priority hierarchy among the passes that varies somewhat directly with their duration [Gandhi 1981; Rath and Mitra 1989]. But for the non-transferability and quantitative specification of water rights, the water pass system resembles very closely the water permit system being practised in the mid-western parts of the US.

Although we are far away from it as yet, water rights system can no more be considered as an utopian dream. Much economic research is urgently needed to instigate/generate serious political and policy debate in India over the possibility of instituting a water rights system through a radical water law reform. The present status of inequitable access to water and ecological consequences engendered by aquifer depletion and surface water misuse casting a shadow over the very survival of our agriculture is a potent reminder for change.

The desirable practices like conjunctive use, supplemental irrigation, water-saving technologies, water transfers, and water recycling cannot all happen in an economic vacuum. They need a strong economic incentive that could emerge only when an individual farmer perceives a water constraint which, in turn, can occur only with a kind of water rights system studied here. It is not time to enumerate the administrative difficulties, technical snags, or political problems but to identify ways and means by which these problems could be managed to make an efficient and practical water rights system as an one of the indispensable institution for promoting sustainable development.

At least, a part of the research money and effort currently allocated to the study of defective or ineffective institutions like water markets or the regulatory regimes based on well siting and licensing norms, electricity tariff and supply manipulations, etc, should rather be invested both in exploratory studies on the various aspects of a water rights system as well as pilot schemes to experiment and field-test different water rights models. It is well to remember that even an imperfect water rights system can provide a more long lasting solution than perfectly devised ineffective regulations.

VII
Concluding Remarks

The legal case for a water law reform both to purge out the lingering colonial vestiges in the realm of water laws as well as to make them relevant to current and future socio-economic requirements of the country is inescapable. The economic rationality and urgency for a water institution based on a water rights system on the lines argued in this paper are indeed very obvious. The institutional significance of the water rights system for sustainable development emerges from the fact that it is one of those rare policy instruments that can simultaneously address three critical goals of sustainable development, i e, ecological security, economic efficiency, and social equity. Moreover, since water rights systems especially the one based on the 'public trust' framework allow social control and decision-making at the stage of allocation of rights and decentralised private decision-making at the stage of water utilisation, it provides an eminent instance for the kind of institutional synthesis necessary for sustainable development. Our hydro-geological information base and technical skills which are bound to further enhance our capability especially with technological progress could certainly support a water rights system. The existence of various forms of incipient systems of rudimentary water rights in different parts of the country and the ability and maturity of our farmers to manage water allocation by themselves as revealed by the spontaneous emergence of ground water selling activities and the growth of farmer-managed irrigation systems do indicate that our farmers could

very well adapt themselves to the institution of water rights.

The ultimate significance of a water rights system emerges from the following simple arithmetics of costs and benefits. Even if it could succeed in effecting just a 10 per cent improvement in water use efficiency, i e, instead of the officially assumed average water application rate of 0.67 hectare metre (ham), an application rate of 0.60 ham, we could add an additional 14 million hectare of irrigation potential even under the current level of water utilisation. Surprisingly, the additional irrigation potential emerging from water use efficiency is very close to what we have achieved in the Seventh Plan with so much of investment of money and time. In simple terms, it can be established that the ecological, economic, and equity benefits possible with the water rights system could very well surpass the costs of instituting it.

Notes

[The author is very grateful to B D Dhawan for his encouragement and valuable suggestions.]

1 Market failure normally occurs when an exchange between two or more individuals fails to be consummated either due to an undefined property rights in or absence/inadequacy of relevant information on the commodity being exchanges.

2 The presence of this kink emerging from an interplay of power supply, ground water conditions, and agronomic and economic factors makes the power consumption insensitive to tariff changes insofar as the tariff rates are fixed below the marginal value productivity of an unit of power. As a result, tariff-based regulatory mechanism become ineffective to control ground water depletion [Saleth 1993a].

3 This system is not as new as it is claimed. For instance, Vaidyanathan (1985, p 73) notes its introduction in north India in the late 19th century with full legislative and administrative support.

4 This trend appears to confirm the Wittfogel's theory that asserts the inherent tendency of hydraulic societies to become centralised, despotic states. A critical comment on this thesis is given in Vaidyanathan (1985).

5 In the immediate aftermath of the 1979 drought, a somewhat similar idea was mooted in India by the Union Ministry of Agriculture to establish 'ground water sanctuaries' where ground water will be extracted only during very dry years when other sources of water get completely exhausted [Swaminathan 1982, p 88].

6 Although these permits are issued by the state administration, they enjoy legal sanction as the courts tend to uphold these administratively issued permits [Ciriacy-Wantrup 1956, p 306].

7 Externality emerges when the outcome (e g, utility, output, etc) to a person or a group of persons is influenced not only by that person's or group's decisions but also by those of others. Such an influence can be either positive or negative.

8 For a brief discussion of these distribution principles, see Singh (1991, ch 6).

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INDIAN ORGANIC CHEMICALS LIMITED

REGISTERED OFFICE Bhupati Chambers, 4th Floor, 13 Mathew Road, Bombay 400 004

The Speech delivered by Mr. S. B. Ghia, Chairman, Indian Organic Chemicals Limited, at the 34th Annual General Meeting held in Bombay on 7th September 1994.

Mr. S. B. Ghia
Chairman

Ladies and Gentlemen

I welcome you to the 34th Annual General Meeting of our Company The Directors Report and the Audited Accounts for the year ended 31st March 1994 have been with you for sometime and with your permission I shall take them as read

ECONOMIC AND INDUSTRIAL SCENE

The National Economy is in a much better shape now thanks to the reforms carried out during the last three years The agricultural sector has registered a high rate of growth and the industrial sector which has come out of recession is also firmly on the path of recovery A quantum jump in exports and inflow of foreign capital through foreign institutional investors euro issues and direct foreign investment has made the country s foreign exchange position very comfortable With burgeoning foreign exchange reserves at nearly $ 18 billion the issue now has become one of management and utilisation of these reserves

The future augurs well for the Indian Industry India is now being perceived internationally as a land of opportunities and the signing of the GATT agreement will further integrate us with the world economy

OPERATING RESULTS FOR 1993/94

The operating results of the Company for the year under review have been better than in the previous year The company will be back on the dividend list on your approving the recommended dividend of 12%

CHEMICALS DIVISION

As you would have observed from the Director s Report increase in the prices of alcohol and its non availability in sufficient quantities affected the working of this Division The alcohol situation all over the country has not been very encouraging ever since its decontrol in June 1993 Maharashtra has not been an exception The prices of molasses and alcohol have risen sharply since then The situation will further aggravate with the latest announcement of Government of Maharashtra permitting export of alcohol I hope that the situation will redress itself to some extent after commencement of the new crushing season in October/November this year since the ensuing sugarcane crop is expected to be very good The improved availability of alcohol will enable us to increase production and sale of our alcohol based chemicals

We have taken various steps for improving the working of this Division which inter alia include emphasis on agricultural activities and efficient capacity utilisation of Ethyl Acetate Acetic Anhydride and Glyoxal plants Further there is an upward trend in the prices of alcohol based chemicals particularly acetic acid in the international market which will also be a contributory factor in improving the profitability of the Division

I am happy to inform you that the trial runs of Phenylglycine Base have commenced successfully with the product being found to be of international standards This should usher a new era for our Chemicals Division The Phenylglycine plant set up by our technical team with very limited foreign technology is a very versatile plant We will be manufacturing in stages various other Phenylglycine derivatives in the said plant

FUTURA" SYNTHETICS DIVISION

At long last polyester fibre is finally finding its rightful place among the raw materials for textiles in India and its demand is likely to be strong in the current year The Government s thrust on exports of textiles has caused a boom situation for cotton based exports with polyester based fabrics meeting the requirements of the domestic market The current estimates are that the local demand for polyester fibre will exceed 500 000 tonnes by the end of this century if not earlier We are gearing ourselves to cater to this growing demand and propose to maximise our production with a major thrust on manufacture of value added specialty fibres We are also intensifying our export efforts

To strengthen our capabilities in the manufacture of specialty fibre we propose to set up a joint venture company with a reputed European producer of master batch chips which are required in the manufacture of coloured fibres A part of the production from the new plant is proposed to be supplied to your Company for its captive consumption

At a time when polyester fibre consumption is increasing it is a matter of grave concern that its inputs viz DMT/PTA have become scarce worldwide In the last one year large capacities have been set up all over the world for manufacture of PET Bottle grade Resin which has caused PTA to be diverted to this sector This problem is more grim than it looks This is due to the fact that the main raw material for DMT/PTA i e Paraxylene is itself in short supply and even if decisions for production capacities are taken today they will not yield output for at least 2 3 years All this has resulted and will continue to cause an escalation in prices of polyester fibre and its raw materials

Looking to all these developments your Company s decision of supplementing use of DMT/PTA with use of alternate raw materials has served the Company eminently This strategy will be continued in greater measure in the years to come and will help your Company not only to cut costs but also to act as a buffer against wide fluctuations in the availability of conventional raw materials

SONATA SOFTWARE DIVISION

The computer software industry has emerged as the fastest growing sector in the Indian Economy with very good demand both in the domestic and overseas markets A necessary feature of the industry in recent years is an increasing emphasis on foreign tie ups and collaborations particularly for access to export markets In order to take full advantage of these trends which "Sonata" cannot presently derive as a Division of your Company it is proposed to spin off the activities of this Division to a new Company which will be a subsidiary of your Company Your approval is therefore being sought for transferring the entire assets and liabilities of this Division at their book values to a new company with effect from such date as may be decided by your Board of Directors The Company's investment in the Division as on the date of transfer will be partly treated as the Company s share in the share capital of the new company and partly as loan to the new company on such terms and conditions as may be decided by your Board I am confident that you will approve the said proposal which is in the best interests of your Company

RESTRUCTURING OF YOUR COMPANY'S OPERATIONS

With the advent of liberalisation and consequent intense market competition we have reviewed our activities and identified our core areas of competence I have already spoken about our strategy for polyester fibre In addition your directors have also taken a strategic decision to concentrate all energies in the manufacture of polyester fibre and withdraw from the polyester filament yarn business in which our capacity is relatively small and we do not have any significant advantages over our competitors

As you would have observed from the financial results of the year the excess polycondensation capacity that we had at Manali Madras has been transferred to a new joint venture with Pepsi Cola International of USA Out of the sale proceeds of Rs 30 crores from the polycondensation unit Rs 19 crores has been re invested in the capital of the new company and out of the balance a major portion has been utilised for reduction of our debt The proceeds from the sale of polyester filament yarn plant when received in the financial year 1995/96 will similarly be utilised to very large extent in paying off our debts Discontinuance of POY business will also help us in reducing our working capital requirements substantially

With the aforesaid measures our long term debt burden which was Rs 93 crores in 1992/93 has been brought down to Rs 79 crores in 1993/94 and we hope to bring it further down to Rs 58 crores in 1994/95 On the other hand the net worth which was Rs 60 crores in 1992/93 has increased to Rs 110 crores in 1993/94 and we hope to increase it further in 1994/95

The Debt Equity ratio which was 1 63 1 in March 1993 is 0 72 1 in March 1994 and will further stand reduced at the end of the current financial year

You would have observed that our Chemicals and Software Divisions have received ISO 9000 accreditation The "Futura Synthetics Division will also get the said certification in the current financial year ISO 9000 certification implies a change in mental attitudes a global marketing and selling culture technological adeptness shop floor efficiency inventory control process control etc We are now fully geared to face competition both at the national and international level

I trust that the various steps taken by us will make the current year and the future brighter than the year under review I therefore look forward to a promising future for your Company

ACKNOWLEDGEMENTS

In conclusion I would like to sincerely thank my colleagues on the Board for their wise counsel and support and to our employees for the devoted manner in which they worked I also wish to express our thanks to the Central Government and State Governments of Maharashtra Tamil Nadu and Karnataka Financial Institutions and the Company s Bankers for their continued support and assistance Last but not the least I would like to thank our shareholders for their invaluable support and confidence in the Company

Thank you

S B GHIA
CHAIRMAN

(This does not purport to be a report of the proceedings of the Annual General Meeting)

Tamil Self-Determination in Sri Lanka

Challenges and Prospects

Sumantra Bose

The idea of Eelam has taken firm roots in the Tamil consciousness. What might yet convince the alienated Tamil population that they have a future within an united Sri Lanka is the reconstitution of Sri Lanka as a highly decentralised multinational state of Sinhalese, Tamils and possibly, Muslims which would entail major institutional restructuring of the state.

A SINHALESE prime minister speaks of rebuilding Sri Lanka as "a country where people can live without fear, a vibrant living democracy of new systems and new institutions." On her new approach to the Tamil question, an aide reveals that Chandrika Kumaratunga was "deeply influenced by her student days at the Sorbonne in the 1960s, where she studied the history of France's colonial war in Algeria and learned the futility of confronting a popular liberation struggle with force". In an unusually effusive response, the Liberation Tigers of Tamil Eelam's (LTTE) international secretariat in London declares that the Tigers would be "very, very willing and pleased to talk to Chandrika and have a negotiated settlement". Days later, the movement's ideologue, Anton Balasingham, confirms this position from Jaffna; significantly, his remarks are given wide publicity in the (LTTE-controlled) Jaffna press. Travellers to the south from LTTE-held territory report seeing Tiger posters announcing readiness for a ceasefire. Finally, Velupillai Prabhakaran, in a rare public statement, reiterates willingness to engage in unconditional dialogue.

After South Africa, Palestine, and now Ireland, is it finally Sri Lanka's turn for peace?

There is a definite basis for cautious and qualified optimism in the recent political developments and that itself is a historic occurrence by Sri Lankan standards. It is well to remember that had the United National Party (UNP) been returned to power, Sri Lanka would probably be making news today for an entirely different reason: the futile bloodbath caused by a government offensive against the north. Peace is finally visible on the horizon, but much remains to be done if its appearance is not to go down in history as a mirage. A glimmer of hope has finally appeared at the end of a very long and dark tunnel, yet that tunnel will still have to be traversed before the hope is actualised as reality. Very formidable obstacles remain to a just and lasting peace, as quickly revealed by the fact that Kumaratunga was only able to effect a partial lifting of the cruel and counter-productive economic blockade against the north. The Tigers' response, the release of a mere 10 prisoners of war, was equally and calculatedly partial; a total dismantling of the embargo would probably have led to the freeing of a far more sizeable number (perhaps almost all) of Sinhalese POWs in Tiger custody.

What measures and decisions need to be taken to permanently end the civil war and what are the major problems and challenges that must be overcome in the process? The fundamental fact to recognise is that the conflict can only be resolved, short of secession and the formation of an independent Tamil entity, by a radical and comprehensive restructuring and reconstitution of the Sri Lankan state. Attempts to substitute such a far-reaching systemic transformation with cosmetic changes or superficial reforms will not only not work, but will be a waste of time for all concerned.

What might this mean in practical terms? The four-point Tamil charter of self-determination, issued at Thimphu in 1985, demanded that Sri Lankan Tamils be recognised as a distinct nationality; that the north and east be recognised as the historical homeland of that nationality; and that the Tamils' right to self-determination (left deliberately undefined and implicitly, open to negotiation) be acknowledged. For the very first time, we have a top Sinhalese leader, in office, with the will and vision to not dismiss this charter out of hand, but rather accept it as a legitimate basis for negotiations. Her biggest advantage is that the majority of Sinhalese public opinion is clearly in favour of a negotiated settlement. The 1994 election is the first since 1956 in which anti-Tamil 'competitive chauvinism' did not come into play, because the leader of one of the two major Sinhalese political formations finally found the courage to refuse to engage in that odious game. Even a few years ago, courting the Sinhalese vote on a platform that called for direct, unconditional talks with the LTTE leadership (as Kumaratunga did) would have been an invitation to political suicide. This time, exhausted with an unwinnable, prohibitively expensive war that has brought death, destruction and misery throughout the island (not just the Tamil areas) and corrupted and criminalised Sri Lanka's democratic fabric, a large chunk of the Sinhalese electorate rejected the parasitic chauvinists and warmongers, and their bankrupt fantasy of a 'military solution'.

In acting on this mandate for peace and reconciliation, Kumaratunga must keep in mind not just the constraints within Sinhalese politics that limit her room for manoeuvre (on which more later), but also that the LTTE leadership will, by and large, be negotiating from a position of relative strength. The Tigers have proved to be an extraordinarily formidable and resilient organisation over the past decade. Today, they control some 85 per cent of the north (including the entire Jaffna peninsula), where they have established a *de facto* state with its own police force, judiciary, taxation structure, education department, transportation system and information and broadcasting networks. They have also consolidated significant popular legitimacy by aggressively opposing various social ills and inequities, such as caste oppression and the subordination of women. Even if the Sinhalese armed forces were to retake this territory (which is doubtful), the Tigers always have the option of reverting to the underground guerrilla warfare they waged with such deadly efficiency against the Indian army between 1987 and 1990 (not to mention devastating suicide-attacks in Colombo and other Sinhalese-majority cities). The capacity of the fanatical youth mobilised by LTTE to fight on regardless of punitive costs has repeatedly been demonstrated. In the eastern province, too, the Tigers remain a menacing presence; they are still entrenched there in forested and rural areas. Effective Tamil opposition to the LTTE remains almost non-existent, not just because of the Tigers' ruthless intolerance of political opponents but also because a sorry record of criminality, 'collaboration' and opportunism has debased the anti-LTTE groups in the eyes of the Tamil population. As an 'Indian Peace-Keeping Force' (IPKF) general found in Jaffna, "Eelam had taken firm root as an idea and the LTTE was firmly established in the consciousness of the Tamils.. [as their] sole saviour, fighter, hero and representative."

At the same time, the Tigers simply cannot hope to achieve Tamil self-determination through military means alone. The absence of international recognition ensures that 'Tamil Eelam' will remain a juridical non-entity for the foreseeable future. And it is questionable whether an economically decimated Tamil society can sustain an extremely protracted and painful war of attrition indefinitely, at least without losing enthusiasm for the political cause. The LTTE's positive initial response to the new prime minister's overtures indicates that Tiger leaders are not unaware of these constraints

and dilemmas. Conversations with LTTE activists based in the west also indicate that the Tigers have considerable faith in Kumaratunga personally, though they remain deeply sceptical of the People's Alliance, which contains many Sri Lanka Freedom Party (SLFP) and nominally 'leftist' elements with a history of anti-Tamil politics.

Core Issue

What, then, is to be done? The core issue in this conflict is the political empowerment of the Tamil people who live in the north and east of Sri Lanka. Piecemeal 'concessions', and the like can never address this problem, especially in the extreme circumstances that have come to prevail. What might yet convince the alienated Tamil population that they have a future within an united Sri Lanka is the reconstitution of Sri Lanka as a highly decentralised, multinational state (of Sinhalese, Tamils and possibly Muslims). This would of course entail major institutional restructuring. At the broadest level it would mean the federalisation or perhaps even confederalisation of Sri Lanka. More specifically it would necessitate the permanent administrative unification of the northern and eastern provinces under the title of 'Tamil Autonomous Region, Democratic Socialist Republic of Sri Lanka', or some roughly similar designation. The concept of 'homeland' is certainly problematic but the practical problems can be minimised by introducing effective institutional safeguards for the rights of the one-quarter of the north-east population that is not Tamil. These are mostly Muslims and autonomous cantonal or municipal assemblies in predominantly Muslim pockets within the region (in Batticaloa, Trincomalee and Amparai districts in the east, Mannar in the north) is one possibility to explore. At any rate, a peaceably negotiated resolution involving Tamil, Sinhalese and Muslim representatives would greatly enhance the prospect that minorities, be they Muslims or Sinhalese in the Tamil-majority areas or the significant Tamil community in Colombo, are treated with equality and respect. An at least partial dismantling of recent government-sponsored Sinhalese settlements in the north-east (under controversial 'colonisation' schemes) would also probably be unavoidable. The Autonomous Region would encompass the entire north, which has an overwhelming Tamil majority, and the eastern districts with the possible exception of Amparai, where Tamils are only 20 per cent of the population. Trincomalee harbour, the prize of the east coast, could be declared a 'free port', to which the Sinhalese authorities and people would enjoy equal and unimpeded access. A recent precedent exists in the Horn of Africa, where newly sovereign Eritrea has guaranteed the Ethiopians access to its Red Sea ports.

The region would be governed by an entity that might be called something approximating Tamil National Authority, Democratic Socialist Republic of Sri Lanka. This authority would enjoy jurisdiction on all matters except those vested in the central government under the federal or confederal model. Even in Sri Lanka, there are important historical precedents for this, in the form of (sadly unimplemented) proposals for wideranging, substantive devolution of power. As early as 1928, the British-appointed Donoughmore Commission urged that provincial councils be formed in Ceylon, with powers of direct taxation (to supplement revenue provided by the centre) and wide responsibility over a variety of subjects including "public works and communications, irrigation and agriculture, medical and sanitary services, education and finance, and general administration". In 1957-58 a famous pact concluded between Kumaratunga's father, prime minister Solomon Bandaranaike and the Tamil federalist leader S J V Chelvanayakam would, if implemented have federalised Ceylon and possibly averted the later catastrophe.

This agreement, abrogated by Bandaranaike amidst hysterical opposition from the Buddhist clergy and UNP politicians like J R Jayewardene, would have recognised Tamil as the language of administration throughout the north-east and devolved powers to autonomous Tamil authorities in numerous fields including agriculture, co-operatives, land settlement and development, education, health, industries, fisheries, housing and social services, electricity, irrigation schemes and roads. It would also have given the Tamil authorities the right to tax and borrow independently. In 1965, yet another important (and unimplemented) accord was reached between Sinhalese and Tamil leaders on the sensitive issue of 'colonisation'. This stipulated that land grants in the north-east would be made, firstly to local landless persons, regardless of ethnicity, secondly, to Tamil speakers resident in the north-east, and thirdly, to other citizens of Ceylon with preference given to Tamil citizens living elsewhere on the island. Many prescriptive aspects of these abortive agreements remain relevant to devising and implementing a viable solution today.

Under the federal or confederal formula, jurisdiction over foreign policy, defence and currency and communications typically remain with the central government. This should be generally applicable to Sri Lanka, with one important qualification. The paramount concern of the Tamil population in the north-east is physical safety and security, above all from the depredations of the Sinhalese armed forces, police and paramilitaries. It is thus unacceptable to them that the Colombo government retains (or rather, given the context, regains) exclusive control over police and military power. This contentious issue will have to be thrashed out across the table. Demilitarisation is an essential and most desirable objective, but it has to be gradual and mutual. Demanding that the LTTE surrender its weapons in the absence of a comprehensive settlement voluntarily concluded between the warring parties and without a corresponding reduction in the bloated government forces, will simply not work (this was among the fatal flaws of the Indo-Sri Lanka accord of 1987). During a putative transition phase, one idea might be to withdraw regular troops (on both sides) to barracks, and set up police forces in the war-zones whose composition more-or-less reflects the ethnic make-up of the local population. This might satisfy the security concerns of Muslim and Sinhalese residents of the north-east, in addition to Tamils. Once a lasting peace has been reached, large-scale bilateral dismantling of redundant military forces, and perhaps, absorption of some LTTE units into a much smaller army under joint Sinhalese and Tamil command should not be a problem.

But the most powerful long-term unifying force between Sinhalese and Tamils is likely to be the imperative to economic co-operation, trade and exchange. The north needs resources and products from the south: the LTTE's vigorous efforts to beat the blockade by building indigenous factories for essentials notwithstanding, Tamil farmers and fisherfolk in the north and east need the south's markets, in addition to their own, for their catch and produce, and the Tamil middle class in Jaffna

needs access to higher education and professional employment opportunities in the rest of the island. A leading Sinhalese economist, who is a former director-general of the United Nations Commission on Trade and Development (UNCTAD), has recently commented that the Sri Lankan economy as a whole will not be able to achieve optimal growth unless the civil war is politically resolved soon. There is thus a compelling case for an integrated (as opposed to centralised) Sri Lankan economy, and this imperative is likely to counteract any lingering 'separatist' tendencies.

Other innovative political structures can be created to strengthen a voluntary, consensual unity built from below. For example, the presently uni-cameral Sri Lankan parliament, elected on the basis of one-person, one-vote and a diluted proportional-representation system, can be expanded into a bi-cameral institution. An upper chamber, called House of Nations or House of the Peoples, might be constituted, with equal representation from the Sinhalese, Tamil and possibly Muslim communities. This house might be specifically charged with mediating and arbitrating any inter-community and inter regional disputes, and vested with the authority to accept or reject any proposals to change the (con)federal constitution of the state. Numerous constitutional precedents exist in multinational states worldwide. And, acting on a Donoughmore recommendation of 1928, this parliament could convene not just in Colombo, but periodically also in Jaffna. Additionally, it could be constitutionally mandated that if the prime minister is Sinhalese, the president must be Tamil, and vice versa (in practice, the executive post would typically be filled by a Sinhalese).

Peace Bandwagon

Obviously, even the partial realisation of such an ideological and institutional transformation presupposes a process of protracted and quite possibly tortuous dialogue and negotiations. Instant fixes are clearly impossible, and there would be many pitfalls and ambushes along the route. Initiation of meaningful dialogue presumes not just a ceasefire but a more permanent cessation of hostilities. Even this will not be easy. Over the years, a particularly belligerent and blood-thirsty element has grown within the officer corps of the Sinhalese army, navy and air force. The rank-and-file, often recruited from the poorer sections of Sinhalese society, are, by comparison, increasingly motivated to join by the carrot of economic incentives, rather than 'patriotism': this partly explains their poor performance against the Tigers. But many officers have a vested interest in perpetuating the war, to which they owe everything from public importance to economic affluence (the latter frequently through various forms of war-related profiteering and corruption).

Many of these hardline elements were in the forefront of the campaign to exterminate the Sinhalese ultranationalist Janatha Vimukthi Peramuna (JVP; People's Liberation Front) a few years ago, and are greatly frustrated by lack of similar success against the demonised LTTE. They will probably find allies among ultrachauvinist Buddhist clergymen, corrupt bureaucrats, and most dangerously, the Sinhalese political establishment, especially the UNP old-guard. Recall that a year ago, septuagenarian UNP president Wijetunga proclaimed that no ethnic problem (just a 'terrorist' one) existed in Sri Lanka, and ordered the armed forces' command to retake Jaffna militarily. The likes of Wijetunga and his adviser, the octogenarian J R Jayewardene, are understandably apprehensive that a just and peaceful resolution to the crisis will consign them, and the policies they pursued and the politics they represented, to the dustbin of history. Though temporarily sulking and defensive, this cabal is far from spent, and their mischief-making potential should not be underestimated. Recent attacks (usually against civilian targets) by the armed forces in the north seem designed to provoke large-scale LTTE retaliation, which would vitiate the climate for negotiations. But the prime minister has done well in choosing Lionel Fernando, a respected non-chauvinist Sinhalese bureaucrat, as her preliminary envoy to Jaffna. There are even rumours that disgruntled UNP parliamentarians close to the slain Ranasinghe Premadasa might desert their party and join the peace bandwagon, if it takes off.

More immediately, Kumaratunga is hamstrung by her wafer-thin working majority in parliament, and by her limited powers under a predominantly presidential system of government. Though committed to abolishing the presidential executive, she might need to run for and win that office in the immediate future in order to consolidate her authority. Moreover, even minor amendments to the constitution require a two-thirds parliamentary majority, not likely to materialise in the present parliament. Thus, a new parliament, based on a realignment of political forces and a clear-cut peace agenda may be necessary to advance the peace process.

It would also be unfortunate if the prime minister were to allow the minor Tamil groups that are supporting her primarily for partisan reasons to impede her dealings with the LTTE. The Sri Lanka Muslim Congress, her main ally, deserves to be taken more seriously, especially because almost 20 per cent of the north-east population (and a full third in the eastern province) is Muslim. The SLMC seems to have realised that Muslim refugees from the east and north can only return to their homes in security after a rapprochement with the Tamil insurgency.

On the Tamil side, it is far from certain that the LTTE leadership and its militant following, brutalised by years of violence, have the maturity, wisdom and patience for a lengthy dialogue. The moderating influence of Sathashivam Krishnakumar (Kittu), the LTTE leader killed by Indian forces in January 1993, may be sorely missed. Yet the Tigers too have compelling pragmatic motives to accept a just political solution. Prabhakaran has already established himself as one of the great military leaders of the 20th century. It remains to be seen whether he can discover the capacity to emulate some figures he admires (like Mandela and Arafat) in making peace. The LTTE also needs to explicitly recognise that its one-party dominance in Tamil politics cannot be sustained, except through sheer force, in the longer term.

The post-cold war international climate is conducive to a negotiated peace in Sri Lanka. The US government has expressed the hope that the new forces in Sinhalese politics will 'aggressively' seek peace with the Tamil rebels, opined that this can be done "only by devising ways to devolve power", and rejected the 'terrorism' hypothesis and its concomitant, the 'military solution.' Western aid would be important in rehabilitating the hundreds of thousands of refugees and internally displaced people (the vast majority of whom are Tamils but also including many Muslims and some Sinhalese), and in rebuilding infrastructure in the north-east destroyed by war. Chandrika Kumaratunga has spoken of how "what has been possible in South Africa and between the Israelis and Palestinians" has given her renewed hope. If she survives physically, it is not inconceivable that she may be able to end a conflict her father and mother did so much to create and exacerbate. With her personal history of pain and loss, she can empathise with the suffering of the countless thousands of war widows and orphans in the north-east and indeed, elsewhere in Sri Lanka. The government of India, whose clumsy, contradictory and self-serving policies have had an extremely baneful effect on this conflict in the past, can make a constructive contribution by staying aloof and not hindering any peace process. A positive outcome on the fractured island would create a remarkable precedent for a subcontinent riven by ethnic conflicts. If the opportunity is squandered, a relapse into massive violence is all but certain. Can Kumaratunga and Prabhakaran rise to the challenge?

[For a comprehensive discussion of and theoretical and comparative perspective on the Sri Lankan conflict, see Sumantra Bose, *States, Nations, Sovereignty: Sri Lanka, India and the Tamil Eelam Movement*, Sage Publications, New Delhi, Thousand Oaks, CA and London, 1994.]

Indian Muslims in Their Homeland

Moonis Raza

The destiny of Indian Muslims is an integral component of the destiny of India. It is the responsibility of the secular, democratic forces, therefore, to raise the specific problems facing the Indian Muslims and put their solutions squarely on the national agenda.

I

COMMUNALISM of many hues and colours—both majority communalism as chauvinism and minority communalism as separatism—has been eating into the very vitals of subcontinental India since the days of British rule. The imperialist power injected this deadly virus into the Indian organism as a crucial element of its 'divide and rule' policy. While the British rulers were forced to quit India, the dark shadows of their policy of divide and rule persisted and continued to darken many important spheres of life therein.

It is important to note at the very outset that the outcome of the 1993 elections has clearly indicated that while majority chauvinism has met with a serious setback and its onward march has been, at least for the time being, halted in its cradle—the Hindi heartland—it still continues to be a considerable force therein, and its capacity to generate and intensify communal tensions continues to be of a frighteningly high order. The maturation of this dangerously anti-national trend was heralded by the wanton destruction in the ancient city of Ayodhya of a 16th century mosque—popularly known as the Babri masjid possessing some rare historical as well as architectural features by a frenzied mob of fanatics at the initiative of the manifold wings and offshoots of the Rashtriya Swyam Sewak Sangh (RSS) parivar. The tacit support as well as encouragement of the Bharatiya Janata Party (BJP) government of Uttar Pradesh to this act of barbarism, the significant and studied inaction on this issue of the Congress government at the centre in complete disregard of both its constitutional obligations as well as national responsibilities and the openly declared threat to repeat the exercise not only at Mathura and Varanasi but in the case of Taj Mahal as well—all these constitute negative features of the contemporary situation and herald the opening of a new phase and a qualitatively higher stage in the maturation of communal chauvinism in the Hindi heartland.

The events at Ayodhya acted as a green signal to a wide spectrum of communalist forces in many other parts of the country. This was particularly true of the Shiv Sena infested metropolis of Mumbai where the Congress Party in power turned a deaf ear to the heart-rending appeals from citizens of the most modern city of the subcontinent to save them from widespread orgies of organised violence—arson and loot, murder, and rape.

Accompanied by the beating of drums in rath yatras, the thunderous entry of the RSS inspired BJP from the side wings to the main stage of the Hindi heartland combined with the shift of its socio-political emphasis from Bharatiyata to Hindutva, poses serious dangers to national unity and calls for a strong response fron the Indian people as a whole—of all religious groups with diverse affiliations. This is particularly true of Indian Hindus whose interests the party claims to serve, and of Indian Muslims who, though intrinsically and deeply involved in the destiny of India, are the main target of barbaric violence. The poignant and distressing destiny of Indian Muslims in their own motherland is particularly so because not only are they deeply rooted in its rich history and respond meaningfully to its varied geography, but their bodies, on death, also become symbolically one with the mother earth of their homeland.

II

It is unfortunate that the paucity of reliable and authentic data about Indian Muslims makes it possible for various anti-national political formations to sow seeds of prejudice about them and fan the fire of suspicion and hatred against them. In the light of the significant number of Indian Muslims and the consequential influence of their involvement in the destiny of India, it is really unfortunate that the decennial censuses or the national sample surveys do not systematically address themselves to the living conditions and demographic characteristics of the 'untouchable' Muslims. It is no doubt true that a small number of census tables were generated for Muslims separately some decades ago. The figures presented such an alarming picture of their plight, led to such a strong protest in parliament and created such a furore among concerned demographers within the acdemia that the matter was carefully and diplomatically hushed up with considerable finesse. Having burnt its fingers once, such tables, to the best of our knowledge, were not generated for the second time. The socio-economic plight of the Indian Muslims remained clouded in mystery.

India Today, reportedly using NSS report of 1988, Reserve Bank of India report of 1992, and the Gopal Singh commission report on minorities of 1984 presented a picture of the socio-economic conditions of Indian Muslims detailed below, which has greatly shocked the conscience of democratic India:

—52.3 per cent of Muslims live below the poverty line with monthly income of Rs 160.00 or less.

—50.5 per cent of Muslims are illiterate.

—Only 4 per cent of Indians who received education up to high school are Muslims.

—Only 1.6 per cent of Indian college graduates are Muslims.

—Only 4.4 per cent of Indians in government jobs are Muslims.

—Only 3.7 per cent of Indians who received financial assistance from the government for starting business are Muslims.

—Only 5 per cent of all Indians who received industrial loans from the government-owned banks are Muslims.

—Only 2 per cent of Indians who received loans from the government are Muslims.

Moin Shakir has focused attention on the fact that the share of the Muslims in the defence services has come down from as high as 32 per cent in 1947 to as low as 2 per cent in contemporary times. The former should have perhaps been lower than what it was but the latter is exceptionally low in terms of social justice. Shahabuddin has estimated the same 2 per cent for employment in public and private sectors. Nadvi has pinpointed the telling fact that only three Muslims were recruited in the Delhi police force between 1946 and 1952. These are a few stray facts, no doubt, from diverse spheres of life and hopefully may not be reflective of the national scene as a whole, but they do indicate the direction in which the winds appear to be blowing in some spheres of the country.

It should be noted that most of the above figures relate to the public sector wherein communal discrimination is more difficult to practise and since data on employment practices is relatively accessible, more difficult to hide. The large and powerful private sector takes recourse to it on a far larger scale, in a far more effective manner, and with greater impunity. Can the concept

of social justice, enshrined in the Indian Constitution, be corrupted to a greater extent than this?

What makes the pitiable condition of Indian Muslims, as depicted above, to be ironically so is the persistent propaganda line of majority chauvinism to the effect that they are the pampered offsprings of mother India who are being offered a disproportionately large share of the national resources to keep their mouth shut. This is akin to adding insult to injury.

It is of some significance to note in this context that in the case of many crores of Indians, belonging to the scheduled castes and tribes, who have been carrying the back-breaking burden of hunger and destitution for more than a millennium, and who are still neck deep in the mire of backwardness and poverty, some positive steps have already been and are being taken to remove these infirmities. The other backward classes (OBCs) too have recently joined the company of the specially favoured. It is unfortunate that the same cannot be said about the sad lot of the *non-scheduled but backward Muslims*. Shunning the 'available easy road' to 'safe' Pakistan even under the dark clouds of the partition riots, they stuck to their cold hearths in *mother* India to be treated, at best, as its step-children.

In spite of the soul-killing ambience of contemporary India with its demoralising ethos of communal bias in many spheres of life and the terrifying ethos of recurring riots, Indian Muslims, like other communities in the country, continue to take spiritual sustenance from their vigorous tradition to keep alive their fond hopes of a less gloomy and brighter future It is in the best interest both of Indian Muslims and their homeland, India, to ensure that these hopes are not shattered.

III

It is heartening to note that in spite of their relative marginalisation in the national economy and the insurmountably difficult obstacles in their path, Indian Muslims are continuing to make their presence felt and put their stamp on a significantly large number of important spheres of life. They have been able to face up to the tough challenges outlined above on the basis of their capacity to put in hard work under the most trying circumstances, a characteristic they share with the rest of their country folk. This is true not only with respect to the rarefied spheres of the hard disciplines, such as natural and social sciences, engineering and technology, but also of the ethereal universe of creativity that includes fiction and poetry, painting and theatre, mime and music, and the popular spheres of films and sports.

In view of the significant contribution of the Muslims to a number of important spheres of life in India and particularly to the synthesis of diverse ingredients in the Indian milieu, it is really unfortunate that this vital segment of the Indian population is being denied its due share in the fruits of national development.

The relative underdevelopment of Indian Muslims is both a Muslim and an Indian problem. Development, it is now generally agreed, is indivisible. The palsied limb weakens the organism as a whole. The relative weakness of developmental impulses within such a significantly large segment of the Indian population as that of the Muslims is, in a vital sense both the cause and consequence of the under development of India.

The tragedy of such a situation calls neither for theatrical tears and futile breast-beating, nor for shouting of vacuous slogans and mock heroics, but for serious heart-searching and critical (including self-critical) analysis. A reasoned and scientific assessment of the present situation with respect to the plight of Indian Muslims has to commence with the recognition of the fact that they are located at the inter-section of two vitally significant sets. First, they are a substantial component of the Indian population—the second largest group in the second most populous country in the world. Second, India has been and still continues to be the motherland of a considerably high share of Muslims inheriting the globe—the number of Muslims in India being their second largest national aggregate, next only to that of Indonesia. It is certainly larger than the combined total population of Pakistan and Bangladesh. This significant and glaring fact points unmistakenly to the obvious conclusion that a larger number of Indian Muslims inhibiting the pre-Pakistan India decided to stick to their homeland facing slings and arrows of outrageous fortune and only a relatively small minority migrated from 'Hindu' India to 'Islamic' Pakistan. The population of Muslims in India is significantly greater than the total population of the two predominantly Muslim countries of considerable importance in the world—Egypt and Iran. It is 11 times as high as the combined total populations of six predominantly Muslim countries of the world—Saudi Arabia, Iran, Afghanistan, Libya, Morocco and Albania. It is clear that both as citizens of the secular republic of India and as members of the world Muslim community, Indian Muslims constitute a subset of unique significance and crucial importance. They are, on the one hand, Indians, united with every fibre of their social being with the history and geography of their homeland; on the other hand, they are Muslims and, as such, they are an inalienable constituent of the world Muslim community, spread unevenly over different units of global space in varying proportions.

The Indianness and Muslimness of the Indian Muslims are both defining characteristics and neither can be ignored nor underplayed in any rationally sound and scientific assessment of the situation. It may appear ironical but it is nevertheless true that both Hindu and Muslim communalists deny the Indianness of Indian Muslims and underline only their Muslimness, of course, for different reasons—the former to denigrate the Muslims and the latter to denigrate India. It is also true that sectarian and narrow-minded Muslims of the Muslim Brotherhood variety quite often consider Indian Muslims to be rather inferior specimens of their co-religionists to be kept out of the charmed circle of good and "god-fearing" Muslims like those of Saudi Arabia or Khomeni's Iran.

It is of considerable significance to note in this context that Indian Muslims are definitionally and simultaneously Muslim Indians as well, end-products of the rich historical tradition of their homeland, and the high degree of geographical diversity therein. India is a country of subcontinental dimensions, and environmental diversities have put their stamp on the life-style of Muslims inhabiting the different regions of the country, as they have in the case of non-Muslims. Muslims inhabiting the dry, cold and mountainous lands in the trans-Himalayas, on the one hand, and those living in the humid, hot and coastal plains of the Kerala coast, on the other, respond to their regional environments in their own ways which are significantly different from each other. The houses they live in, the clothes they wear or the food they eat are region-specific.

The regional specificities of Muslim life in a large and diversified country like India—both the inter-regional differences therein and the commonness between Muslim and non-Muslim life-styles of the same region—are so striking that they cannot be missed even on a cursory glance. If groups of Muslims and Hindus from an Assam, a Kerala, a Saurashtra, a Telengana and an Awadh village were to be put together for some time on an island, the food they would eat, the dress they would wear, and the language of discourse among them, for example, would be region and not religion specific. The regional specificity of life-styles among Indian Muslims acquires considerable significance particularly because they are not evenly distributed over Indian space. While there are regions with heavy concentration of the Muslim population, there are also regions wherein their population is small, marginal or even non-existent. However, taking a total view of the country as a whole, it may be asserted with confidence that Indian Muslims have

been and continue to be an integral constituent of the national ethos. It is also and equally true that they are integrally woven into the multi-coloured fabric of their regionally differentiated motherland.

While the ability of the Indian Muslims to be an integral constituent of the multi-cultural ethos of India is of substantive significance in understanding the nature and complexity of the intricate problems facing them in contemporary India, it is at the same time vitally important to recognise the high degree of heterogeneity among them. Doctrinal variety, social hierarchy and economic stratification are quite pronounced characteristics of Indian Muslims as well—though they are, perhaps, not as marked, open, obvious and proclaimed as in the case of Hindus. These negative features in the case of the Muslims are rooted in the same social phenomenon as in the case of the Hindus—the all-pervasive caste system, which has been sucking the life blood of the social organism in India as a whole for more than a millennium. On conversion to 'casteless' Islam, the Hindu loses his religion but not his caste, and the weavers, even within the new fraternity of 'equals', continues to be the despicable 'jolaha', barely tolerated at the societal periphery. Religious conversion is not only possible but welcome; caste conversion is not only impossible but considered to be fraudulent and detestable.

While caste source is crucially significant in the assignment of status to Muslim converts from caste-ridden formations, the doctrinal spectrum of Indian Islam is itself highly complex and varied. The shias, the sunnis and the wahabis or the khojas, the bohras, and the agha khanis are just a few examples of a large number of differentiations based on religious as well as quasi-religious beliefs and ritual practices. They lead to sect exclusivity and sometimes even to inter-sect riots. Shia-sunni riots or sunni-wahabi tensions are not unknown in the sub-continent. The Islamic republic of Pakistan has solved the problem by excluding the Ahmadias from the sacrosanct sphere of believers.

IV

Some of the popular misconceptions about Indian Muslims, which are rooted in an erroneous view of history, need to be carefully examined with a view to clear the cobwebs of prejudices against them. The most popular of these misconceptions relates to their being 'foreigners' as against the Hindus who are considered to be bona fide sons of the soil and genuine offsprings of the Indian motherland. It is no doubt true that some of the Muslim dynasties had entered Hindustan during the medieval times from central or west Asia—as was the case with 'Hindu' Aryans a few centuries earlier. It is equally true that they had not come to India like the British on a furlough, nor as invading marauders like Alexander (the 'Great'), Mahmood of Ghazna or Nadir Shah who, after cruel orgies of murder and rape as well as arson and loot spread over short durations, went back to their lairs. The invasions of this type, aimed at fleecing the golden bird, were in the nature of an earthquake or a typhoon, highly destructive but temporally ephemeral. As against this, the pathan or mughal dynasties settled down in India and made it their home. Among them were both good and bad specimens, soft-hearted and oppressive rulers, just and unjust kings, as there were among Hindu dynasties of earlier periods and Hindu sub-feudatories during the medieval period itself. In neither case was religion the distinguishing characteristic between the two sets. The falsity of this communalist theory is sharply brought out by contrasting Khusro's kind-heartedness and broadmindedness with his brother Aurangzeb's oppressiveness and intolerance. Both were Muslims, yet were fundamentally different from and arrayed against each other. What is of paramount significance to note in this context is the undeniable fact that the great majority of Indian Muslims, who decided to stay in India and not migrate to Pakistan in the wake of partition, are Indians with deep roots in the Indian soil, offsprings of Indians who have been living in India for centuries and in some cases for a millennium. One does come across a few ghaznavis (from Ghazna), tirmizis (from Tirmiz) or qandharis (from Qandhar), but there is a far larger number of Indian Muslims who proclaim their deep roots in India through a constituent element of their proper names like Gorakhpuri from Gorakhpur, Lakhnavi from Lakhnau, Dehlavi from Delhi or Jallandhari from Jallandhar, even taking pride in their being related to small towns or even villages of their motherland, for example Nonahravi (from Nonahra), Parvi (from Para), or Karhani (from Karhan).

V

Since development is indivisible, the living conditions of a large majority of Indian Muslims, steeped in misery and degradation, are a drag on the progress of the country as a whole and constitute serious obstacles in the difficult path of national development. The destiny of Indian Muslims, in this sense, is an integral component of the destiny of India; and the destiny of India is irrevocably linked with the destiny of Indian Muslims. The two are inseparably intertwined, contingent upon and flowing from each other. The agenda of our times, therefore, calls for the progress of India along with the advancement of its Muslim citizens, and simultaneously for the advancement of its Muslim citizens along with the advancement of India.

Despite the provocations of the Hindutva forces during recent years and the corrupting influence of separatist platforms of Muslim communalists and Islamic fundamentalists, Indian Muslims have continued to play a positive role in the building of a strong and progressive India. It is the responsibility as well as the bounden duty of the secular democratic forces and parties of the Indian mainstream, therefore, to raise the specific problems facing the Indian Muslims from their own platforms singly as well as jointly and to put the solutions of these problems squarely on the national agenda, especially when any movement with separatist demands would be disastrous not only for the nation but for the minorities themselves.

Food for People: Limits of Reform

Madhura Swaminathan

The Politics of Food in Mexico: State Power and Social Mobilisation by Jonathan Fox; Cornell University Press, 1993; x+280.

THIS book contains a useful discussion of an important policy intervention by the Mexican government in the early 80s in the system of food production and consumption. The programme known as the Sistema Alimentario Mexicano (SAM), or the Mexican Food System, attempted to increase production of basic food products (cereals, beans) and to provide a basket of essential food products at reasonable prices to the poor in rural and urban areas. In theory, the SAM programme involved a reversal of agricultural policies pursued since the 1940s, which had favoured export-oriented large producers on irrigated land and private ranchers and not small, maize- and bean-growing peasants. The essence of the SAM programme was the provision of producer and consumer subsidies that were financed by revenues from the oil sector.

An analysis of this food policy intervention is of general significance on two counts. First, it shows the limits of success of a programme of reform that is initiated from above and that does not deal with the fundamental question of agrarian reform. Secondly, Fox uses this case study to build a general model of the effects of state-society interaction on the implementation of a programme of reform.

The central issue addressed in chapter 2 is why and how the Mexican state implemented a policy that gave "a small but significant" degree of power to poor persons. Fox argues for an approach that focuses on "the interaction between state and society" in understanding public policy interventions of a distributive or redistributive kind (p 39).* In the particular case of SAM, Fox shows that the programme was initiated by "reformers" within the state whose capacity to overcome powerful opposition depended on their willingness and ability to find allies in civil society. In chapter 3, Fox provides the historical background to the Mexican state's concern for "rural political legitimacy" (p 41), and the policy of buying social peace in the countryside with occasional concessions and promises.

SAM was designed to affect different components of the food system, including inputs, production levels, marketing, processing and distribution. SAM consisted of three major policy measures. These were, first, the provision of subsidies for producer inputs (such as fertiliser and seed) to increase grain yields on rainfed land; secondly, an increase in producer prices as an incentive to increase the area sown to basic grains and the amount of grain marketed; and, thirdly, the expansion of a system of subsidised retail stores for the distribution of basic food articles. Chapter 4 provides an interesting account of the implementation of SAM. Here is an example of how SAM worked in practice.

The main official agency that supplied agricultural credit was the National Credit Bank or BANRURAL. BANRURAL had a strong influence on production because it was the major source of credit in rural areas, particularly for those cultivating on 'ejido' (or community-owned) land. Prior to SAM, lending by BANRURAL was biased against small foodgrain producers. SAM led to a lowering of interest rates and an increase in bank lending to agriculture. Between 1979 and 1980, lending by BANRURAL increased 16 per cent in real terms; the area financed by credit from BANRURAL increased 49 per cent; the number of producers given credit increased 17 per cent. The increase was even larger the following year. However, there was no major change in the direction of credit flows from BANRURAL between 1980 and 1982. During the same period, credit for livestock increased more rapidly than credit for agriculture. Also, small producers of maize and beans were not given investment loans but only short-term loans, usually in kind. To sum up, while the new food policy led to an overall increase in agricultural credit, it did not "involve any redistribution away from the previously privileged sectors, which continued to receive substantial real increases" (p 97).

The second strategy aimed to raise producer prices that had been falling in real terms since the mid-60s. A policy of guaranteed prices was announced and there were significant increases in the prices received by cultivators for the major food crops. In 1980, the official support price offered by CONASUPO, the National Basic Foods Company, increased in nominal terms by 28 per cent for maize, 55 per cent for beans, and 18 per cent for wheat. Inflation was 28 per cent in 1980 and support prices were raised further in 1981. Despite these increases, grain prices did not reach the previous peak.

A new element of the crop procurement strategy was a Rural Marketing Support Programme called PACE which aimed to provide marketing services to small producers in rainfed areas. Begun in 1975 as a pilot programme, PACE was strengthened and extended as part of SAM. The goal of PACE was "to broaden effective access to the official price as well as to increase the *de facto* price paid to rainfed producers" (p 112).

As in rural India, in many parts of rural Mexico, markets are fragmented and oligopolistic. In remote regions, peasants are forced to sell their produce to the local moneylender-cum-trader or large landowner. Rural markets are also affected by 'caciquismo' or bossism which results in exploitative interlinkage of transactions in different markets. PACE "explicitly attempted to weaken local marketing oligopolies, one key source of 'cacique' power" (p 131). To compete with private traders, PACE provided marketing-related services such as processing facilities, rebates to meet loading costs, free loan of large bags and a discount to cover the costs of transporting the grain to the government reception centres.

PACE expanded in a big way during SAM; between 1980 and 1981, for example, there was a 400 per cent increase in maize sales to CONASUPO through the PACE programme. Fox's overall assessment of PACE is that "though much of its budget reached small producers, it did not effectively intervene in the rural balance of power because it did not actively encourage collective action in defence of peasant interests relative to either the state bureaucracy or private grain traders" (p 150).

The third component of SAM aimed to improve nutrition security among the poor by providing access to a basket of essential foods at a subsidised price. This was done through a system of generalised food subsidies and a system of government-run retail stores. Subsidies were given to processors and distributors of intermediate products such as wheat flour or maize flour who were required to sell final products such as tortillas and bread at fixed prices. These subsidies were attacked by conservatives in the government. At no time, however, were these subsidies large in national or international comparative terms. During the SAM period, 1980-82, the total subsidy given to CONASUPO averaged 2.5 per cent of the federal budget (as compared, say, with Sri Lanka's food subsidy which accounted for 15 per cent of total government expenditure).

The distribution of food through the rural network of stores grew sharply during the SAM period. Planners identified four

conditions to ensure that subsidised food was delivered to the poor: first, a guaranteed supply of food; secondly, a storage network; thirdly, a transportation network; and fourthly, genuine community participation. A key organisational innovation of SAM was the involvement of the community in the supervision of the system of retail food distribution. The management of rural stores was put under the "direction of *elected* village committees" (p 116, emphasis added). Each village committee was to choose two representatives to be on the Community Food Council, a regional body, to ensure that subsidised food reached the village stores on time.

In conclusion, SAM was a belated attempt by the Lopez Portillo government to regain political legitimacy in rural areas. The oil boom of the late 70s allowed agricultural agencies to channel more resources to previously excluded peasants and small producers in marginal areas while continuing to increase allocations to their traditional clientele of large producers in irrigated zones and private ranchers. Only one component of SAM, the system of retail food distribution, was effective, to a small though significant degree, in altering food security in the countryside and in involving communities in the implementation of government programmes. Despite the good intentions of those who designed the programme, SAM became a policy for increased grain production and the distributive effects of SAM were weak. The Mexican experience with SAM shows that unless the balance of power in rural areas is changed, as say by land reform and genuine democratic control over decision-making, there can be no effective redistribution of resources.

SAM ended with the debt crisis of 1982. The 80s were a period of deep recession in Mexico, a period when orthodox structural adjustment and stabilisation programmes were implemented. It is well established that these policies reversed the redistributive trend of the previous years as income inequality worsened and there was a fall in the living standards of large numbers of Mexicans [Lustig 1992]. There was a sharp fall in real wages, a rise in open unemployment in urban areas, and in general, a redistribution of income from owners of labour to owners of capital. Expenditure reduction as part of structural adjustment led to the slashing of generalised food subsidies and the government shifted to a system of targeted food stamps. These changes in food policy were associated with a quantitative and qualitative worsening of consumption among the poor [Appendini 1992].

The roots of the Zapatista uprising in Chiapas on January 1, 1994 can be traced to these growing social and economic inequalities. As Jonathan Fox pointed out in this journal a few months ago (May 7, 1994) Chiapas is a region with "notoriously unequal distribution of land...largely untouched by agrarian reform" (p 1119). The long-term problems of the rural economy of Chiapas were exacerbated by the fall in prices of coffee, cattle and corn and the decline in government expenditure on rural development programmes including programmes of agricultural credit. The discontent in rural Chiapas and among other marginalised groups in Mexico reflects the fact that economic policy after 1982 weakened the poor and strengthened the rich. The Zapatistas have forcefully brought back distributional issues to the centre of the development agenda.

Note

* The distinction between distributive and redistributive programmes is as between positive sum and zero sum options.

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Nuanced View of Swidden Cultivation

Mahesh Rangarajan

Shifting Agriculture and Sustainable Development: An Interdisciplinary Study from North-Eastern India by P S Ramakrishnan; Unesco Man and Biosphere series, Volume 10, Oxford University Press, Delhi, 1993; pp 424, Rs 475.

IN colonial Java, the Dutch had a simple word to describe shifting agriculture. They called it 'raubban' or a form of 'robber economy'. Unfortunately for the cultivators, the label has stuck. Foresters in colonial India and Indonesia excorciated swidden farmers for depleting timber trees. Agronomists pitched in by pointing to the low level of 'surplus' produced by traditional forms of agriculture. More recently, swidden cultivation has become the target of the ire of conservationists who feel it is reducing diverse tropical forests to degraded habitats for fewer plant and animal species. In the main, it is anthropologists who have tried to portray swidden cultivation in less unflattering terms, mainly by arguing that it is a cultural adaptation to local ecological situations. In this version of the story, it is modernisation that is the main culprit, destroying age-old cultural practices that had ensured ecological renewal. None of these constitutes a satisfactory explanation. The major change in recent years has been the elaboration of a more nuanced and complex view of swidden agricultural systems. The earlier debate, especially, among the critics of shifting cultivation was often centred on "widely accepted myths, and that explains the widespread failure of developmental schemes involving swidden agriculturists". Conversely, the anthropologically informed defence has also assumed a level of isolation and cultural harmony that does not square with the rich and diverse kinds of relations between swiddeners and the wider society [Dove 1985: 85]. It is essential in rolling back the old stereotypes, that a new and equally potent one is not put in their place.

This is the central achievement of this meticulously researched and well-written book. India's north-eastern hill states are a geographically diverse and culturally heterogeneous region, with the largest complex of shifting cultivators in south Asia. The hill areas of Assam and the six hill states have, however, largely been neglected by scholars. Unlike in peninsular India where these forms of land use had been decisively rolled back (except in pockets such as Abhujmarh in Bastar) by the coming of independence, the north-east retains large communities of swiddeners. In turn, the newly independent government recognised the rights of village communities in the hill states to a degree unprecedented in the rest of India. Yet, the scales have been tilted against the swiddeners. By 1975, the Indian Council for Agricultural Research had opted for phasing out 'jhum' as it is known in favour of terraced farming and other permanent systems of cultivation. Through rigorous studies over the last two decades, the author has consistently made the case for a more nuanced approach, integrating elements of jhum with innovations in agroforestry. With this book, P S Ramakrishnan has provided a veritable steel-trap to seal his case. Terraced cultivation has not been adopted by farmers in the hills because it is simply not suitable to the terrain. In fact, in terms of maintaining soil fertility in the humid tropics, there is, as yet, no system that matches jhum. The longer view of soils and regeneration that was built into jhum

also means that it is futile to make simplistic comparisons with terraced farming. In any case, the latter requires a level of capital inputs which are not accessible to the producers.

The factors that govern the viability of jhum are sketched out with reference to various parameters: energy budgets, economies of village ecosystems and nutrient recycling. This is not a simplistic argument for retaining jhum in its unreconstructed form. Jhum, after all, comprises a complex series of systems, rather than a monolithic and uniform method. Much depends on the local ecological and cultural milieu. The major variable is the length of the fallow: in general, this has been sharply reduced in the north-east from an average of 10 years to as little as four, five or even less than one year. The primary factor in restricting access to land and destroying the forests are "the activities of industrial man", not the jhum farmers (p 366). The author wisely eschews any simple model based on population growth as the major source of pressure or as the source of agricultural innovation. Jhum, in its historically constituted forms, left behind not a wasteland, but a diverse biome, rich in plant life. One problem in making blanket statements about the ecological viability of the practice is that this may ignore the local ecological dynamics. For instance, the Khasis of Meghalaya grow very different crops in jhum sites in the lower and higher slopes. Both the rates of use and renewal of nutrients are, thus, very different. In addition to the length of the fallow, the specific crop mix has to be taken into account.

The main advantage of this study is that it steadily builds up a regional overview. In place of a tribe located in a particular range of hills, there is enormous attention to the kaleidoscope of peoples that make up the population of the hills. The immigration of Nepalese, with their preference of cows as opposed to pigs, has major implications for agriculture. Similarly, one group which is able to sustain swidden with fewer modifications, the Nishi in Arunachal is able to do so for both demographic and political reasons. Arunachal Pradesh has the lowest population density of any Indian state, even lower than that of the rest of the north-east. Also, Nishis are able to dominate the other land users in their sub-regions: the Kachari, the Chackma and the Karbi. In any case, many groups who have been native to certain tracts for longer periods now combine jhum with other forms of production. Often, their fate hinges on the flexibility of their older mix of production systems. In the increasingly desertified region of Cherrapunji, for instance, home gardens now play a more central role than in the past. The case studies lay the ground for the final part of the book, which discusses alternative strategies for the region. Ramakrishnan highlights both the limitations and the potential of the practices adopted by cultivators. Earlier, they often left stumps in place, enabling easy regrowth during the fallow period. But one way out would be to build on the innovative spirit of jhum farmers themselves. In many areas, notably in parts of Nagaland the cultivation of the Nepalese alder (Alnus nepalensis) has helped fix nitrogen in the soil. Tribals often spared the tree in their plots and these traditional practices can now be drawn upon to widen their resource base and opportunities.

This book has implications far beyond the north-east. The methodology, of painstaking field work in different kinds of terrain, should be a model for ecologists and social scientists alike. The author shows a deep empathy for local custom, as in his comments on the sacred groves in the Khasis hills. Certain traditional customs can, it is shown, protect and preserve diverse species. Yet, he stops short of any rural arcadian view. What we have instead are glimpses into a complex and changing world, where elements of the old and new can just possibly be combined to ensure growth with minimal destruction. The rich material on energy flows and nutrient cycles in this book is certain to stir further debate on the ecological consequences of older land use systems. There is, however, enormous scope for more work on the relationship of swidden with plant and animal diversity. Certain species actually thrive in the secondary vegetation that springs up on the fallow land. Yet, there is a crying need for fresh work that asks the more difficult questions. What kind of diversity can be best conserved in such environments? Conversely, are there certain kinds of plants and animals that cannot co-exist with shifting cultivation? These and other questions await further enquiry.

The only major shortcoming of the book is the absence of comparative perspectives. The references exclude Paul Richards' very significant work on west Africa [Richards 1985] and Kunstatder's volume on south-east Asia [Kunstatder et al 1978]. In fact, the conclusions of this book can help in generating useful comparisons. In India, as in west Africa, the debates within the colonial bureaucracy swung decisively against the shifting cultivator. As in south-east Asia, swidden agriculture often involves groups on the fringes of the power structure. Do ethnic differences increase or brake the pace of pressure from above? Presumably the obsession with promoting terraced cultivation at all costs reflects a desire to homogenise cultures and life-styles which is shared by dominant groups in many ex-colonial countries. The north-east, like the Thai highlands or the hill ranges of inner Vietnam is an 'internal frontier'. The drive against the swiddeners is only one aspect of incorporation into wider state systems on an inequitable basis. Ramakrishnan's research is all the more significant because the ecological complex of south-east Asia is more similar to this region than perhaps any other part of the Indian sub-continent.

Comparisons with the tribal belt of middle India could also be useful. The north-east was a strategically more fragile and geographically less accessible region than middle India. Does this explain the relative failure of policies of containment? In areas like Malabar and the state of Rewa, adivasi shifting cultivators had to pay a part of their produce to landed intermediaries, in addition to providing forced labour. It would be instructive to know if similar hierarchies within indigenous societies did or did not exist in the north-east. If the hierarchies and divisions are less pronounced, it might give co-operative systems of land use a better chance of survival. Here is rich ground for the student of the history of changes in the land. All this takes us to a very different realm, one for the historian and the political sociologist.

The limitations of the book in no way detract from its qualities. It is undoubtedly a landmark study of its kind of a region largely neglected by scholars. It also provides fresh insights into the pros and cons of the development process and is a must for anyone interested in ecology or rural studies.

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India as It Is

G P Deshpande

Changing India: Bourgeois Revolution on the Subcontinent by Robert W Stern; Cambridge University Press, 1993 (Indian edition published by Foundation Books, New Delhi); pp xviii + 257, Rs 125.

ROBERT STERN's book was written about India "by an Australian author for a western readership", as he puts it in his preface. In fact he concludes his preface to the Indian edition with a clear notice to his Indian readers that he "did not write it for you... So for you it is a work in the literature of eavesdropping". These sentences are cited to make just one point. Stern's account of India is very readable. He knows his India and he has organised his material neatly and the book serves the purpose of introducing contemporary India carrying all its historical burdens to "adequately educated general readers".

The book has been divided in two roughly equal parts. The first deals with "...the history, mostly from the urban top, of bourgeois revolution and change in Indai". It is not easy to review 'the literature of eavesdropping'. The basic argument of the book is that India is changing (as indeed it always has been) and that it is possible to indicate the broad direction of that change. Stern might be overstating the case when he describes the last 45 years as a "bourgeois revolution" as defined by Barrington Moore Jr. But then he concurs with Moore that the "main problem, after all, is what happened and why, not the proper use of labels".

That 'caste' occupies the central place in Stern's discussion of 'what happened and why' should be a major plus point of the book. Caste has been an exclusive preserve of sociologists/anthropologists. Our political scientists and economists have not bothered much about this institution. There is some point therefore in opening a discussion of modern and modernising India with a discussion of caste. It appears, however, that in Stern's view the institution of Varna is as old as Hinduism itself. He refers to *Purusha Sukta* in the *Rig Veda*. Most sanskritists agree that the *Sukta* was probably added to the *Veda* by latter-day commentators. There is otherwise no discussion of Varna in any of the four *Vedas* and the *Upanishads*. The Varna system is essentially a product of the period of the *Smriti* literature. This is the reason why Ambedkar chose to organise public burning of the *Manu Smriti*. The point is that Stern seems to consider the institutions of Varna and Jati without reference to a temporal framework. The term 'Varna Dharma' is not of the Vedic times. His discussion gives an impression that it is. When Varna society became a Jati society and whether the two systems had anything to do with the development of economy and history in India (Sharad Patil's work is worthy of mention here) are crucial question, and one cannot say that Stern's account attempts an answer to them.

He says in the introductory remarks that the term Sanskritisation has not left its distinguished anthropologist-author particularly sanguine about its meaning, making him describe it as a "questionable label". Stern's account, however, does not quite treat it as a questionable label (see chapter 2). It is nice to know that M N Srinivas thinks that Sanskritisation is a questionable label. Perhaps it is worse. It has become a cliche in Indian discussions, as Stern must have realised in those numerous discussions he attended where he employed his trick "to gradually withdraw from active participation to fade into the conversational background".

Anyway, Stern's account of recent Indian history, of India's foreign policy, especially its power and national interest base, and his discussion of the post-Ayodhya scene, while not indisputable, are clearly realistic. His realistic approach expresses itself when he states that "there has not been and there will be no plebiscite in Kashmir" (not because he necessarily shares the Indian government's view on Kashmir) and then goes on to add in the next paragraph that there will probably be no war between India and Pakistan either (p 224). Obviously this is not the argument of a human rights activist or a what-is-this-nation-category-asking-liberal: This is the argument of a realist in international politics. The book reflects this realism in many places and a willingness to understand politics as it actually unfolds. There are no hymns to great India here. Equally, there are no attempts to run down the idea of India itself.

Stern says that there is "a persistence in India's international politics". Indeed there is persistence of and in India itself. In a way, Stern's book brings out that persistence which has always been there. Whether 'changing India' would mean the gradual disappearance of that persistence is more than Stern or anybody can say. In the meanwhile, he has given us a clear, compact, introductory volume on India as it has developed and as it finds itself in 1993.

Issues in Financial Liberalisation

Mihir Rakshit

The basic questions relating to financial liberalisation may be grouped under two broad categories First and the most important for developing countries to what extent has private initiative to be supplemented by state intervention for creating an efficient financial structure? Second given the structures of the financial system, is there any scope for public authorities to influence or suspend the operation of market forces in order to promote saving, investment, and allocative efficiency in the system?

I
Introduction

THE purpose of the paper is to examine the scope for and limits to government intervention in the financial sector of less developed countries Until the early 80s commercial banks and other financial institutions in almost all these countries were nationalised, interest rates were fixed below the market clearing level directed credit programmes with minimum targets for priority sectors like agriculture and small industries were extensively in vogue and governments appropriated a substantial share of total credit at low rates of interest [Hanson and Craig 1986] The resulting financial repression was regarded by the dominant group of development economists as also by international financial institutions as one of the most important sources of inefficiency low saving and poor growth in developing countries [McKinnon 1973 Shaw 1973] However belying the expectations of mainstream economists in a large number of third world nations the initiation of financial liberalisation under the Structural Adjustment Programme- with unfreezing of interest rates privatisation of banks and abandonment of directed credit systems—was followed by widespread bankruptcies a fall in the saving ratio and stagnation or decline in gross domestic product [Corbo and de Melo 1985 Diaz Alejandro 1985] While it is difficult to unscramble the effects of financial liberalisation from other policies pursued by the governments, in the light of the experience of a large number of Latin American and Afro Asian countries McKinnon admits, "all is not well in the liberal camp", and "recognise(s) that our knowledge of how best to achieve financial liberalisation remains seriously incomplete" [McKinnon 1988] It thus appears worthwhile to go back to the basics of financial liberalisation some of the most important of which seem to have been ignored in the recent debate

While clearing the decks it is important to distinguish the core from the peripheral aspects of the programme of financial liberalisation The core consists of (a) abolition of directed credit programmes and control over interest rates and (b) promotion of competition among banks Thus the programme does not necessarily imply privatisation of all commercial banks But it does require that there should be no bar to the entry or exit of private banks, and that nationalised banks if there be any must operate entirely on the commercial principle and compete on an equal footing with private banks Again not only would there have to be deposit insurance and strict supervision of activities of banks in order to avoid the crisis of confidence or runs and to ensure that banks do not betray depositors trust but the central bank must also exercise control over the supply of *total* money and credit for correcting macro economic imbalances Hence the new structuralist thesis that an increase in the interest rate on bank deposits is likely to cause cutback in output through a fall in the supply of total credit[1] [van Wijnbergen 1983 Taylor 1983] does not constitute a serious critique of financial liberalisation With the unfreezing of *all* interest rates if the supply of total credit in the economy turns out to be inadequate for sustaining full employment output, what is called for, the liberal camp might argue, is an expansionary monetary policy so that at the market clearing rate(s) of interest investment equals saving at the full employment level and the degree of financial intermediation is optimum"

The basic questions relating to financial liberalisation may be grouped under two broad categories First and the most important for developing countries to what extent has private initiative to be supplemented by state intervention for creating an efficient financial structure? Second, given the structure of the financial system is there any scope for public authorities to influence or suspend the operation of market forces in order to promote saving, investment and allocative efficiency in the system?

Section II is devoted to an examination of the first set of issues We draw attention to some of the most important sources of market failure in the financial sector which, as the older generation of development economists have emphasised, require the state to play an active role either directly or indirectly The rationale for such intervention lies primarily in the gap between the social and the private returns on the extension of banking services to the unorganised sector in general and rural areas in particular—a gap that calls for setting up of nationalised banks or subsidy to private banks to bring all investors and savers within the fold of an integrated financial system Section III draws attention to issues relating to saving and allocative efficiency under the prevailing fiscal and financial structure and to some of the problems of macro-economic management in a fully liberalised regime The final section provides an overview of main results and underlines the major areas where financial liberalisation needs to be tempered with substantial control by monetary authorities

II
Development of Financial Sector

Even though credit markets in LDCs are grossly underdeveloped and fragmented the debate between the liberal and the structuralist camps has been conducted with little attention to the promotional aspect of monetary policy The Shaw McKinnon school recognises the crucial importance of financial inter mediation but in their enchantment with the benign role of a flexible interest rate mechanism they seem to have ignored the overwhelming evidence relating to the failure of private initiative in developing an efficient financial infrastructure where the mechanism can work effectively The emphasis on the efficiency of kerb markets in structuralist models also betrays an inadequate apprecia-tion of macro-economic and allocative implica-tions of these personalised and fragmented markets with hardly any link between them [Owen and Solis Fallas 1989, Rakshit 1982, 1989] In the absence of a well developed stock market the savers do not generally lend to final users of credit,[3] and those who do limit their lending to close acquaintances or others over whom they can exercise substantial economic and extra economic power

The important point to note in this connection is that left to themselves private entrepreneurs do not set up banks in rural areas or extend credit to farmers artisans or other producers in unorganised sectors Setting up of nationalised banks in rural areas and special dispensation in respect of the allocation of credit to farmers or small business units have often been justified on grounds of equity or dispersal of economic activities We shall largely abstract from these considerations concentrate primarily

on the impact of the development of financial infrastructure on resource utilisation, allocative efficiency and growth; and suggest how at the earlier stage of economic development the social return on investment in banking is generally much higher than the private return.

Macro-Economics of Unorganised Credit Markets

It is worthwhile recapitulating at this stage the major routes through which underdevelopment of the credit market affects production, investment and growth in an economy. First, with imperfect competition in, and immobility of funds across, various sub-markets, unfulfilled demand for credit co-exists with excess supply so that the effective levels of investment and saving tend to be low though the overall propensity to save and invest can both be high [Rakshit 1989]. Injection of high power money into the system, it is important to note, will have little impact on investment since there is no mechanism through which additional money balances could be used for extending loans to prospective investors. The deficiency of aggregate demand can no doubt be avoided through an increase in consumption as real balances rise and there is an increase in the prices of gold,[4] or land or other non-reproducible assets. Thus in the absence of public investment, the (effective) saving ratio at the 'full capacity' output level (secured through appropriate macro-economic management) will be fairly low. When the large majority of investors are not served by commercial banks, an expansionary monetary policy may raise investment in the organised sector, but such investment will still be inadequate to realise the saving potential of the economy at full capacity output.

Second, traditional macro-economic policies do not ensure the required supply of credit for working capital to producers in the unorganised sector. Thus 'full employment' in the Keynesian sense will be characterised by underutilisation of resources due to lack of adequate financial infrastructure.[5] The incidence of such underutilisation tends to be high when a substantial part of the country's resources, e g, land, labour and entrepreneurial skill, are area specific or immobile across sectors. When final goods are mobile, lack of investment demand in the informal sector (due to credit constraint) can perhaps be made up by an expansionary macro-economic policy; but such policies cannot relax the constraint on output operating through the non-availability of production loans to farmers and other producers in the unorganised sector.

Third, there are important categories of investment goods, e g, those of the land augmenting variety, which are produced in the very process of investment and are specific to areas and sectors. In such cases, extension of investment loans generates simultaneously both demand and supply in the [illegible] even if for other goods there is a supply side failure due to the shortage of working capital.

Fourth, an important feature of unorganised money markets is the preponderance of consumption loans a major share of which goes to families with a high incidence of unemployment. The implication is unrealised production and investment potential of the economy. Indeed, there is substantial scope for raising the saving ratio in a developing economy even when the supply of consumption goods is limited. To see how, consider a labour surplus economy where improvement of land for agriculture, forestry or fishery can be undertaken through employment of labour alone. With sticky wages investment would, to be sure, tend to raise the demand for consumption goods. However, were there a substitution of investment for consumption loans, realised saving will be higher without any significant inflationary pressure. The inflationary tendencies would anyway be transitory and moderated by the expectations of an increase in the output of consumption goods in response to (land-augmenting) investment.

Finally, fragmented loan markets lead to gross distortion in the allocation of investment. Large inter- and intra-sector differences in the return on capital tend to persist. Unlike banks, which can convert—thanks to the law of large numbers—a fair part of even demand and short-term deposits into loans for long-term investment, creditors in the unorganised sector do not finance investment in fixed capital because of its extreme illiquidity and high risk[6] [Rakshit 1982]. Nor can producers, with the limited funds they can garner, exploit the economies of scale or of vertical integration of the production process.

A Cost-Benefit Approach to Investment in Financial Infrastructure

Our analysis of the effects of financial underdevelopment suggests how extension of banking facilities to rural/unorganised sectors of the economy can play an important role in the process of economic development. Given the financial infrastructure and resource endowment, the economy can enjoy, under appropriate macro-management, some maximum levels of real income, saving and growth. To make matters simple, we consider a steady state equilibrium where, with no promotional monetary policy, the relative size and efficiency of unorganised and organised sectors do not change significantly over time.[7] The income path of the economy may then be approximated by the Harrod-Domar relation

(1) $Y_t = Y_0 e^{\sigma s t}$

where Y_0 is initial income, s the saving ratio and σ the output-capital ratio.

The sources of increase in output over time due to an improvement in financial infrastructure may then be grouped under three heads. First, given the resource endowment and technology, greater inter- and intra-sector mobility of funds (backed by suitable macro-economic management) raises the 'full employment' output level through (a) greater capacity utilisation; and (b) an improvement in the allocative efficiency of existing resources. Second, the aggregate saving ratio will tend to go up with the extension of credit facilities to investors, the decline in the incidence of consumption loans, growth in per capita income and a rise in the tax-gdp ratio.[8] Third, there is an increase in the overall productivity of investment as industrial organisation and allocation of investment become more efficient and producers acquire greater freedom in choosing the durability and scale of fixed capital employed in a particular line of activity. If the (proportional) increase in output from the initial resource endowment is α_1 while the rise in the saving and the capital-output ratios are denoted respectively by α_2 and α_3, the new income path is approximated by

(2) $Y_t^* = Y_0 \ (1 + \alpha_1) \ e^{s\sigma (1+\alpha_2+\alpha_3)t}$

The implication is that there will be a jump as also an anti-clockwise rotation in the time path of income. However, since the reallocation of resources (especially in respect of fixed capital) cannot be instantaneous, the initial jump in output will be primarily due to greater capacity utilisation, and it is only gradually that the full impact of productivity improvement will be felt. Note that to the extent the additional output and employment generated through extension of banking to the unorganised sector does not involve withdrawal of resources from elsewhere, the whole of the additional output of the unorganised sector constitutes a net gain to the economy. It is possible that reorganisation of productive activities following an extension of financial infrastructure causes a decline in output in some sectors. But even so, the net increase in output can be substantial with the improvement in allocative efficiency of resources.[9] In assessing the social return on investment in banks note that since banking service is an intermediate input[10], its contribution is already incorporated in the final product, Y. The net return on investment in financial infrastructure is hence reflected in the time profile of additional income, $\Delta Y_t = (Y_t^* - Y_t)$, enjoyed by the economy. $\Delta Y_t > 0$ for all t's reflects our assumption that this net return is unambiguously positive for the developing countries we have in view.

We have ignored so far both the investment and the operating costs of new banks. The presence of operating costs does not pose much a problem for our analysis: ΔY_t will be positive for an enlarged financial infrastructure so long as the availability of other resources is not reduced.[11] There would be a decline in the supply of resources (other than banking services) in the short run if investment in bank involves the withdrawal of scarce

resources from elsewhere. Even with such withdrawal there need be no decline in the output of consumption and (other) investment goods when extension of banking makes possible an increase in capacity utilisation and improvement in allocative efficiency.

PRIVATE INITIATIVE AND PUBLIC INTERVENTION

In the context of the key role of financial infrastructure and the failure of private initiative in extending banking services in LDCs, it is useful to examine the main reasons for this failure or to locate the major sources of the difference between the public and the private returns on investment in banking. To an individual banker, the fixed cost of extension of banking services to rural areas or unorganised sectors tends to be high in relation to the potential size of the market. The market is generally thinly spread, and fixed costs are due to not only setting up of new establishments, but also gathering of information and building up goodwill—factors which are of crucial importance in the financial market. To the extent such investment involves the use of unemployed resources, their social cost is zero, but the cost to the private banker can be substantial.[12]

Much more important perhaps is the difference between the social and the private operating surpluses on new establishments. The private operating surplus is nothing but interest receipts on bank loans less the operating cost consisting primarily of interest on bank deposits plus labour and other costs of handling bank transactions. There are several reasons why the operating surplus from the viewpoint of the economy differs significantly from that entering into the calculations of the private banker. First, when new banks use unemployed labour and non-labour resources for carrying on their operations, there is no cost to the society. Second, the major part of the operating cost of banks is accounted for by the interest on bank deposits and this, in a perfectly competitive environment with full employment of resources reflects at the margin the opportunity cost of holding alternative forms of assets, e g, loans to firms or direct investment. In other words, the interest banks have to pay reflects the return on investment not financed through intermediation by commercial banks (less the liquidity premium on bank deposits). Consider however the case where establishment of new banks supported by an expansionary monetary policy raises the amount of bank deposit and the supply of credit to producers in the unorganised sector. Assume further that the resulting increase in productive activity does not involve any withdrawal of resources from elsewhere. In this case the additional bank deposit is in *equilibrium* part of the additional saving as incomes rise with the expansion of bank credit. In other words, though the social cost of additional bank credit is zero, individual banks have to pay interest on deposits required to support the credit. This is as it should be since with positive yield on investment (under the enlarged banking sector), returns on bank deposits have to be positive in order to ensure optimum allocation of resources routed through various banks (and other financial organisations).

Third, the interest banks can charge on loans is less than the *net* increase in output due to extension of bank credit. The reason lies in (a) positive cost of employing unemployed resources by producers; (b) the possible increase in input prices due to greater demand and reallocation of resources to their more productive uses; and (c) inability of banks to mop up the entire profit.[13] Again, when investment is lumpy and there is a complementarity between bank loans and other types of finance,[14] interest accruing to banks will be less than the additional surplus attributable to bank credit.[15]

The basic reason for the shortfall of the private from the social return is positive externality in the form of gains to borrowers and owners of factors which cannot be internalised by banks. The externalities creating a divergence between the two returns assume special significance when the financial market is imperfect and the scale of operation of an *individual* bank is limited by the deposit or the demand for credit. Under these conditions, while assessing the return on investment, banks pay special attention to the prospects of additional deposits that can be mobilised or the demand for loans from credit-worthy borrowers. In most developing countries savers in the unorganised sector, even when located in rural or semi-urban areas, can hold their saving in the form of bank deposits or other financial assets.[16] Hence banks will generally take a dim view of the prospects of mobilising substantial deposits by setting up branches in rural areas (or by investing in the necessary network for extending loans to artisans or small business units in urban areas). An individual banker will not be guided by the economic mechanism through which additional credit, generated through an expansionary monetary policy, will raise the *aggregate* amount of bank deposit.

Even when banks do not find any problem in securing funds or the central bank stands ready to supply credit to banks at a given rate of interest, the market for loans faced by the new bank will be less than the demand for credit generated over time. The reason lies partly in the complementarity between investment in the unorganised and organised sectors. Thus an increase in the production of agricultural goods tends to raise the profitability of industrial enterprises and enables bankers in the organised sector to extend their volume of lending.[17] More generally, the new bank can expect to secure only a small part of the growing market for banking services it has helped to promote. To see why, consider the increase in the time profile of additional income, ΔY_t, brought about by the setting up of a new bank. In the initial round the additional net income is due directly to the loan extended by the bank (though it can appropriate only a part of this income). In the subsequent phases of the development of the economy the growth of income is boosted with an improvement in the allocative efficiency and an increase in the saving and investment propensities. But the major part of the resulting additional demand for finance will be met by other banks (in the organised and unorganised sectors). Again, part of the additional investment will be financed from own funds or borrowing from households and non-bank financial intermediaries.

To summarise let π be the share of operating surplus in output and β the fraction of operating surplus going to banks. In the initial period the new bank can expect to enjoy a profit of $\beta\pi\Delta Y_0$. However, for $t > 0$, the time profile of profits of the new banks is approximated by $\delta\beta\pi\Delta Y_t$ where δ is the share of the banking service the new bank will provide. The smaller the values of π, β and δ, the greater the influence of externalities in causing suboptimal investment in banks catering to unorganised enterprises. Liberalisation of the financial market *may be* the most effective means of promoting saving and allocative efficiency *under a given financial infrastructure;* but there is a strong case for public intervention in order to ensure the extension of banking services and development of an integrated financial system.

III
Saving and Allocative Efficiency

The case for financial liberalisation lies primarily in the adverse effects of administered interest rates and directed credit programmes on saving and allocative efficiency. The presumption is that aggregate saving is positively related to the rate of interest so that when the interest rate is fixed below the market clearing level, realised saving will be less than what would obtain under competitive conditions (with 'full employment' of resources). Again, excess demand with rationing in the credit market implies that funds are not allocated on the basis of productivity of investment. Hence the 'hands off' policy for the financial sector advocated by the Shaw-McKinnon School.

Such a policy is not however entirely consistent with the perception of development economists that under the free play of market forces saving will be suboptimum. In the first best world the government must rely on (non-distortionary taxes in order to promote aggregate saving, but the allocation of investible resources should be determined through the interest rate mechanism.[18] However, the task of overhauling the tax system to promote saving and equity has proved beyond the capacity of most developing countries. Collection of

direct taxes is extremely difficult and the major part of the government revenue comes from tariffs and taxes on intermediate inputs. Given the administrative and the political constraints on tax policy, public intervention in the financial market can be regarded as a second best alternative for attaining social goals. In many developing countries the equity objective has figured prominently in the formulation of administered interest rates and directed credit programmes. We propose however, to concentrate on only the scope for and limits to public intervention in the promotion of saving and allocative efficiency.

For most developing countries there is hardly any evidence that saving is positively related to the rate of interest [Dornbusch 1990]. When saving propensities differ across classes, especially between rentiers and entrepreneurs, the aggregate saving need not respond positively to interest rates. Thus consider the simple case where real wages are fixed, production is at the capacity level, and all (private) saving is undertaken by rentiers and entrepreneurs.[19] If the saving of the two classes are s_e and s_r respectively and $s_e < s_r$, the aggregate saving will fall with a rise in the rate of interest when s_e and s_r are not interest sensitive. The reason is that an increase in the interest rate shifts the distribution of income in favour of rentiers at the expense of entrepreneurs. Even when s_e and s_r are positively related to the interest rate, the saving schedule, as shown by SS in the figure, may be backward bending at high enough interest rates.[20]

The point to note here is that the market clearing interest rate r_m need not be the same as the saving maximising interest rate $\bar{r}$. This difference creates scope for raising the aggregate saving ratio through public intervention in the financial market. It is important however to distinguish between situations where (1) $r_m > \bar{r}$ and (2) $r_m < \bar{r}$. The two situations are represented in the figure by A_1 and A_2 respectively. If the monetary authorities fix the interest rate at $\bar{r}$, the aggregate saving ratio is raised in both cases. But in the second case (where $r_m = r_{m2}$)the higher saving potential could be realised only if investors are provided with a subsidy at the rate BD_2. Given the saving-investment gap at $\bar{r}$, seniorage may appear as an attractive means of financing the subsidy. However, when investment is of a long-term nature, such subsidy endangers fiscal viability unless the draft on the exchequer can be neutralised over time by taxes from the growth in income due to additional investment.

For an economy operating under a severe fiscal constraint the scope for public intervention in the financial market is much wider when at the free market equilibrium configuration (A_1) the saving curve is backward bending. Fixation of interest rate at $\bar{r}$ will then raise realised investment and saving. However, the loan market is then characterised by rationing and there will be a tendency for misallocation of investible resources. The objective of raising saving with no loss of allocative efficiency can be attained if the government imposes a tax on interest at the rate BD_1. Indeed, such a tax involves a transfer of income from enterprises to the government and raises the maximum potential saving of the economy beyond what is shown by SS (provided the government uses the proceeds from the interest tax for financing investment).

Government Borrowing from Commercial Banks

Governments in almost all developing countries take recourse to substantial borrowing from commercial banks at fairly low rates of interest.[21] Such borrowings violate the principle of allocative efficiency since the return on the public sector projects financed thereby may be lower than that on private investment. In the absence of externality there is no reason for any special dispensation for public sector enterprises. In a fiscally constrained economy the government may still borrow at a low rate of interest, but should lend out the fund at the 'market clearing rate'. This will serve the twin objectives of saving and allocative efficiency.

Again, an improvement in the overall productivity of resources requires a balance between public investment in health, education and physical infrastructure on the one hand and investment in industry and agriculture on the other hand. The problem with most infrastructural investments is however, that in spite of their high social returns, governments in developing countries find it difficult to realise enough revenue (either directly from the beneficiaries or indirectly through taxes from additional income) for servicing the debt incurred for such investments. Appropriation of bank credit by the government may be regarded as a second best solution to the problem of financing infrastructural investment in a fiscally constrained economy. Low interest rates on government borrowing constitute no doubt a tax on the private sector; but the overall saving in the economy will rise when the reduction in the interest cost to the government results in an equivalent increase in public investment. Again, the increase in private income (in the form of additional profits, wages and interest) due to infrastructural investment would more than neutralise the implicit tax due to low interest on government borrowing.

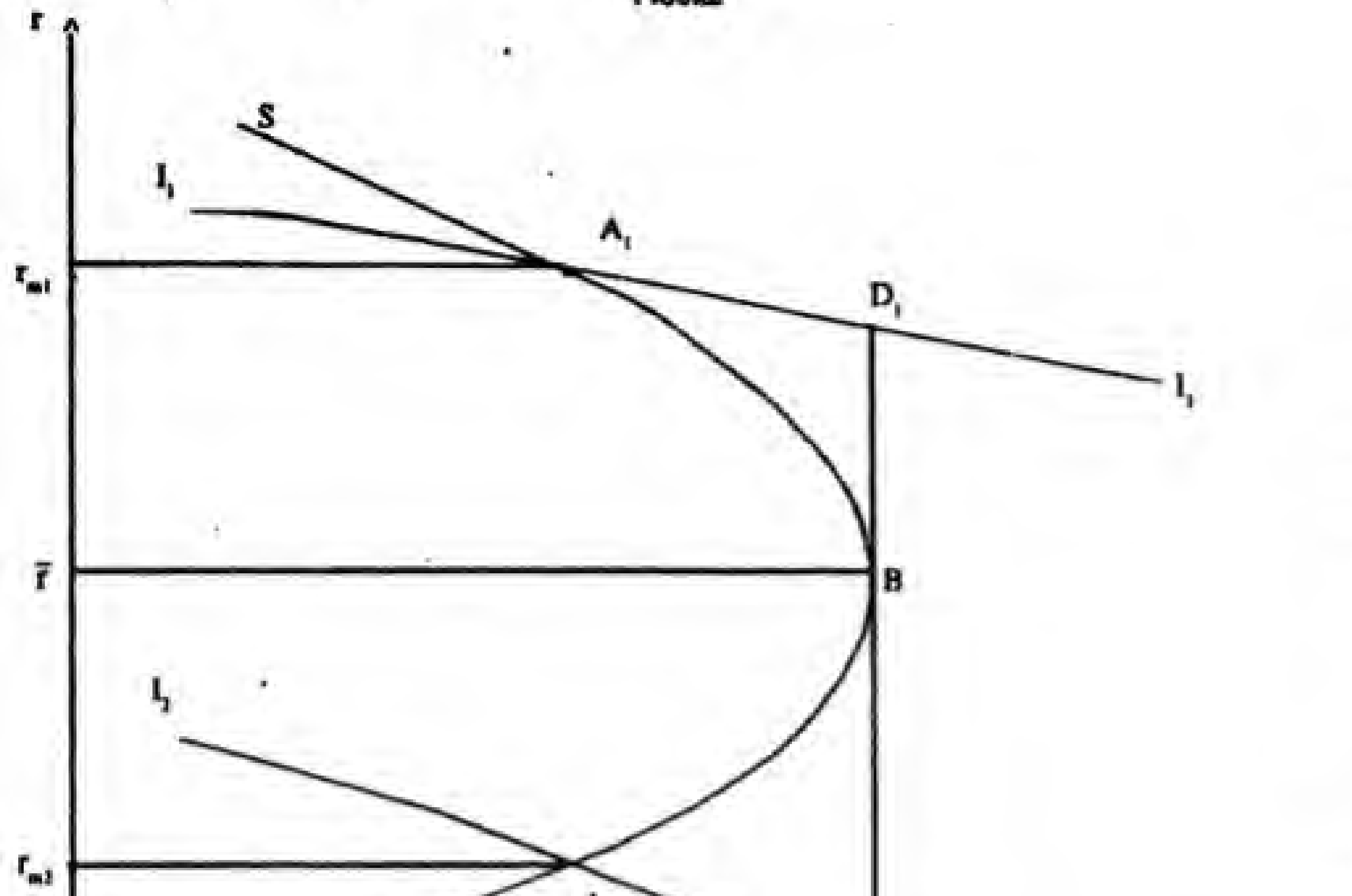
Interest Rate Mechanism and Allocative Efficiency

We have assumed so far that except in the case of infrastructural investment, the interest rate mechanism can be relied upon for optimum allocation of credit among investors. The assumption does not hold when banks operate (as they generally do) in a highly imperfect credit market. Even if perfect competition prevails everywhere, financial markets are very often characterised by credit rationing and bank credit does not necessarily finance investment projects yielding the highest return [Stiglitz and Weiss 1981; Cho 1986; and McKinnon 1988]. The reason lies in (a) the difficulty for banks in distinguishing between safe and risky borrowers;[22] and (b) the divergence between the expected return to investors and expected return to banks[23] [Stiglitz and Weiss 1981]. Thus even when private and social returns on investment are identical, market forces need not lead to optimum allocation of credit.

The extent of misallocation tends to be more serious when market prices of factors and products differ from their shadow prices. The first best solution to the problem lies in a system of appropriate taxes and subsidies. When such a system is difficult to implement, the next best alternative often consists in administered interest rates with directed credit programmes. Consider for example the problem of raising the production of foodgrains and keeping food prices at a low level in order to extend employment opportunities, reduce the incidence of poverty and contain inflationary pressure.[24] Under the free play of market forces there will be some flow of credit to agriculture when attempts are made to implement employment generation or poverty alleviation programmes, or to raise production and investment in non-agricultural sectors. But agricultural credit will still be inadequate to provide the necessary boost to output for containing inflation and hardship of the workers not covered by these programmes. The alternative of subsidy on food through the public distribution system is generally costly to administer and creates serious budgetary problems. The reason is that forced procurement of foodgrains at low prices in ruled out since (apart from political considerations) the policy will have an adverse impact on production and private investment in agriculture.

Cross subsidisation of credit to farmers may constitute a feasible device for resolving the dilemma in a fiscally constrained economy. Note that such subsidies are called for not only on grounds of equity but also since growth (with macro-economic stability) requires relaxation of the 'food constraint'. Public intervention in the sphere of agricultural credit is also justified by the difference in 'risk' to an individual banker and to the economy. When the government is committed to a policy of macro-economic management, the variance of the expected return on a bank's portfolio held in the form of loans to, and (financial) investments in, various industries approximates that on the expected return on aggregate investment in industries. However, with sharp differences in soil and climatic conditions across regions, the variance of the expected return in agriculture in a particular area will be much higher than that for the entire economy. The result is suboptimal allocation of credit to

Figure



agriculture since either the operation of individual banks is confined to a region, or decisions in respect of credit are decentralised and left to local managers of large banks. The remedy in such cases lies in directed credit programmes or setting targets for bank credit to agriculture (as a ratio of total credit or deposit).

More generally, the interdependence of returns on investment projects makes the interest rate mechanism inefficient in governing inter-sector allocation of investible resources. In the absence of information regarding current *and* future investment at the aggregative and sectoral levels, the expected return of an investor may be wide off the mark. Such interdependence also implies that in the absence of some co-ordination of investment decisions there can be underinvestment in some and overinvestment in other industries. Such misallocation will be extremely costly since investment projects are generally lumpy and irreversible (in the absence of Edwardian recontracting or the Walrasian auctioneer). Again, with strong complementarity in investment decisions there can be multiple equilibrium under a flexible interest regime. All of these equilibrium outcomes will not be efficient and state intervention is required for co-ordinating investment projects and attaining the optimum allocation of funds. It is for these reasons that countries like South Korea continue to rely on directed credit programmes though government controls have been abolished in other spheres of the economy.

Macro-Economic Management under Financial Liberalisation

Finally for the problem of macro-economic management under alternative financial systems. When interest rates are completely flexible, banks and non-bank financial intermediaries are permitted to mushroom and quantitative controls over credit are ruled out, the problem of macro-economic management tends to assume serious proportions. Under most programmes of financial liberalisation the cash reserve ratio is permitted to vary within fairly narrow limits. Again, it is only after banks have reduced significantly their holding of government securities and a large bill market has been developed can the central bank take recourse to open market operations on a large scale without undermining the financial viability of the banking system. However, even when the central bank can use all the traditional instruments for controlling the supply of money, the fine tuning and the extent of information relating to behavioural and structural parameters required for successful macro-economic management would generally be beyond the monetary authorities of any developing country. It is for this reason that the central banks need to have some blunt instruments, e g, credit ceilings or quantitative restrictions on credit to traders in sensitive commodities, the macro-economic efficacy of which may outweigh their disadvantages on other grounds.

IV
Conclusions

Our analysis focuses on the importance of the development of financial infrastructure not so much on distributional considerations, but primarily for improvement in allocative efficiency and raising the rates of capacity utilisation and saving. Under the free play of market forces investment in banking will be suboptimal due to the wide gap between the social and the private returns on the extension of banking services to unorganised enterprises. The gap between the two returns will be wider, the larger the endowment of resources in the informal sector; the more the resources are area specific or immobile; the greater the imperfections in the markets for factors and products; and the more important the impact of credit extended by a bank on the deposit mobilisation of or demand for credit from other banks. Under the canonical form of financial liberalisation inadequate banking facilities to producers in the unorganised sector will thus act as a serious constraint on economic growth.

While framing the investment policy regarding financial infrastructure, a few general considerations need to be borne in mind. First, fiscal constraints under which governments in third world countries operate rule out large subsidy as a feasible means of inducing the desired investment, unless the additional tax revenue from increased production is sufficiently high. Second, an individual bank has to operate on a fairly large scale in order to exploit the economies of scale, reduce risk and internalise some of the externalities mentioned above. Third, for promotion of competition and efficiency private and public banks should function under the same set of rules, including those relating to subsidy. Given these considerations, all commercial banks may be required to maintain some balance between their scale of operations in the organised and unorganised sectors. The implication is that an individual bank is forced to cross-subsidise its investment catering to producers in the unorganised sector. However, this need not cause an erosion of bank earnings, since the co-ordination of investment in banking enforced by the authorities raises the total profit accruing to all banks. Such a policy of cross subsidisation may be supplemented by direct subsidy for opening branches in areas which deserve special treatment on grounds of regional balance or of extraordinary disparity between social and private returns.

While the case for public intervention is quite open and shut in respect of investment in financial infrastructure, regulation of interest rates and some form of directed credit programmes or quantitative controls over credit are also often required for stimulating saving, improving allocative efficiency and effecting macro-economic stabilisation. When the tax machinery is

ineffective and saving propensities of entrepreneurs are much higher than that of rentiers, a policy of fixing interest rates on bank credit can promote both the objectives of saving and allocative efficiency. Again, cheap credit for financing public sector investment in health, education and physical infrastructure is essential in a fiscally constrained economy. In fact, the case is at par with subsidy on investment with large positive externality except that here it is the banks (rather than the government) that are required to incur the cost of subsidy. This, to be sure, is not an ideal solution, but perhaps the best among feasible alternatives before governments in developing countries. More generally, even from the viewpoint of efficiency it is necessary to set some overall targets regarding the sectoral allocation of investment. The reason lies in the irreversibility and interdependence (both sectoral and intertemporal) of investment decisions which make their co-ordination through the market extremely difficult and costly. However, in order to avoid the deleterious impact of quantitative controls, bankers may be left free to vary interest rates so long as they fulfil sectoral targets. Alternatively, monetary authorities may fix differential interest rates at which the demand for credit is close to targets corresponding to the optimum allocation of investment.

To sum up, state intervention appears essential for the development of an efficient financial infrastructure. So far as allocation of credit under the given financial system is concerned, it is necessary to rely on some form of indicative planning and regulation of interest rates in order to promote saving and correct for market distortions and externalities, especially in a fiscally constrained economy. For effective macro-economic management central banks in developing countries also often need to use crude instruments like credit ceilings. However, for promotion of efficiency in the financial system and in the intra-sector allocation of investment, quantitative controls should be backed up by adjustments in the structure of interest rates to make the demand for credit in different sectors close to their target levels.

Notes

[Revised version of a lecture delivered at the Centre for Development Planning, Erasmus University, Rotterdam, on the occasion of the Silver Jubilee of the Centre. The paper will be included in a volume to commemorate the Silver Jubilee.]

1 Due to the switching of funds from kerb markets to bank deposits only a part of which can be lent out under the fractional reserve system.

2 Under such an outcome excess of the interest rate in the kerb market over the nominal return on bank deposits is at the margin exactly offset by the relative advantage bank deposits confer in terms of liquidity or other conveniences. Any departure from such an interest differential would, by the neoclassical logic, be welfare diminishing.

3 Except the government.

4 In an open economy the demand deficiency may be met through an expansion of export balanced through an import of gold or silver (as in the case of India). But this also implies a leakage of investible resources of the economy. Indeed, from the macro-economic viewpoint it was the import of bullion which has constituted the major 'drain' on the Indian economy both in the colonial and post-colonial days.

5 Keynes (1936) defines full employment in terms of zero effective-demand elasticity of output and employment.

6 Even the creditors' savings are long-term, given the limited number of borrowers whom they serve, their dominant concern will be the riskiness of, rather than the expected return on, investment projects.

7 While investment as a ratio of output in the unorganised sector tends to be low, growth in the organised sector itself may be constrained by the slow growth of agriculture. Further, without some state intervention, financial infrastructure may not grow automatically to serve new industries and enterprises in the formal sector.

8 An increase in per capita income raises both the tax-gap ratio and the private saving ratio. We are assuming that saving ratio of the government is higher than that in the private sector.

9 It is of some importance to note that when scarce resources are withdrawn from some industries, such withdrawal makes possible an increase in the employment of idle human and non-human resources in the informal sector.

10 We ignore the gains accruing to consumers due to liquidity and safety of bank deposits—gains reflected (*a la* the neoclassical logic) in the interest differential between the return on other assets and the interest on bank deposits.

11 And the government undertakes appropriate macro-economic management.

12 Recall our assumption that the initial situation is one where it is not possible to raise productive employment without an expansion of the banking system.

13 Even when banks have full knowledge of the potential profits of their customers, it is difficult to practise price (interest) discrimination of the first degree or set different loan packages (specifying both the interest rate and the quantity of credit) for different customers on a take-it-or-leave-it basis.

14 For example, accumulated savings held in the form of bank deposits, or loans from close acquaintances.

15 The reason is that the project would not have been undertaken in the absence of the new bank.

16 It is the borrowers and not so much the savers in the unorganised sector who are deprived of services provided by banks. Note that this implies a transfer of resources from the unorganised to the organised sector even when such transfers violate the principle of allocative efficiency.

17 The additional investment in the organised sector is possible either because of the relaxation of the 'wage goods constraint' or since the government no longer finds it necessary (in the context of the rise in investment demand) to stimulate consumption for 'full employment' of resources.

18 Suitably modified for externalities or market imperfections.

19 Banks are included among enterprises.

20 At highly interest rates, $\delta s_e/d_r$ and $\delta s/\delta_r$ are likely to be lower. Negative slope of SS at high interest rates is ensured when s_e and s_r quickly approach their maximum (or asymptotic) values with increases in the rate of interest.

21 Until recently commercial banks in India were required to hold 38.5 per cent of their deposits in the form of excess reserves or unencumbered government securities (yielding low returns).

22 At high interest rates safe borrowers drop out and bank loans will be used to finance relatively risky projects.

23 When an investment project is successful, banks get back their principal with interest. But when the project fails banks may be able to realise only the salvage value of the asset.

24 In most developing countries availability of food limits the scope for undertaking large-scale labour-intensive investment projects, and the behaviour of food prices constitutes the single most important factor governing inflation and the incidence of poverty.

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Imagining a Hindu Nation

Hindu and Muslim in Bankimchandra's Later Writings

Tanika Sarkar

The author explores the location of the Muslim and the Hindu nation in Bankimchandra's works as an interlinked formation that has to be situated simultaneously within his novelistic and his discursive prose. The two set up an internal dialogue and self-interrogation that moved across his earlier, relatively open-ended and often radical phase and later more dogmatic and recognisably revivalist work. The paper is centrally concerned with the profound breaks in thinking and expression as well as with the fundamental continuities that were preserved through certain narrative tropes and devices by which Bankim continued to destabilise his seemingly unambiguous agenda of a triumphalist Hindu people.

The focus is on Bankim's last five years when he composed three historical novels on Hindu-Muslim antagonism and two polemical essays on an authentic and reinvigorated Hinduism to be attained through a disciplinary regime that Bankim spelt out in some detail.

I

BANKIMCHANDRA CHATTOPADHYAYA (1838-1894) was the real founder of the Bengali novel as well as of serious discursive literature on political theory. He took the infant prose to new heights and wrote originally and acutely on world religions, on class and gender relations in Bengal, on the history of nations and on the absence of both history and nationhood in Hindu traditions. He was also a brilliant humorist and satirist who laughed at most traditions, agendas and social types. Generally regarded as the most powerful formative influence on 19th century political thinking in Bengal, he is a difficult author to read with any absolute certainty since he seems to straddle very different positions with equal felicity at different times;[1] and also because he seems to mock at convictions and resolutions that he himself had constructed.[2]

Scholars generally regard Bankim as a crucial force in the making of both a nationalist imagination and a Hindu revivalist polemic. A particularly striking instance of this dual impact is his celebrated hymn to the Motherland—'Bande Mataram' (salutation to the Mother),[3] which became the most potent patriotic slogan at peak points in 20th century mass nationalist struggles[4] as well as the Hindu rallying cry in moments of Hindu Muslim violence.[5] The dual use has its dangers. Nationalism, which many influential scholars tend to treat as a non-historicised, undifferentiated monolithic category, may be read, rather too easily and quickly, as a variant of Hindu communalism and vice versa, both composing a hard and a soft face of the same phenomenon and both produced by western epistemic and ontological operations.[6] Elsewhere, Bankim's work has been split up into different components which are isolated from one another and his concept of Hindu nationhood is then read on its own as an exercise in nationalist imagining without any reference to the Muslim in the discourse.[7] Finally, Bankim's polemical references to the Muslim are sometimes detached from his novels. They can then be seen as a seamless whole, without internal shifts. The communal impulse is then related to his nationalism as its displaced and disfigured form.[8]

I would like to explore the location of the Muslim and of the Hindu nation in Bankim's works as an interlinked formation that has to be situated simultaneously within his novelistic and his discursive prose. The two set up an internal dialogue and self-interrogation that moved across his earlier, relatively open ended and often radical phase[9] and later, more dogmatic and recognisably revivalist work. I would be centrally concerned with the profound breaks in thinking and expression as well as with the fundamental continuities that were preserved through certain narrative tropes and devices, through which, I believe, Bankim continued to destabilise his seemingly unambiguous agenda of a triumphalist Hindu people. My focus will be on his last five years when he composed three historical novels on Hindu-Muslim antagonism; and two polemical essays on an authentic and reinvigorated Hinduism which needs to be attained through a disciplinary regimen that Bankim spelt out in some detail.[10]

In sharp contrast to his prolific earlier production, Bankim wrote much less in this period. There is little use of satire, caricature or humour. For the first time in his life, his prose remains uncompromisingly solemn, weighty and ponderous, all of which, at least overtly, seems to embody a single and authoritarian polemical thrust rather than an argument that continuously poses new questions and issues to itself. One of the essays, in fact, is written in the form of a guru preaching to his disciple.[11] The authorial voice is intrusive and cast as that of a self-proclaimed proselytiser-cum-pedagogue.

It is this phase that is considered to be a decisive component of Hindu revivalism. And Hindu revivalistic concerns and arguments had, in their turn, been a vital political resource for the contemporary Hindutva phenomenon and its Rashtriya Swayam Sevak Sangh leadership. I prefer to treat this phase of Bankim more as constituting the link between 19th century Hindu revivalism in Bengal whose Hindu supremacist agenda was not primarily turned against the Muslim or Islam; and the hard, aggressive Hindutva politics that started organising itself from the 1920s on an exclusively and explicitly anti-Muslim platform.[12] Apart from this role within the ideological lineage of aggressive Hindutva, Bankim has a more direct imaginative bearing on the RSS combine. His 'Bande Mataram' hymn is, for this combine, the authentic national anthem, a truer one than the 'Jana Gana Mana' of Rabindranath which is the accepted version for the Indian state. The hymn is daily sung in its entirety (including all the Bengali passages) at RSS and Rashtrasevika shakhas.[13] Any change or abbreviation is strictly forbidden since the song symbolises the undivided, inviolate body of the pre-partition Motherland, and, hence, an abridgement amounts to a symbolic mutilation of the sacred body, a repetition of the partition. As soon as the Bharatiya Janata Party, the electoral front of the combine, came into power in Delhi after the state elections of 1993, it made the song compulsory in all state-run schools of Delhi. I would, however, be as concerned with what was not taken from Bankim's thinking on the Muslim and the Hindu nation as with what was taken; and also with how differently the themes were negotiated even when the broad conclusions seem to point in the same direction.

II

It is important to recall that till the end of the 1870s, Bankim had very boldly and thoroughly probed the specific forms of

caste, class and gender oppressions within pre-colonial Indian traditions. He had occasionally questioned the need for self-rule and nationhood for Hindus, given these internal and structured power relations, which might even be loosened up some-what under foreign rule.[14] In *Samya* (Equality), which was published in 1879, he moved well beyond the modest confines of the notion of companionate marriage that the liberal reformers would advocate for the new, educated woman. He also made startling suggestions about her future economic independence and about sharing of housework between the sexes. He questioned the supreme emphasis that reformers, revivalists and the colonial state equally placed upon the absolute chastity of the Hindu wife who was situated within a framework of male polygamy.[15] He saw caste, class and gender hierarchies as interlinked facets of a system that embodied the most absolute form of inequality anywhere in the world.[16]

Even in *Samya*, however, certain kinds of freedom and oppression are dealt with in a rather cursory manner. British rule and the notion of progress had been questioned in relation to peasant poverty,[17] but the entire question of foreign rule and political freedom had been rendered a lesser priority by couterposing to it the issue of internal stratification and oppression within Indian society. The peasant, moreover, is the object of enlightened social engineering but political initiative is obviously beyond him. In his historical novels, too, political change is invariably initiated by kings and ascetics; when the ordinary folk initiate direct action, it degenerates into mob rioting.[18] Demands for freedom and welfare for victims of social oppression are powerfully articulated but the agenda is left without an agent.[19] It is the colonial state which, after all, is asked to assume a corrective role.

In the 70s, when Bankim was writing his socially aware and courageous prose, the absolute vulnerability of all categories of tenants on issues of rent increase, illegal cesses and the arbitrary powers of eviction that the landlord enjoyed had hardly been breached.[20] From 1880 onwards, however, plans for substantive amendments in tenancy laws had been set afoot[21] and the state, moreover, was systematically compiling and classifying information about low castes, with a view to intervening in improvement measures in the near future. This was in the context of rethinking in official policies about social groups after 1857, when there was a marked suspicion about upper castes in general among government officers. Bankim was, in fact, selected by H H Risley in 1881 to assist in the preparation of an Ethnographic Glossary with detailed research on castes and tribes for the district of Howrah where he was then posted.[22] It also became increasingly difficult to regard peasants the way Bankim had portrayed them—as passive victims. Since the mid-70s powerful forms of peasant self-organisation and movement against arbitrary landlord exactions had become a central feature of the agrarian scene. The spread of the commercial cultivation of jute, moreover, benefited the small peasants of Muslim or low caste categories rather than the rentier groups who constituted the base of the new middle class.[23] Moreover, the failure of Bengali entrepreneurship to find space for itself in the higher rungs of trade, business and industries was definitively established by the 70s.[24] There was a keen sense of exclusion from the commanding heights of the civil society for Bankim's own class. His earlier critique of the oppressive privileges of a parasitic upper caste-middle class now seemed to require a further deepening of these processes of exclusion, leading, conceivably to a partial reversal of power relations rather than the benevolent and responsible paternalism of upper caste landowners that Bankim had prescribed in the 70s. There was now a real problem of choice.

After the late 70s Bankim would never return to the themes of peasant poverty and caste oppression. He would repudiate *Samya* and refuse to bring out a new edition.[25] Even without necessarily imputing narrow motives to this choice, we have to reckon with this absence and the implications this holds out for a possible radical social agenda at a time of limited but real social change. We have to recognise that the choice was made and exercised through a silence, through certain excisions from his earlier concerns. It is also a fact of considerable significance that the definitive transition from a predominantly liberal to a markedly Hindu revivalist discourse was made within Bengal around the same time and against this context. Sumit Sarkar has already pointed out a somewhat similar predicament in the 1920s that partly enabled a turn towards organised communalism.[26]

The posing of the problem of power and exploitation was, therefore, unambiguously radical but Bankim's radical imagining failed or refused to construct a resolution that could be adequate to itself. If the peasant or the dispossessed low caste was not to be the subject of his own history, then the immediately realisable and convincing agency for self-improvement within Indian society—an agency that, moreover, already seemed activated—could be the middle class with its western education, liberal values and a reformist agenda. If reform of Hindu patriarchy was the major concern for this group, Bankim, too, had his own critique of Hindu domestic norms which, if anything, was far sharper than that of the reformists. Bankim, however, was relentlessly critical of its aspirations and methods of work. He saw its dependence on colonial legislation for initiating improved family laws as a basic moral flaw since this neither generated a will for change within wider society, without which reform would be doomed, nor did it make 'men' of modern Hindus by vesting them with independence of effort and hegemonistic capabilities. Any dependence on foreign rulers perpetuated and exemplified for him, the lack of a will to freedom and nationhood which had kept Hindus subjected for centuries. Bankim spared no effort at mocking this dependence on alien legislation[27] as well as the emasculation it produced. He also mocked the surrender of the new middle class to Orientalist forms of knowledge on India, although he retained great respect for strands within mainstream western social and political philosophies.[28]

Since he saw it as a class that was born retarded, Bankim refused the middle class its demands for political freedom and rights. He made himself extremely unpopular by supporting British moves to muzzle the vernacular press to suggest that it was behaving irresponsibly and that it needed controls.[29] He used the entire and formidable resources of his satire and caricature to make fun of the politics of associations and organisations, of the mimicry of imported political models that was involved in such exercises and the ridiculous misadventures in handling them.[30] He, therefore, undercut precisely the struggle for democratic and public spaces where Indians could grow through debates and experiences of organisation and protest. Neither a radical nor a liberal form of democracy was compatible with the heroic agenda that held his imagination. In fact, if Bankim prefigures the trajectory of some features of Hindutva, he also powerfully embodies some aspects of a far softer and pluralistic form of liberal indigenism. The latter, out of its commitment to a non-'alienated' authentic politics, and its suspicion of liberal rights or radical social protest that derive some of their terms from the post-Enlightenment political radicalism and democratic traditions, finds itself in the same space as aggressive, intolerant Hindutva in its critique of secular democratic politics. This, in the final analysis, emerges as a far more consistent and powerful strain than its critique of Hindutva which is sporadic and milder.[31]

The thrust towards a pure and authentically Hindu site for generating the social will for change complicated his social concern, his sharp criticism of the traditional, pre-colonial form of Hindu domesticity and his daring imagining of the non-domesticated, strong, passionate woman that had earlier created a marked distance between him and the contemporary Hindu revivalist-nationalist.[32] While he grew intellectually through a

Enlightenment universalism and Hindu philosophical resources and used the resources of both to interrogate both—and here lies the ineptness of the notion of hybridity that misses out on the criticality and the mutually transformative nature of this intellectual encounter—the compulsion to opt for a pure site of exclusively Hindu knowledge triumphed after his exchanges with Reverend Hastie.[33]

In 1882, Reverend Hastie of the General Assembly wrote a tract that was brutally critical of Hinduism. Bankim, who had always ridiculed Orientalist pretensions about scientific knowledge on India, prepared a long, careful and angry reply. It was after this that he repudiated *Samya* and, in his discursive prose, became exclusively preoccupied with the theme of a reconstructed Hindu form of knowledge and leadership. The anger was probably fuelled by the changing political environment since the mid- and late-70s. The post-Mutiny repression, clearly racist in nature, had initiated serious self doubt among the Bengali middle class that had been entirely loyal in 1857. The escalation in discriminatory colonial policies during Lytton's era[34] was followed by the violent racist backlash at the time of the Ilbert Bill agitation. Apart from the exposure to the most extreme and naked form of white racism in a concentrated dose, the middle class was also troubled by a reversal of trends that had promised a milder climate at the time of Northbrooke's, and later, of Ripon's liberal policies[35] which were on the point of opening up a few minor but real opportunities of incorporation within the colonial decision-making process.[36] This led to an intensification of both liberal and Hindu revivalist forms of anti-colonial critiques and organisation. Liberal nationalists formed secular, open organisations for self strengthening and formulated economic critiques of the colonial drain of wealth, Indian poverty and deindustrialisation that remained the foundational concepts for all nationalist economic thinking down to Gandhi.[37] Hindu revivalists, on the other hand, used their anti-western rhetoric to close off all interrogation and transformation of power relations within the Hindu community as false knowledge contaminated by alien forms of power knowledge.[38] It thus assumed a markedly fundamentalist kind of defensiveness. Faced with this crisis of conscience, Bankim reacted by repudiating *Samya* and by excising the frontal contestation of Hindu caste, class and gender hierarchies from his prose. The excision, despite his best efforts, remained somewhat incomplete and Bankim reinserted some of his earlier critiques insidiously in his later novels.[39]

Historical developments as well as certain earlier political choices, then, blocked off, for Bankim any ... liberal reformers as a vehicle for Hindu self-improvement. As class, caste and gender abruptly disappear in his work as central concerns, their absence is filled up in the 80s by a new and coherent problematic: What constitutes authentic Hinduism, what possibilities exist within Hinduism of the past and in the re-authenticated Hinduism of the future for nation building, what precisely was the culpability of the Muslim in Indian history and how and why had Hindu power capitulated to it. It is not that these problems were not reflected on in his earlier prose, but there they had locked horns with an equally powerful set of social concerns.[40] Their centrality now becomes absolute and uncontested. Bankim looks for an ethico religious site for the Hindu people whose dominant priority is not what is socially just but what is truly indigenous—i e, Hindu.[41]

With the reoriented problematic, the obvious agency could now be restored to the brahmanical forms of knowledge and upper caste social leadership. This, however, presents equally powerful problems. Bankim continues to believe that past traditions of Hinduism had not generated any impulse for freedom and nationhood. If, then, these new changes need to be improvised, then old forms of knowledge or rule will not automatically yield them. Even in this later discursive phase, he continued to polemicise against certain forms of Hindu knowledge and devotion, as earlier he had critically reviewed Sankhya and Nyaya traditions.[42] At no phase had he shown much sympathy for the Vedic-Vedantist philosophies, perhaps because their quietist, reflective modes were inappropriate for a politically militant, even violent heroic agenda, and also because these were resources that Brahmo reformers had celebrated.[43] He conducted a relentless polemic against the dominant Bengali form of devotion—Bhakti, especially its Vaishnav form which worshipped Krishna as a figure of great erotic excess.[44] He chose the Puranic tradition and put together from them the figure of a heroic, vindictive, wily and violent saviour figure. He used as his model mythical—epic dimensions of the later life of Krishna when he was no longer the shepherd boy or the great lover, but when he had grown up into the king, the politician, the warrior.[45] Throughout his life he held lively arguments with the orthodox repositories of brahmanical knowledge—the pandits of Bhatpara.[46] He cast doubt on the learning of the doyen of the Hindu orthodoxy of his times—Pandit Sasadhar Tarkachuramani.[47] The criticality and intellectual and polemical energies which continued to shape his writings even of the later period, would be something that contemporary Hindutva entirely eschews.

Even in the *Dharmatattva*, the g... to a well read, argumentative disciple. RSS pedagogic principles, on the other hand, are entirely exhortative and rhetorical, and internal debates and productive differences find no space there. It is not for nothing that they select recruits from very young children who lack the capacity to argue.[48]

The existing representatives of the old Hindu ruling groups—the upper caste landowners and rentiers who opposed the new western learning, the leaders of Hindu religious establishments, the pundits—failed to convince him as in any way deserving of their privileges or as offering potential for active leadership. In his later novels he returned to his sharp satirical bite in portraying the classic figure of the traditional Hindu patriarch—the upper caste parasitic landlord paterfamilias.[49] The virtuous founder of a Hindu power that he imagined in *Sitaram* could sustain neither his virtue nor his power.[50] Contemporary sexual and financial scandals about the Mohunt of the celebrated Shaivite pilgrimage centre at Tarakeswar that rocked Bengal in 1873[51] and the earlier scandal about the Maharaja of the Ballabhachari sect in Gujarat probably made him unable to imagine the present representatives of organised religion as saviours. Even the ascetics of *Anandamath*, the quintessentially militant patriotic novel, astonish the ordinary devout Hindu who keeps on asking them what kinds of Vaishnavs or sanyasis they are.[52]

It is notable that in this phase, as earlier, virtue, activism and heroism are more effortlessly embodied by the woman as almost a characterological trait.[53] Bankim had stopped polemicising against the subordination of women and the bold feminist of *Samya* had buried himself. In Krishnacharitra, in fact, he devoted much space to justify an act of force committed by Arjuna in abducting the sister of Krishna on his advice. Krishna convinces Arjuna, and Bankim tries to convince us, that male guardians can and should override the question of the woman's consent in the interests of her own larger welfare that they necessarily comprehend better.[54] The disproportionately large space that he devotes to justify this, rather minor incident in the life of Krishna, however, tells us how difficult he found it to persuade himself. In *Dharmatattva* he overturns his earlier images of conjugality as the equal and mature mutual passion between two adults that had deconstructed the revivalist nationalist celebration of non-consensual infant marriage between a polygamous male and an utterly monogamous child wife.[55] At the same time, even in the later phase, the woman remained the locus of the nation in a far more activist way than the passive, iconic role ascribed to her by revivalist nationalists who saw in her submission to Shastric

prescriptions and in her total insulation from new alien norms a measure of her symbolic capacity to embody and sustain the nation.[56] In Bankim, however, the only approximation of the figure of Saviour Krishna is the figure of the dacoit queen Prafulla who earns this capacity not by being faithful to Hindu domestic prescriptions but by surviving outside her household and by fighting against British forces. Even though the pedagogic training for the new Hindu that Bankim filled out in *Dharmatattva* is imparted to a male disciple, it is the dacoit queen of the novel who is shown to be actually undergoing the training.[57] In *Sitaram*, too, the woman causes virtuous action, the woman tries to save Hindu power and the woman is wrongfully tried and humiliated in a striking parallel with and an implicit critique of Ram's trial of Sita.[58]

The woman's activism, however, is occasional and exceptional even when it sustains some of the critical energies of the earlier Bankim. It is certainly not a sign of an investiture of the woman with leadership of the patriotic agenda. It is also something that happens entirely within his fiction. In the directly polemical prose, on the other hand, the critical energy is well contained, and even the feminine figuration of the Motherland that Bankim achieved in *Anandamath* is absent. The new Hindu is emphatically a Hindu man with a difference. He is the embodiment of a rigorous, disciplinary schedule that will eventually transpose discipline from an external ethico religious authority to the self monitoring ethical agent who has internalised reinterpreted concepts of Hindu knowledge and devotional practices (Bankim's explanation of Bhakti and Anushilandharma). It is the process of training which incorporates knowledge, dispositions, physical capabilities and devotion and which replaces privileges of birth and ritual expertise, that mark out the new brahmin who is the ideal patriot and nation builder from the old, unreformed Hindu authorities. Inherited and normative control are replaced with hard earned leadership and brahmanical authority is revived as intensively cultivated hegemonistic aspirations. A return on a higher plane, maybe, but a return, nonetheless. The imagined Hindu nation cannot, even in imagination, be made and ruled by agents that are not male and not upper caste.[59]

III

Let us now turn to some specific dimensions within the construction of the new Hindu. We shall begin with a theme that we touched on in the first section: the Bande Mataram hymn. We shall use it as an illustration of the imaginative and rhetorical devices with which a militant Hindu form of patriotism is constructed. Bankim had originally composed this as a song in 1875. Later, when he had finished the highly influential novel, *Anandamath*, he inserted it within the story and vested it with highly significant narrative functions.[60] The song, on its own, would have made an original move towards a deification and fetishisation of the country. That sense was further heightened by other resonances within the novel which spent much effort in constructing a sequentialised imagery of the deified Motherland.[61] Apart from that, the narrative framing, acquired from the novel's plot, endowed it with additional and very new properties. The hymn, subsequently, was detached from the novel and achieved a life of its own as a slogan in mass nationalist rallies, and later, in communal violence. The novel, however, remained contained within the slogan as implied resonances, associations and emotions and provide a reference point for larger messages.

The song begins in Sanskrit, then turns into Bengali and ends with Sanskrit passages again. It begins with an evocation of the bounteous, lovely land that generously nurtures its children. Then bounty and physical richness turn into an image of latent strength, derived from the image of Durga, the demon slaying goddess, from the numerical strength of the population, compiled from Census statistics, and from the supreme sacred significance that Bankim ascribes to her within the Hindu pantheon: "It is your image that we worship in all temples".[62] The land, for a while, is at one with the icon of Durga. The image of Durga then quickly and insidiously transforms itself into that of Kali, another manifestation of the Mother goddess, but as a destructive, angry force. It ends with a reiteration of the original sense of bounty and nurture, and an exhortation to her children to enrich her strength with their own. In between, there is just a suggestion of her present weakness—"with such strength, why are you helpless?"—but the overwhelming sense is one of power. The power is undifferentiated and flows back and forth from the mother to the sons, though it certainly originates with the mother. The song encapsulates, in an unbroken musical flow, the three distinct images of the nurturing mother of the past, the dispossessed mother of the present and the triumphant mother of the future that are developed at much greater length within the novel.[63] Later nationalists clearly saw the demon slayer as pitted against the colonial power and used the song as an abbreviated history of the growth of colonial exploitation and the patriotic struggle for liberation. The RSS, on the other hand, certainly took it to imply a 'historical' struggle against the Muslim, since from their inception, they had stayed away from the anti-colonial movements and had devoted themselves to an exclusively communal agenda. As a matter of fact, in the song itself, the demon is nonspecified and is eclipsed by the image of the armed Mother. What is of importance is the reiteration that the patriotic son is quintessentially a soldier at war.

The novel itself is ambiguous about whom the Mother is fighting. It is set in the transitional historical moment of the late 18th century, against the backdrop of the famine of 1770 and the armed combat by marauding ascetics of Naga Dasnami orders against the puppet Muslim Nawab and the indirect control of the British in Bengal.[64] Bankim makes no mention of the role of Muslim fakirs who also led plundering bands of starving people. Even though the sanyasis were from Saivite orders, here they are worshippers of Vishnu, with a brand of militant, war-like bhakti of their own. Leaders are recruited from Bengali, upper caste, landed origins and they have transformed themselves with devotional and rigorous physical and martial training, with the vocation of ascetic celibacy for the duration of the struggle, which is ment to restore Hindu rule. Even though they do accomplish the ouster of the puppet Nawab, they also are instrumental in ushering in direct and complete British dominion. A divine voice tells the supreme leader that this is providential since Hindus need apprenticeship in modern forms of power. The leader, however, remains disconsolate and unreconciled and considers the historical mission of santans—the ascetic leaders—aborted since one foreign ruler is exchanged for another. Nationalists took this bitterness as a call for struggle against the colonial power, while to the RSS brigade, the divine command would indicate sanction for staying away from the anti-colonial struggle, since the divine purpose is stated to be the elimination of Muslim power.

Within the novel, the song initiates a number of political breaks and innovations. It is meant to be a sacred chant or 'mantra'. Yet, chants are compulsorily composed in 'debbhasha' Sanskrit—the language of the gods—to which women and low castes do not have access. They are aslo enunciated within a prescribed ritual sequence, always in front of the deity and always by the brahman priest or the initiated brahmin male householder. The novel ascribes it to an act of worship. Yet it is first heard during the aftermath of a battle between the British-led troops of the Nawab and the Santans who lead a mob of villagers. The hymn, then, enters the emergent cultic order of a new form of Mother worship as a chant that is unconventionally detached from the sacred ritual sequence and that can also function as a song on its own, as congregational devotional music that is accessible to all in Vaishnavite gatherings. Yet, unlike those

occasions, it enters into public use at a moment of war, not of pietistic contemplation of the earthly sports of Krishna. Devotional music, loosened from its original chant form, sacralises a war through this transference of indicated use—and, simultaneously, the hymn/song, which is also a battle cry, transforms the congregation of devotees into the monolithic single body of a disciplined army; "Then, in a single, resounding voice, the thousands of santan soldiers... sang out to the rhythms of the canon—Bande Mataram".[65] If a Hindu community-for-itself is being visualised, then, from the moment of inception it is a people at war, unified by violence against a shared enemy. The ascetic figure of the Santan, who first pronounces the words and who initiates the act of worship, immediately merges into the figure of the military commander and strategist who leads the holy war.

There is, however, a crucial difference between the older figure of the priest and the new priest-cum-commander. Unlike the former, the commander raises the song but he no longer remains in custody of the sacred ritual or chant. Others—including the motley army of villagers of all castes—enter into the act of singing and the hymn now moves into the vernacular. And, along with this, a further transformation of purpose takes place. First, a chant, then successively a song and a command, the hymn now passes into a battle cry—and forms the first ever political slogan in the Bengali language. The commander emerges as the political leader, the organiser *par excellence*. The importance of the enterprise to aggressive Hindutva lies in its explicitly political violence that can express itself convincingly as a religious purpose. It is underlined in the novel when, inspired by santans, the mob begins to articulate an agenda that goes beyond simple loot. "Unless we throw these dirty bastards [that is, the Muslims] out, Hindus will be ruined...When shall we raze mosques down to the ground and erect Radhamadhav's temples in their place?"[66]

The imaginative resources of a violent political agenda are immensely enriched, however, precisely by the ability to simultaneously lay claim to gentle and peaceful images.[67] The song is held in place by a tension between contradictory impulses which constitute a delicately poised unity. The tension and the tense unity are effected at the level of both sound and meaning. The land is beautiful and the mother is smiling, tender and youthful. At the same time, she becomes the ruthless warrior, triumphing in battle. Her loveliness, her smiles and grace are evoked in lush, flowing, elongated, rich sound effects; 'shubhrajyotsnapulokita yamineem phullakusumitadrumadalashobhineem, suhasineem, sumadhurabhashineem, sukhadaam baradaam mataram' (to the mother whose nights are gorgeous with silvery moonlight, who is decked out with trees that bloom happily with flowers, whose smile is beautiful, whose words are bathed in sweetness, who is the giver of pleasure, of bliss...). The sensuousness of the soft, liquid syllables is abruptly replaced with a quicker, jagged rhythm, by an arrangement of harsh, strident, strong words; 'saptakotikantha kalakala ninadakarale, dwisaptakotirbhujairdhritakharakarabale... bahubaladharineem, namaami tarineem...' (seven million voices boom out words of doom, 14 million arms wield the sharp swords...we salute the saviour mother, possessor of many kinds of strength).[68] Classical rhetorical conventions matched sounds with moods. But Bankim went beyond them in the dramatic art of juxtaposition, of shocking and astonishing transitions within a brief and continuous space. The rhetorical charge and power of the Hindutva project are very often trivialised by assuming a simple transition from gentle quietism to violence. The song, which remains a powerful imaginative resource for the Hindutva project, complicates and widens the notion of a binary opposition between peaceful, traditional Hinduism and violent Hindutva. Bankim's militant bhakti let go of nothing and its language was supple and inventive enough to effect many movements between opposites.[69]

In the process, a great transgression takes place—of inserting the profane vernacular and a political, modern purpose into a sacred order of worship which violently transforms its original nature and purpose. The seemingly democratic extension of esoteric holy words to slogans and songs to be used by all, however, has its structured limits. The leader—mob distinction is carefully underlined in the way in which each military encounter turns into chaos unless it is carefully calibrated by ascetic leaders. The leaders, whether here, or in the later two novels, are carefully trained in leadership qualities through a pedagogical scheme that certainly is not available to or meant for the mass following, which joins up out of sheer starvation and mob instincts. It is true that the ascetic leaders give up caste codes in times of war, and recruit soldiers from all social strata. But along with celibacy and asceticism this is the last sacrifice that they must impose on themselves until the final victory is achieved. It is also described as the most difficult of sacrifices.[70] Presumably, with victory, the restoration of the normal order would absolve them of the pledge. The point, then, is not to overturn the social hierarchy, but to qualify it in times of war. Established leaders of Hindu society may thus renew and extend their control by coming closer to the ordinary folk and by actually leading them to victory in a violent war against a common enemy. The temporary, yet close intimacy that the liminal space of war offers would provide real and felt legitimacy for what had been mere custom and prescribed power. The comprehensive training with which leaders approach the work of organisation ensures that the continued exercise of power has a far more secure base.[71]

IV

We had used the hymn and its function within the novel as an entry point into the rhetorical operations and a structure of feelings with which Bankim proceeded to delineate the politics of the reconstructed Hindu. Since the old Hindu had suffered from the absence of a combination of physical prowess and desire for self rule, the new Hindu will only have arrived when he proves himself in a final battle that will overwhelmingly establish his superiority over the Muslim, who had, in the past, always defeated the Hindu.[72] Since the British have something to impart to the Hindu, Hindu empowerment, it seems, must unfold within an overarching colonial framework. It is the Muslim, the vanquisher of generations of past Hindus, who will be the great adversary of the new Hindu.[73]

The Muslim was to be the adversary for yet another reason. I would like to suggest that Bankim made a distinction between the historical experience of Muslim rule on the one hand and Islam as an organised religion and the Muslim as a personality type on the other. Muslim rule, he considered, brought neither material nor spiritual improvement to India, and merely emasculated defeated Hindus. Yet, Islam, and the Muslim with his supposedly violent commitment to his religion and his desire for power, had much to teach to the Hindu.[74]

In his polemic on world religions, Bankim seemed to grant a perfection to Hinduism only in historical times, whereas, through a series of oblique half statements, Islam is endowed with perfection in historical times. If universal love is taken to be the highest human ideal, then, says Bankim, Hinduism has it in the largest degree. Yet, throughout history, that has led to a dangerous quietism, to an inadequate comprehension of national dangers, to subjection and to degeneration of the community. As far as Islam and Christianity are concerned, they have both avoided that particular problem. Between the two, however, Islam went far ahead of Christianity in attaining greater unity within its own boundaries and emerged as a more successful political model. By combining the different sets of values, we can construct a single uniform scale, wherein Islam transcends the particular problems of both Christianity and Hinduism even though, Hinduism and Islam are not directly compared with each other.[75]

In a crucial and conclusive part of *Dharmatattva*, Islam is dropped from the explicit comparative scheme and there is a new triangular contest for virtues among Hinduism, Buddhism and Christianity. "If Jesus or Sakya Singha had been householders and yet leaders of world religions, then their systems would have been more complete. Krishna as ideal man is a householder. Jesus or Sakya Singha are not ideal men".[76] If Hinduism scores over the two other religions on this ground, then there is also a third, unmentioned presence, another leader of a world religion who, too, was a householder and who yet transcended his mundane ties—that is Mohammad. Islam, or rather, the figure of the Prophet, is the sunken middle term in the diagram. If he implicity shares the honour of having founded a perfected religion with Krishna, he has the further advantage of being so within the accepted hagiography of Islam, and in the universally acknowledged version of Islam as well.[77] Bankim was, however, painfully aware that his ideal type Krishna was an appropriation and construction solely of his own heroic intellectual efforts, and that here he was going against the grain of dominant Hindu interpretative schemes.[78] Bankim's Krishna is a householder-king, a warrior, a politician. He is overwhelmingly a man of action, strong enough to be wily in a higher cause, to resort to seemingly amoral strategies for the higher good of his people. He is entirely unlike the morally pure of philosophically questioning Christ or Buddha. He is equally unlike the figure of total love and play that is celebrated in Vaishnavite hagiography. Of all the world religions that Bankim knew about, his Krishna stands as the closest approximation to Mohammad. In fact, the silent influence on Bankim's construction is so exact in particular features as well as in the total conception, that one may even be tempted to speculate if Bankim's Krishna is not, indeed, modelled on the biography of Mohammad.[79]

If the discursive prose of later years obliquely draws upon what Bankim regarded as the enviable resources and energies of Islam, and if he did not engage in sustained polemic against Islam in his essays on religion, he certainly evolved a mode of extremely denunciatory speech about Muslim rule in India in his novels. While his notions of ideal Hinduism informed 19th century Hindu revivalism, the particular language that he, more than any other contemporary, developed to describe the Muslim, certainly inflected the rhetoric and the aspirations of violent Hindu communalism of the next century.

Bankim bestowed on the Muslim an unprecedented centrality in his historical and political scheme, thereby starting a tradition. The revivalist climate of the times was shaped far more decisively by anti-reformist and anti-missionary propaganda and there were even a few clashes with missionaries in the early 90s.[80] During the Age of Consent Bill agitation of the 80s and early 90s, Muslims were written about as fellow sufferers and victims of colonialism.[81] The nationalist vernacular press usually took care to distinguish between the integrated, indigenised nature of "Muslim rule" and what they described as the entirely alien nature of the colonial government.[82] This is not to say that Bengal was completely immune from the communal violence that was sweeping across parts of northern India in the 1890s.[83] Muslims had recently gained a few educational concessions. Hunter's thesis on Muslim backwardness promised more, and with Muslim self-modernisation moves of the Aligarh variety, the possibility of sharpened competition in the sphere of the new education and jobs, where Bengali Hindus had so far enjoyed a decisive edge, seemed imminent.[84] So far, however, that remained a rather marginal worry and Hindu revivalism had not yet targeted the Muslim as the main enemy.[85]

Bankim bequeathed a set of historical judgments on the nature and consequences of Muslim rule in Bengal: "How does our Muslim ruler protect us? We have lost our religion, our caste, our honour and family name, and now we are about to lose our very lives...How can Hinduism survive unless we derive out these dissolute swine?"[86] These ideological moves do not need proper historical authentication since they are posed in a fictional space: the pseudo historical comments, however, carry an immense weight of conviction, nonetheless, particularly since Bankim was known for a highly historicist thrust in his discursive prose. They are, therefore, insidiously authenticated and then they justify political rallying cries of extreme virulence: "Kill the low Muslims"[87] is the refrain that is repetitively raised in *Anandamath*. Even though Bankim never made use of the recent theories of the colonial drain of wealth, he used the same motif to describe the flight of money from Bengal to Delhi in the form of a heavy revenue burden in Mughal times.[88]

Perhaps the most significant way in which Bankim served as a bridge between 19th century Hindu revivalism and the later, anti-Muslim, violent politics was by providing an immensely powerful visual image of communal violence and by giving it the status of an apocalyptic holy war. He stamped the image indelibly on the imagination of communal politics by fusing the impulse of community violence and revenge with the spectacle of a feminine body. In his last novel *Sitaram*, Gangaram, the brother of the heroine Shree is unjustly charged and sentenced to execution by a tyrannical Muslim fakir and a Qazi. Unable to stop this mockery of justice, Shree goes to the place of execution where a big crowd, including many Hindus, had gathered to watch the event. In despair, Shree tries to rally them to save a fellow Hindu, to instil a sense of brotherhood and mutual responsibility by evoking the fact that a man of their

community is being killed by another community. Shree does not invoke the theme of justice, nor does she try to rally subjects against tyranny and misrule. Quite spontaneously, the words that rise to her mouth are words of community solidarity and violence. "Then Gangaram saw a goddess-like figure among the green leaves of the huge tree. Her feet resting on two branches, the right hand clutching a tender branch, the left hand swirling her sari, she was calling out: Kill, kill..." Her long, unbound tresses were dancing in the wind, her proud feet were swinging the branches up and down, up and down, as if Durga herself was dancing on the lion on the battlefield. Shree had no more shame left, no consciousness, no fear, no rest. She kept calling out—"Kill, kill the enemy...The enemy of the country, the enemy of Hindus, my enemy... kill, kill the enemy... That straining arm was such a lovely arm... such beauty in her swollen lips, her flaring nostrils, sweat drenched stray locks falling across a perspiring forehead. All the Hindus kept looking at her and then streaming towards the battlefield with 'glory to Mother Chandike' on their lips".

In an instant, Shree had transformed a scattering of Hindus who had no previous sense of mutual connectedness, into an army with a single violent purpose, into a community-for-itself that can be realised only through invocation of vengeance against another. It is as if, to imagine a community of Hindus, Bankim can only imagine a spectacle of violence, of war. That is the only passion that brings the community into being. But the spectacle of violence is derived from the image of a passionate feminine body which literally gives birth to the violence. If political passion is produced through a feminine agency, there is little doubt about the kind of image in which this passion is cast. The woman's body moving "up and down, up and down"... the "straining arms, the swollen lips, the flaring nostrils, the sweat drenched locks and the perspiring forehead"—all are well remembered classical conventions for describing the woman at the moment of sexual climax. The superimposition of the icons of Durga and of Chandika, the goddess of war, on this body provides a sacred frame that tightly controls yet obliquely heightens the flow of sexual energy from which the visual image derives its power. The beginnings of a violently communalised imagination may, then, have something to do with a kind of male fantasising that encompasses sexual passion and political violence in a single impulse of pleasure.

V

Yet the consequences of such imagination do not entirely exhaust the logic of Bankim's discourse on the Muslim. We have already seen that his serious discursive prose referred to Islam with respect. In his novels, too, Bankim had been writing about Hindus and Muslims, and their relations with one another, all his life. They are ranged side by side, against one another, in dramatic and tense encounters between man and man, man and woman, woman and woman, as communities, nations, armies, as loving, fighting, making peace, arguing, negotiating. If all the novels on this theme are taken to compose a single novel, and the arrangements between people of the two religions are relations between two composite individuals, then the obvious simile is that of a conjugal or wildly emotional, dangerously fluctuating sexual relationship that may simultaneously include great intimacy along with great violence. A far cry from the way white people encounter Indians in his novels which provide moments of sheer comicality,[39] here is invariably material for high drama or for tragedy.

In his first novel *Durgesh Nandini* there is a striving for an almost mechanical symmetry of virtues and vices on both sides. The aim is to establish a shared code of conduct, be it for the heroes, the heroines, the villains or the cowards. Neither are Hindus and Muslims two monolithically integrated peoples and political alliances and expediency cut across religious boundaries.[40] Interestingly, Bankim, who experimented boldly with rather transgressive possibilities in sexual relationships beyond Hindu domestic and conjugal prescriptions, found in the Muslim woman, unbounded by norms of being faithful to only one man in an entire lifetime, a productive ground for playing on utterly new registers of sexual morality and commitment.

From the third novel, *Mrinalini*, the possibility of a shared enterprise vanishes and the Muslim becomes the great historical adversary of the Hindu. Battles between individuals are now loaded with destiny for nations. In *Rajsingha*, the Muslim adversary is not just an adversary but a hated and dreaded enemy—no less a man than the fanatical Aurangzeb. "He was born to hate the Hindus, he found Hindu offences unpardonable..." There are references to all his well thumbed sins in the opening chapter itself—jeziya, temple wrecking, cow slaughter, forced conversion. This seems a typical case of stereotyping. Yet, let us remember the first appearance of the presumed enemy of Hindus. We meet an elderly man in white, quiet, dignified, assured, respecting strength in an enemy. All the characteristic historical associations had been revived and refamiliarised in the first chapter. Gradually, however, over the entire text, the stereotype is defamiliarised, redeemed and humanised, especially by Aurangzeb's gentle, melancholy love for a Hindu serving maid. It is no monster but a great adversary that had been defeated in the historical battle and herein lay the true glory of Mewar. Unlike the anonymous, faceless English troops, Muslim adversaries, even the worst of them, wear human faces where complex emotions are often delicately sketched in.

It is in Sitaram, the last novel, that the Muslim combatant is largely an abstraction, an absence; yet battles with him fill up the entire novelistic space. Has Bankim, then, at the end of his life, managed to formulate and congeal an agenda at the point of blind hatred, when the enemy sheds his human features and is reduced to a simple figure of hatred? I think that Bankim found it impossible to form and celebrate an agenda with sustained conviction even in his last, dogmatic, markedly authoritarian phase. If the agenda seems to be coherent and complete, he then proceeds to fracture it from within, to dissolve his own statement of conviction. Sitaram is defeated by his own inner flaws. The Hindu leader, whether a commander, a king, a brahmin or a patriarch, remains weak, treacherous, greedy and cowardly across historical and social differences. The most significant thing about the last novel, I think, is Sitaram's brutality against Hindu women—which is conventionally ascribed to the stereotypical Muslim. When Sitaram's Hindu kingdom breaks up, Hindu women celebrate the event with vindictive glee. An erstwhile tolerant Muslim fakir leaves his kingdom, vowing never to live under Hindu rule. The stereotyped notion of Muslim intolerance is turned upside down, for it is Sitaram who, by his own villainy, had forced this conclusion on him.

The novel, charged with shrill intensity, ends with uncharacteristic bathos. Bankim had never before used the device of a chorus composed of ordinary people. Here we find two common men, Ram and Shyam, having the last words.

"Ram: 'How goes it, brother? Have you heard any news about Mohammadpur? [Sitaram's kingdom].'

Shyam: 'Different people say different things. Some say the king (Sitaram) and the queen could not be captured... The wretched Muslims executed a false king and a false queen.'

Ram: '...That sounds like a Hindu fiction, a mere novel.'

Shyam: 'Well, who knows whose story is a fiction. Your story may well be a Muslim tale. Anyway, we are ordinary people, all this doesn't concern us. Let us enjoy a smoke in peace.'

Let Ramchand and Shyamchand enjoy their pipe of tobacco. We shall end our narrative at this point."

An uncharacteristic narrative closure for Bankim who had always been intensely concerned about historicity, with problems of political bias and partisanship vitiating

historical truth. All his familiar concerns are blown away with a few puffs of smoke, with rumours recounted by two ignorant and rather uninterested men who dismiss all history as ultimately unknowable, as equally uncertain versions, and, finally, as supremely irrelevant to the likes of them. What exactly is involved in this untypicality, this major departure?

One can only speculate at several levels. It can denote a final failure of hope in the heroic, redemptive exercise, in the possibility of nation building. It may be a criticism of the Hindu masses who have forever stayed away at decisive moments in wars, have never identified themselves with the nation. It can, on the other hand, indicate a recognition of the autonomy of the imaginative domain. The Brechtian alienation device, the underlining of the fictional nature of the work by talking about "novels and fictions" may point to the constructedness of all writings, historical and fictional. Or is it, after a long gap, and after many changes, a return to the theme of *Samya* which, in the meantime, had been overtaken by dreams of Hindu glory? Does it question the materiality of notions like political freedom and nationhood in the context of the everlasting peasant problem and ground the failure of the nation in the disjunction between the two?

Bankim thus formulates and fills out a violent Hindu agenda and immediately proceeds to deconstruct it. He powerfully projects religious militancy as a resolution to the problem of colonisation. He has an equally powerful certainty about its untenable future. It is inevitable, then, that he has to simultaneously underscore the agenda in intensely heightened colours, to proclaim its message with a brutal stridency that nearly reaches a breaking point in the last novel: and immediately counterpose to it an alienation device that drags the shining vision of Hindu triumph into the realms of idle rumour and gossip.

Notes

1 In the recent literature on Bankim in English, the shifts in stance have hardly been recognised, and Bankim's writings are treated as a monolithic whole. An exception to this tendency is Tapan Raychaudhuri, *Europe Reconsidered: Perceptions of the West in Nineteenth Century Bengal*. Delhi, 1988.

2 Tanika Sarkar, 'Bankimchandra and the Impossibility of a Political Agenda: A Predicament of Nineteenth Century Bengal', article forthcoming in Kaul and Loomba (eds), *Oxford Literary Review*

3 Amales Tripathi, *The Extremist Challenge: India between 1890 and 1910*, Calcutta, 1967.

4 Sumit Sarkar, *The Swadeshi Movement in Bengal: 1903-1908*, New Delhi, 1973.

5 It was used as a slogan in the riots of 1926 I owe this reference to Pradip Kumar Datta.

6 This slant is marked in Gyan Pandey, *The Construction of Communalism in Northern India*, Delhi, 1990

7 'The Myth of Praxis: The Construction of the Figure of Krishna in Krishnacharitra', Nehru Memorial Museum and Library, *Occasional Papers on History and Society*, First Series, L.

8 Partha Chatterji has completely ignored Bankim's novels as important ways of negotiating with political themes. Even the reading of the discursive prose is severely limited by a literal reading of texts in complete disregard of his literary strategies and devices that were significantly deployed here. See *Nationalist Thought and the Colonial World: A Derivative Discourse*, Delhi, 1988. Sudipta Kaviraj, in a series of unpublished monographs on various texts of Bankim, has also chosen to read each text as a fairly isolated, autonomous unit, although he is extremely sensitive in his reading strategy

9 Tanika Sarkar, op cit.

10 *Anandamath* (first published 1882, fifth and final version, 1892); *Debi Choudhurani*, 1884; *Sitaram*, 1887 The two discursive essays are, *Krishnacharitra*, 1892; *Dharmatattva*, 1888. Two incomplete manuscripts were posthumously published: his commentary on *Shrimadbhagavat Gita* in 1902 and *Devatattva O Hindudharma*, 1938. Since both were incomplete and since Bankim extensively revised his writings before the final publication, I have not made any use of them here.

11 Whereas in DT(ibid), the master and the disciple proceed through arguments and counter-arguments, in RSS daily training sessions, small boys are told stories which have the right messages. Since stories need a suspension of disbelief and questions by their very form, listeners get used to silent and implicit acceptance.

12 Basu, Datta, Sarkar, Sarkar and Sen, *Khaki Shorts and Saffron Flags: A Critique of the Hindu Right*, Delhi, 1993.

13 My interview with Rashtrasevika leader Asha Sharma in Delhi, December 1990.

14 *Bharatbarshe Swadhinata Ebong Paradhinata*, *Vividha Prabandha*, p 244, *Bankim Rachanabali*, Vol 2, Calcutta, 1954.

15 *Samya*, ibid.

16 "Our country is the land *par excellence* of inequalities, any kind of discrimination springs into life and flourishes as soon as the seed is sown", ibid, p 399.

17 This theme is especially developed in *Bangadesher Krishak* (first published, 1875), *Bankim Rachanabali*, Vol 2, ibid.

18 See *Anandamath* and *Sitaram*, *Bankim Rachanabali*, Vol 1, Calcutta 1953.

19 *Bangadesher Krishak*, ibid. It is interesting that although he asks the foreign rulers to protect the tenants, he refused to seek their help that reformers were demanding, for the protection of women.

20 B B Chowdhury, 'Agrarian Economy and Agrarian Relations in Bengal, 1859-1885' in N K Sinha (ed), *The History of Bengal, 1757-1905*, Calcutta, 1967, pp 241-43.

21 Ibid. See also Sugata Bose, *Peasant Labour and Colonial Capital: Rural Bengal since 1770*, Cambridge University Press, 1993, Chapter 3.

22 Sekhar Bandyopadhya, *Caste Politics and the Raj: Bengal, 1872-1937*, Calcutta 1990, p 33.

23 Ibid, Chapter 2.

24 Sabyasachi Bhattacharya, 'Traders and Trade in Old Calcutta', Sukanta Chaudhuri (ed), *Calcutta: The Living City*, Vol I, Calcutta 1991.
25 Jogesh Bagal, 'Introduction', Bankim Rachanabali, Vol 2, op cit.
26 Sumit Sarkar, op cit.
27 See his argument against the strategy of Vidyasagar in 'Bahuvivaha' in *Vividha Prabandha*, op cit.
28 Satirical pieces in *Lokrahasya* (1874) make fun of the English educated Babu quite mercilessly. *Bankim Rachanabali*, Vol 2, op cit. He criticised Indologists like Max Mueller in *Bangalir Bahubol*, *Prabandha Pustak*, 1879. He was extremely sarcastic about dependence on western reflections on Indian history and religion in *Dharmatattva*, *Bankim Rachanabali*, Vol 2, op cit. At the same time, his affiliation to western political theories, especially that of radical utilitarian and French revolutionary and socialist thinkers was openly asserted, not just in *Samya* but even in *Dharmatattva*, op cit.
29 Bagal, 'Introduction', *Bankim Rachanabali*, Vol 1, op cit
30 See, for instance, *Byaghracharya Brihallangul* in *Lokrahasya*, op cit.
31 This thrust was particularly well developed by Ashis Nandy in *The Intimate Enemy: Loss and Recovery of the Self under Colonialism*, Delhi, 1983. The framework is extended by Gyan Pandey in *Construction of Communalism*, op cit, and by Partha Chatterji, *The Nation and Its Fragments: Colonial and Post-Colonial Histories*, Delhi 1994.
32 I have explained this term in 'Rhetoric against Age of Consent: Resisting Colonial Reason and the Death of a Child Wife' in *Economic and Political Weekly*, September 1993.
33 Tapan Ray Chaudhuri, *Europe Reconsidered*, op cit.
34 See Anil Seal, *Emergence of Indian Nationalism: Competition and Collaboration in the Later Nineteenth Century*, Cambridge University Press, 1968, and S Gopal, *British Policy in India, 1858-1905*, Cambridge, 1965.
35 S Gopal, *The Viceroyalty of Lord Ripon, 1880-1884*, London, 1953
36 See Seal and Gopal, op cit.
37 Bipan Chandra, *The Rise and Growth of Economic Nationalism in India: Economic Policies of Indian National Leadership, 1880-1905*, New Delhi, 1966.
38 See my 'Rhetoric against the Age of Consent', op cit. Dipesh Chakrabarty has recently reiterated the logic and politics of this revivalism in the same terms in his critique of contemporary 'secular feminists' in 'The Difference Deferral of (A) Colonial Modernity: Public Debate on Domesticity in British Bengal' in *History Workshop*, Special Issue, Autumn, 1993.
39 See my *Bankimchandra and the Impossibility of a Political Agenda*, op cit.
40 Themes of Hindu history and nationhood were taken up in *Prabandha Pustak*, op cit. Many of the concerns of *Dharmatattva* and the form of its presentation had been anticipated in *Gaurdas Babajir Bhikshar Jhuli*, *Vividha Prabandha* (1874). *Krishnacharitra* was originally written to form a part of *Vividha Prabandha*, but was later much altered and extended. Bagal, 'Introduction', *Bankim Rachanabali*, Vol 2, op cit, p 21.
41 This is explicit in both *Krishnacharitra* and *Dharmatattva*. The latter, in fact, begins with the theme of poverty and hunger—a deliberate invocation of his earlier concerns. Then the guru persuades the disciple that both can be overcome by the cultivation of the right Hindu disposition and knowledge. He thus relocates the roots of these problems within the individual disposition and mindset—away from social structures. *Dharmatattva*, *Bankim Rachanabali*, Vol 2, op cit, pp 585-86.
42 'Sankhyadarshan' in *Vividha Prabhandha*, op cit.
43 "Vaidic religion lacks the concept of devotion.. there are only propitiatory sacrifices to attain one's earthly desires". *Dharmatattva*, *Bankim Rachanabali*, op cit, p 623. It polemicises against all major Hindu religious philosophies to assert the correctness of the reoriented bhakti.
44 See his strong repudiation of this form in *Krishnacharitra*, op cit. He was also critical of the quietism of Kali-based devotion that his contemporary saint Ramakrishna preached. See Sumit Sarkar, 'Kaliyuga, Chakri and Bhakti' in *Economic and Political Weekly*, July 18, 1992
45 *Krishnacharitra*, op cit.
46 See Shyamali, 'Bankimchandra O Bhatparar Panditsamaj', *Baromash*, Autumn number, 1988
47 See my *Bankimchandra and the Impossibility of a Political Agenda*, op cit.
48 See Basu, Datta, Sarkar, Sarkar and Sen, *Khaki Shorts*, op cit
49 This is embodied in Haraballabh's patriarchal inhuman orthodoxy and lack of a sense of honour and dignity in *Debi Chaudhurani*, *Bankim Rachanabali*, Vol 1, op cit.
50 *Sitaram*, op cit. Also see below.
51 See reports in *Bengalee* and the *Statesman*, 1873.
52 Dialogues between Mahendra and Santan leaders in *Anandamath*, *Bankim Rachanabali*, Vol 1, op cit, pp 724-37.
53 This is true of all the three novels. See Shanti and Kalyani in *Anandamath*, Prafulla, Diba and Nishi in *Debi Chaudhurani*, and Shree and the Sanyasini and Nanda in *Sitaram*, *Bankim Rachanabali*, Vol 1, op cit.
54 *Krishnacharitra*, op cit, *Bankim Rachanabali*, Vol 2, pp 498-504
55 *Dharmatattva*, op cit, *Bankim Rachanabali*, Vol 2, p 620
56 See my *Rhetoric against the Age of Consent*, op cit.
57 Prafulla in *Anandamath*, op cit.
58 *Sitaram*, op cit, *Bankim Rachanabali*, Vol 1, pp 944-48
59 See the concealed yet very real Maharashtrian brahmin origins of the RSS in *Khaki Shorts*, op cit.
60 Bagal, 'Introduction', *Bankim Rachanabali*, Vol 1, op cit, p 23.
61 *Anandamath*, op cit, *Bankim Rachanabali*, Vol 1, pp 728-29.
62 Ibid, p 726.
63 Ibid, p 728
64 Ibid, p 726.
65 Ibid.
66 Ibid, p 768
67 This was especially evident in the way the Vishwa Hindu Parishad ideologues simultaneously evoked the figures of the serene and the angry Ram. See Pradip Kumar Datta, 'VHP's Ram: The Hindutva Movement in Ayodhya' in Gyan Pandey (ed), *Hindus and Others: The Question of Identity in India Today*, Delhi, 1993. The other, very important point this article establishes is the way Ram is invoked as a role model. In bhakti philosophies, however, the deity's life is an object of contemplation for the devotee, it is not for emulation. Here, too, Bankim makes the crucial transition, by insisting that Krishna's life provides the desired pattern for all Hindus.
68 *Anandamath*, op cit, p 726.
69 In his interview with the VHP mohunt at Ayodhya, P K Datta was told that this movement is the essence of Rambhakti. Datta, op cit.
70 *Anandamath*, op cit, p 751.
71 For a discussion of these themes at the time of the founding of the RSS, see Sumit Sarkar.
72 The agenda of the war with the Muslim always occurs only in the novels.
73 This is the concluding note and message of *Anandamath*, *Bankim Rachanabali*, Vol 1, op cit, p 787.
74 "By imbibing these principles... the Hindu will be... as powerful as the Arabs in the days of Mohammad...", *Dharmatattva*, op cit, p 647.
75 Ibid, p 648.
76 Ibid.
77 This is the image of Mohammad in a very well known western text that was much used in Bankim's time. See T P Hughes, *Dictionary of Islam*. First published 1885, Indian edition, Rupa Publishers, 1988.
78 *Krishnacharitra*, *Dharmatattva* and *Anandamath* have to argue hard against other models of bhakti.
79 By asserting that with a correct application of bhakti, Hindus will be transformed into Muslims of Mohammad's time, (see above) Bankim hoped that the reinterpreted life of Krishna will play the same historic role as the original pattern.
80 There are references to an attack on missionaries at Tarakeswar in 1891. *Dainik O Samacharchandrika*, April 19, 1891. There were other minor attacks that were reported from Calcutta and Bankura. See *Report on Native Papers*, Government of Bengal, January to March 1891.
81 Ibid, see also RNP, Bengal 1890.
82 *Anandamath*, *Bankim Rachanabali*, Vol 1, op cit, p 727.
83 Ibid, p 784
84 *Bangalar Itihash*, *Vividha Prabandha*, Bankim Rachanabali, Vol 2, op cit, p 332.
85 *Sitaram*, Bankim Rachanabali, Vol 1, op cit, p 881.
86 See *Chandrasekhar*, for instance, for the encounter between Saibalini and Forster, *Bankim Rachanabali*, Vol 1, op cit, p 405. Also see *Muchiram Gurer Jibancharit*, for the encounter between a peasant and Meanwell, *Bankim Rachanabali*, Vol 2, pp 126-27.
87 See Durgeshnandini, his first novel, 1865, *Bankim Rachanabali*, Vol 1, op cit.
88 Ayesha in *Durgeshnandini* (above), Zeb Unnisa in *Rajsingha* (1882) and Dalani in *Chandrasekhar* (1875) wil be very striking and diverse examples. See *Bankim Rachanabali*, Vol 1, op cit
89 *Rajsingha*, ibid, p 664, pp 672-74
90 *Sitaram*, *Bankim Rachanabali*, Vol 1, op cit, pp 957-58.

DISCUSSION

In Tune with Brahminical Legacy

Curtailing Debate by Invoking 'Karma'

N Venugopal

REACTING to my critique of the traditional sciences congress ('Learning from a Legacy: How and What', February 5) L Kannan ('Traditional Sciences and Technology', June 11) started off by saying that my way of looking at things "precludes any meaningful debate". I wonder if Kannan treats his own intervention as meaningless, since my piece at least did not preclude his debate!

Kannan's is as brahminical a piece as can be, not only in skirting around the real issues, but also in using choicest epithets against the adversary. Brahminism has developed over-killing as an art: it has 'sahasranama' to praise and as many abuses to denounce. In the same manner, Kannan used words and terms like disappointing, inadequate, effete intellectual reflex, archaic doctrinaire goggles, juvenile, gross lack of under-standing, paranoia, amusing, antiseptic talk, hogwash, armchair intellectual, slavish adherence to alien ideological baggage, petrified time warp, shibboleths, voodoo, intellectual underworld, etc, against me, my critique and my point of view.

However, this is besides the point. I do not want to dwell more on this. Though Kannan seems to think he had given a fitting reply to my article, there was no direct reference to any of the issues raised by me except the choice of the term 'traditional' rather than 'people's'. Hence it falls upon me to put the debate in proper perspective.

At the risk of repeating myself I would like to recapitulate the major themes of my article:

(1) Positive and negative aspects of the congress: While recognising the congress as "one of the landmark achievements of the movement in search of our roots" on one hand, I raised "questions regarding what was traditional and why a selected portion of the traditional was being invoked", on the other. Kannan does not seem to understand this approach.

(2) The question of context: In the atmosphere of growing Hindu communalism, the forces of Hindutva are aggressively in search of new pastures. Science and technology suits the bill in two ways: one, it is given excessive importance in India so much so that you can pass off most unscientific and abominable issues under the name of science and technology. Two, given the nature of science and technology establishment in India being predominantly brahmin-dominated, it is very comfortable to speak in terms of tradition and revival without any threat to the entrenched classes/castes.

(3) Absence of several significant trends in the Indian traditions: I have shown that the congress of traditional sciences left scope to be regarded as a brahminical one (which could have been easily avoided) by ignoring important trends.

(4) Caste question: The congress behaved as if there was no caste oppression in India, and some of the prominent speakers were arguing in favour of a revival of not only traditional science and technology but also traditional social system. I contemplated with fear, the consequences of this revival for women and lower castes. Now Kannan enhances my fear dismissing the 'caste oppression', and women's exploitation and inequality as dark shibboleths and colonial voodoo.

The same issue in which Kannan's piece appeared carried a case of a dalit being forced to eat his own excreta. I am not sure whether this is 'colonial voodoo' and 'flying in the face of facts'.

(5) Finally, and basically, I asked for a clear perspective of the congress.

Apart from this restating of my earlier argument I would like to take issue with Kannan regarding the following: Kannan seems to be ignorant of differences between the two concepts known as popular sciences and people's science. A condescending exercise to make modern science intelligible to ignorant masses is not people's science, as Kannan thinks. He would do better if he went through the debate that went on about the differences.

One can only wonder as to how a scholar like Kannan, who brings Feyerabend to support him, could say that an "act of defining can only be undertaken as a post-mortem not something living and dynamic". There are two problems here: one, then nothing can be defined; two, if it is tradition which is living and cannot be defined, then where is the scope for revival. Does not Kannan think he is contradicting himself?

Whether I am paranoid about science getting tainted with religious overtones or not, it was C V Sheshadri, whom Kannan equates with Pythagoras and Ramanujan, who mentioned about the religious taint of tradition. I was only referring to him. I have shown how the congress was allowed to get this taint.

Kannan does not seem to distinguish between abstraction and mysticism. No knowledge system develops without some kind of generalisation and abstraction, which is miles away from mysticism. All the phenomena have been abstracted in the form of concepts to arrive at a better understanding of nature and society. There is nothing by the name of 'tree'; there are only different trees. A general concept of 'tree' was evolved out of observing thousands of real, particular trees. Whereas this abstraction helped in the growth of knowledge, mysticism, which seems to be a favourite of Kannan, is prone to treating phenomena as 'maya', 'mithya' and 'karma' and hence leads to armchair theorisation to make it more and more incomprehensible.

I agree that Dharampal's views expressed elsewhere should not be brought into focus when discussing the congress on traditional sciences. But the Babri masjid demolition and the congress fall in same genre in that both of them attempt a redefinition of tradition. But, I think, these attempts should have led to diametrically opposite directions, and if Dharampal becomes the high priest in the congress also, I am afraid the same kind of demolition takes place here as well. Which, indeed, it did. Except sanskritised, brahminical Hindu, male definitions, all others were attempted to be erased.

Kannan quoting Deng approvingly strengthens my suspicion about the organisers' stress on utilitarian aspect of tradition. This is nothing but going into the quantitative value system of modern S and T.

Besides all this, it is very much disturbing when Kannan says that "the discourse now needs to be carried forward to address larger questions like the reorganisation of society and polity". There is no denying that the present society and polity badly need reorganisation. However, the reorganisation is needed to do away with "caste oppression, women's exploitation, inequality", and oppressive agrarian relationships, among so many other evils. But, if people like Kannan, who refuse to see this oppressive present, appoint themselves as managers of this reorganisation, I wonder what would happen to our society and polity. (Maybe *Gita* and *Manusmriti* will become our official guides!)

Kannan's scrutiny of "the very notions of equality" and his analogy of a volleyball team are ridiculous in the least. When vast

masses have been subjected to untold suffering for hundreds of years, with the unambiguous sanction from sacred books and religious heads, and at a time when the oppressed are coming to fore to demand their minimum human rights, such as dignity and equality of opportu'very notion of equality' with highly sophisticated arguments.

Kannan seems to think the superiority of brahmins and inferiority of others is justified because of their 'swabhava', "innate physical and psychological characteristics". He sounds like Puri Shankaracharya who said that women ought to be inequal, and other Hindu ideologues who attribute socio-economic inequality to innate physical and psychological characteristics.

Kannan appears to be a perfect sophist in the best tradition of Hindutva. He refers to some bad examples from history of modern India about scientific temper (it is another concept sabotaged by the rulers of modern India like public sector), and then concludes "an inverse correlation between scientific temper and scientific creativity". Nothing can be more silly. Does Kannan suggest that the more irrational and superstitious, the more creative?

Once again I would like to stress the need and importance of learning from legacy. It becomes significant in post-colonial situations. However, in a society like India where Hindu religious and brahminical order has hijacked the legacy of people, one has to be careful in defining, identifying, selecting and following the 'traditions'. As rightly mentioned by Kannan, China did attempt such a revival when it blended acupuncture and modern medicine. But what Kannan seems to forget is that the same China not only did not accept Confucian ideology in the tradition but also undertook a vehement fight against that part of feudal past. Similarly, I think, a revival of traditional sciences and technologies of our artisans is very much needed, but with a conscious rejection of and struggle against the ideology of Manu and swabhava and 'swadharma'. Our people have had enough of it.

Real Challenge before the Sikhs

Sharad Patil

GOPAL SINGH, in his challenging contention that the Sikhs are a nationality (July 16, 1994), has conveniently bypassed the original caste annihilatory objective of the Sikh gurus.

Religious Nationalism

In his attempt to build his case of Sikh religious nationalism, he has cited extensively from G Adhikari's booklet *Sikh Homeland* (1945). Lenin and Stalin, on whom the undivided CPI based its policy on Indian nationalities, had never considered religion to be a factor in the making of a nation or nationality. But to appear more 'secular' than the Congress nationalists and socialists, the CPI supported religious nationalism, not only of the Sikh elite, but also of the Muslim elite by espousing Pakistan, with the difference that it did not bring out a similar booklet called *Muslim Homeland*. Adhikari's booklet was withdrawn from circulation before it could do greater damage.

Pakistan came into being on the basis of religious nationalism. But when its west Pakistani rulers tried to impose Urdu on the then east Pakistan, the cyclone of linguistic nationalism broke out, which, drowning religious nationalism, gave birth to the present Bangladesh. Today its Muslim fundamentalists are persecuting Nasreen as the Sikh fundamentalists had tried to do with Amrita Pritam. Gopal Singh wants the Sikh religious nationalism to be unleashed in a non-secessionist way. But then he will have caught the bear, while the bear would refuse to let him go!

The demand for Punjabi Suba was based on linguistic nationalism as in the rest of India. It is true that it was opposed by the Punjabi Hindus who declared their language to be Hindi. It was unpardonable. But it should not be forgotten that those who spearheaded this anti-linguistic-nationalism campaign were high caste Hindu traders who were afraid of the sudra Sikh majority. Same was the case on the Sikh side. Gopal Singh himself admits that the low caste Sikhs were not enthusiastic about the demand for Punjabi Suba. For, they felt that the dominant peasant caste of the jats would rule the roost. Gopal Singh refers to the assassination of Indira Gandhi by her two Sikh guards in vengeance against operation Blue Star by the Indian army against the Golden Temple. Though he does not mention that they were Sikh SCs, this identity is played up to show that the Sikhs are a homogeneous community. But is it the whole truth? One of the bench of Supreme Court judges who awarded capital punishment to the so-called assassins publicly admitted after his retirement that they were innocent. The powers that be who hired the assassin to fire from the shoulder of one of the guards were interested in provoking anti-Sikh riots all over the country and thus further stoke the fires of Sikh extremism. Bhishma had warned Yudhishthira that internal danger is incomparably more disastrous than the outer danger (XII-107-28).

Ethnic Nationalism

Gopal Singh derives support for his argument that the Sikhs are an ethnic group in K R Bombwall's admission. Can it stand the test of history? The word ethnic originally denoted heathen, pagan, gentile, non-Israelite, non-Christian. With the establishment of ethnography, it came to mean people belonging to a common racial or ethnic stock. The most well known history of the Sikhs is by Khushwant Singh, himself a Sikh. He takes the origin of the Punjab nation to the Mahabharata times by quoting Karna-parva, verses 2063-2068— "...No Aryan should stay in Punjab for even two days", because the Punjabis refused to obey the priests.[1] Of course, the epic does not use the word 'Punjab' at all. In fact, the region was not called Punjab at least during the Vedic period. It is obvious that Singh's conception of Indian history is linear. During the epic period (BC 1000-800) Punjab was inhabited by rajakas (monarchical tribal republics), many of which were matrilineal, and aboriginal tribes from whom communal slaves were recruited by the rajakas. Kekaya of the Ramayana was situated in the present districts of Jhelum, Shahpur and Gujarat, Madra of the Mahabharata occupied the Sialkot district, Bodha was located in eastern Punjab, Sibi in western Punjab. Trigarta in Jalandhara district, etc The later a-rajaka (Sangha-gana) Arjunayanas and Yaudheyas issued coins under the legend—'Arjunayananam jaya' (Victory to the Arjunayanas), 'Yaudheyanam' jaya'.[2] Every of these ganas called itself a nation state and was in inimical (a-mitra)relation with the other ganas. The last of these oligarchies, that of the Yaudheyas, was crushed by the Guptas in AD 300.[3]

In Buddha's lifetime itself (BC 600) the new non-tribal jati system had come into existence. With the extinction of the oligarchic varna system in Punjab, the tribes became either jatis or 'scheduled tribes'. When Muhammad Ibn al-Kasim invaded Sindh in AD 712, the jats and meds were considered low untouchable castes even by the Arab conqueror.[4] According to Khushwant Singh, Punjab came into being after, and as a result of, Arabic, Turkish and other invasions:

The Punjab, being the main gateway into India, was fated to be the perpetual field of battle and the first home of the conquerors. Few invaders, if any, brought their wives with them, and most of them who settled in their conquered domains acquired local women. Thus the blood of many conquering races came to mingle, and many alien languages—Arabic, Persian, Pushto, and Turkish—came to be spoken in the land. Thus, too, was the animism of the aboriginal subjected to Vedantic, Jain and Buddhist religions of the Aryans, and to the Islamic faith of the Arabs, Turks, Mangols, Persians, and Afghans. Out of this mixture of blood and speech were born the Punjab people and their language.[5]

The jat peasantry, being looked down by the Hindu upper castes,[6] embraced Sikhism and formed its backbone.[7] About the untouchable castes, apart from the backward castes, who became Sikhs, Singh says: "Prominent among 'untouchable' village communities converted to Sikhism and living in jat villages are Mazhabi, Ranghreta, and Ramdasis".[8]

Note that the villages are called 'jat villages'. Singh claims Aryanhood for the jats.[9] So the Sikh SCs and OBCs naturally belong to the non-Aryan stock. This is the ethnic identity of the present-day Sikhs.

Objective of Sikh Religion

Khushwant Singh says that "Sikhism was born out of a wedlock between Hinduism and Islam".[10] Singh himself is an admirer of the Adi Sankara.[11] That is why he denies any influence of Buddhism[12] on Nanak (born AD 1469). But he contradicts himself when he says that "A method advocated by Nanak was the gentle way of Sahaj".[13] Sahaja-yana was one of the anti-caste Tantrik sects of Buddhism, a great propagator of which was the first Siddha Sarahapa (AD 700-800).[14] Rahul Sankrityayana points out that the Maharashtrian saint Jnanesvar (AD 1300) arose in the direct tradition of Sarahapa.[15] This Bhakti tradition was taken by the saint Namadeva to Nanak. The point I wish to make in this context is that because all present-day progressive and Marxist historians, except a few, ignore or underplay the basic anti-caste current of Indian history, its impact on politics has led to disastrous results. If Sikhism was pre-eminently a syncretic religion, how is it that, as Singh admits, "His (Nanak's) teaching appealed specially to the politically downtrodden Hindus of the lower castes and the poor of the Muslim peasantry?"[16] Though the Muslim saints and mystics observed in their lives the tribal poverty and equalitarianism of the prophet and preached religious tolerance, they did not raise their voice against the caste system. That is why Akbar, the greatest of Muslim kings, can be compared, according to Savitri and Satish Chandra, with Tulasidas, the sudra-hating brahmana saint, but not with Dadu, the anti-caste cobbler saint.[17] Kabir was no more a Muslim when he preached against the caste system. It fell to revolutionaries like Nanak to preach and work for anti-caste equality. Singh is constrained to observe:

> The Bhaktas had paid only lip-service to the ideal of a casteless society; Nanak took practical steps to break the vicious hold of caste by starting free community kitchens—guru ka langar—in all centres and persuading his followers, irrespective of their castes, to eat together. Nanak's writings abound with passages deploring the system and other practices which grew out of caste concepts, particularly the notion held by brahmins that even the shadow of a low-caste man, on a place where food was being cooked, made it impure...[18]

The later Sikh gurus carried this anti-caste heritage forward. Guru Gobind Singh taught: "*manaski jat sab eka hi pahacanbo*" (know all mankind as one caste).[19]

But could this abolish the caste system?

Real Challenge

'Caste Annihilation' (1936) was the real task before B R Ambedkar, the greatest untouchable of India. The time was ripe for its fulfilment. That is why he declared in 1936 that though he was born in the Hindu religion, he would not die in it. And then leaders of all religions in India approached him. Among them were also Sikhs. He sent a delegation to Punjab to see the religion in practice. On return it told him that the religion has its own untouchable castes. That is why he repeatedly stressed that untouchability can be abolished only with the abolition of the caste system.[20]

Factional struggle between the Jat Darbara Singh and the backward Zail Singh in Congress is said to have helped the fundamentalist rise of Bhindranwale. But it cannot be the root cause of the rise of fundamentalism. The low caste Sikhs were gravitating slowly but surely towards the Nirankari sect, and to put a stop to this drain on the main Sikh religion Bhindranwale started his murderous attacks on the sect. The Sikh extremism that has rapidly grown since then has managed to divert the internal discontent of the Sikh SCs and OBCs to confrontation against the so-called Hindu majority oppression.

The SCs or dalits are far greater victims of the upper caste Hindu oppression than the Sikhs. Ambedkar preferred the non-violent Buddhist religion to all other relatively militant religions not only because it was the most anti-caste religion, but also because it was a mainstream Indian religion. He did not want the dalits to get alienated after religions conversion from the caste-ridden Hindus as the dalits converted to Islam and Christianity had become, but play the vanguard role in the impending caste-annihilatory democratic revolution.[21]

It is a peculiar sight to see a low caste Sikh pilgrim, returning after his visit to the Manmad Gurudwara to the station, bowing before the statue of Ambedkar in front of the station. This duality in devotion is spreading among the dalits of all Indian religions. No fundamentalist extremism can stop it.

The real challenge before the Sikh community is to complete the unfinished caste-annihilatory work of the great gurus. It is the surest way to isolate and defeat the upper caste-class Hindu oppressors.

Notes

1 Khushwant Singh, *A History of the Sikhs*, 1977, Vol I, pp 14-16.
2 B N Puri, *India in the Time of Patanjali*, pp 60-79
3 Chart in my *Dasa-Sudra Slavery*, part II, between pp 308-09.
4 H M Elliot and J Dowson, *History of India as Told by Its Historians*, Vol I, pp 186-87, 437.
5 Khushwant Singh, op cit, p 13.
6 Ibid, pp 14-16.
7 Ibid, p 14.
8 Ibid, pp 14-16.
9 Ibid.
10 Ibid, p 17.
11 Ibid, pp 22-23.
12 Ibid, p 35.
13 Ibid, pp 45-46.
14 Rahul sankrityayana, *Doha-kosa* (Hindi), 1957.
15 Ibid, p 22.
16 Khushwant Singh, op cit, p 37.
17 *Social Scientist*, Nos 232-33, September-October 1992.
18 Khushwant Singh, op cit, p 43.
19 Ibid, p 88.
20 Dr Babasaheb Ambedkar, *Writings and Speeches*, Vol 5, pp 100-01.
21 Ibid, pp 112ff.

Tourism Finance Corporation of India Ltd.

(Incorporated on 27th January, 1989 under the Companies Act, 1956).
Regd. Office : Core V, Scope Complex, 7 Lodhi Road, New Delhi - 110 003. Fax : 011-4361534

HIGHLIGHTS

- Maiden Public Offer by a Specialised All India Development Financial Institution catering to requirements of tourism industry.
- Tourism industry has emerged as one of the largest foreign exchange earners and major provider of employment. A mega industry world wide poised for rapid growth.
- A notified Public Financial Institution U/S 4A of the Companies Act, 1956
- Promoted by IFCI alongwith other All India Financial Institutions and Nationalised Banks.
- Provides a wide range of financial assistance to enterprises for setting up and/or development of tourism related activities
- Sound operational performance, comfortable capital adequacy ratio of 27% and high growth rate of earnings
- Eminent Board of Directors comprising representatives from Government of India, Reserve Bank of India, Financial Institutions, Tourism Industry, Professional Experts, Academicians etc.
- Easy liquidity- Listing proposed at Delhi, Bombay, Ahmedabad and Madras Stock Exchanges.

Investors may note that in case of oversubscription the allotment shall be on proportionate basis in consultation with Delhi Stock Exchange.

RISK FACTORS

INTERNAL TO THE COMPANY

- Interest Rate Risk - The Company may face certain risk due to fluctuations in the interest rates.
- Liquidity Risk - The Company may face liquidity problems due to mismatch in maturity between its assets and liabilities
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Issue Opens on 26th Sept., 1994

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MANAGEMENT'S PERCEPTION OF THE RISK FACTORS

- The Company's lending rates are fixed keeping in mind the incremental cost of funds
- The Company follows a careful approach in regard to liquidity. It maintains a comfortable debt service coverage ratio and has always met its obligations on the due dates in the past.
- The Company hedges against such credit risks by adopting a conservative lending policy and following prudent exposure limits for individual clients as well as for group concerns
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- Based on the available details, confirmation of securities held in trust, commitments and audited balance sheet of FIL & FFSL, the management is confident of ultimate realisation of the sums due. However, as a measure of abundant caution, a sum of Rs. 200 lakhs was transferred to Special Reserve during the year ended 31/3/93 to cover any shortfall that may arise (net of taxes) on the aforesaid dues. A further provision of 10% i.e. Rs. 90 lakhs has been made during 1993-94 in respect of the above dues which is included in the provision for doubtful debts under Section 36(1) (viia) of the Income Tax Act, 1961. Further, consistent with prevailing Accounting Standards interest accrued on the dues has not been recognised as income.

If the Company does not receive the minimum subscription of 90% of the issued amount, including devolvement of underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. For delay beyond 78 days, from the date of the closure of the issue in refund of such subscription, the company shall pay interest @ 15%p.a. If there is delay in the refund of the amount collected, the company & the directors of the Company shall be jointly and severally liable, to repay the amount due by way of refund with interest @ 15% p.a for the delayed period beyond 78 days from the date of actual closure of the issue

Note : Investors are advised to refer to the para on the "Justification of premium" before making a decision to invest in the issue.

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ISSUE OPENS ON
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VISTA

VISTA PHARMACEUTICALS LIMITED

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PUBLIC ISSUE OF 37,50,000 EQUITY SHARES OF Rs. 10/- EACH FOR CASH AT PAR AGGREGATING Rs. 3,75,00,000/-

Equity participation by IDBI
20th Century Mutual Fund and
Kothari Pioneer Blue Chip Fund

HIGHLIGHTS

1) 100% EOU eligible for income-tax exemption on earnings under Section 10 B of Income-Tax Act of 1961.
2) Promoted by a qualified technocrat NRI entrepreneur with 20 years of experience in the Pharmaceutical Industry and his NRI associates.
3) Project assisted by IDBI (Term Loan Rs. 305 lacs), APIDC (Equity Rs. 45 lacs) and State Bank of Hyderabad (Working Capital limit Rs. 140 lacs).
4) Equity participation by IDBI (Rs. 10 lacs), 20th Century Mutual Fund (Rs. 30 lacs) and Kothari Pioneer Bluechip Fund (Rs. 10 lacs) by way of firm allotment out of Public issue.
5) Plant designed for manufacture of formulations conforming to Food and Drugs Administration (USA) standards.
6) Firm marketing arrangement with US Generic of USA, a subsidiary of Scientific Instruments and Technology Corporation of USA.
7) Locational advantage - Unit coming up in State notified backward area.
8) Low Cash break-even level of 21%.
9) Commercial Production by November, 1994.
10) Tax benefits under section 80L & 80M of Income Tax Act and Wealth tax benefits.
11) Easy Liquidity - Listing at Bombay and Hyderabad Stock Exchanges.

Investors may please note that in the case of oversubscription the allotment shall be on proportionate basis.

RISK FACTORS

INTERNAL

1. The Company is yet to get formal sanction of power from APSEB.
2. The Company is yet to receive the State Subsidy.
3. The company is yet to obtain the approval of the Food and Drugs Administration. U.S.A.
4. There has been delay in implementation of the project. The project will now be completed by November 1994.

EXTERNAL

1. The Company imports bulk drugs for the manufacture of Formulations. Any changes in the Government policy regarding imports and the exchange value of the rupee may affect its operations.
2. Fluctuations in prices of the Company's products could affect the Company's profitability.

MANAGEMENT PERCEPTION OF RISK FACTORS

INTERNAL

1. The company has made adequate provision for Generator sets which will meet the full requirement of power.
2. The state subsidy was sanctioned by District Industries Centre, Nalgonda, Andhra Pradesh vide their letter No. 3444/14/B/92-294 dated 4-5-92. The subsidy will be received within 6 months of commencement of commercial production.
3. The Company's profitability projections are based entirely on the manufacture and marketing of OTC drugs, which can be marketed in the USA by registering with the FDA and to other countries without any approval. FDA approval is required only for Prescription drugs and the company has initiated the process of obtaining the same. Any delay in receipt of FDA approval will not adversely affect the profitability of the company.
4. There is no cost overrun consequent to delay in implementation of the project.

EXTERNAL

1. Since the Company will be exporting its products and will be a net foreign exchange earner, the effect of the foreign currency fluctuations will be minimised.
2. The Company has an edge in the international market because of the experience of the promoters in the US Pharmaceutical Industry and the lower cost of production in India. Off-patented prescription drugs, yielding higher margins, are also proposed to be manufactured. Hence, the Company is confident of achieving the profitability projections.

LEAD MANAGERS

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Head Office, Gunfoundry
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PENNAR PATERSON SECURITIES LIMITED
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Chikoti Gardens, Begumpet
Hyderabad - 500 016

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8-3-952/10/2, Srinagar Colony Road
Panjagutta, Hyderabad - 500 016
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Fax : 222684 Grams : SRICORP

Saatchi

If the Company does not receive minimum subscription of 90% of the issued amount including devolvement of underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. For delay beyond 78 days, if any, in refund